NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Kutak Rock LLP, Special Counsel to CDOT and the State Treasurer, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance by CDOT with certain covenants, the portion of the Base Rentals paid by CDOT which is designated and paid as interest, as provided in the Lease, and received by the owners of the Series 2016 Certificates is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax, except that such interest will be included in a corporate taxpayer's adjusted current earnings for purposes of computing its federal alternative minimum tax. Special Counsel is also of the opinion that under existing State of Colorado statutes, to the extent the portion of the Base Rentals paid by CDOT which is designated and paid as interest, as provided in the Lease, and received by the owners of the Series 2016 Certificates, is excluded from gross income for federal income tax purposes, such portion of the Base Rentals is excluded from gross income for State of Colorado income tax purposes and from the calculation of State of Colorado alternative minimum taxable income. See "TAX MATTERS" herein.

$70,000,000
STATE OF COLORADO
COLORADO DEPARTMENT OF TRANSPORTATION
HEADQUARTERS FACILITIES LEASE PURCHASE AGREEMENT
CERTIFICATES OF PARTICIPATION, SERIES 2016

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

The State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2016 (the "Series 2016 Certificates") will be executed and delivered pursuant to, and secured by, an Indenture of Trust, to be dated as of the Closing Date (the "Indenture"), to be entered into by Zions Bank, a division of ZB, National Association, as trustee (the "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 (the "State"), acting by and through the Colorado Department of Transportation ("CDOT"), pursuant to an annually renewable lease purchase agreement to be entered into by the Trustee, as lessor, and CDOT, as lessee, in respect of the Leased Property. The Leased Property will generally consist of CDOT's new Main/District 1 Regional headquarters building to be located in Denver, Colorado (the "Denver Headquarters Building"). *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 2016 Certificates will be used to (i) reimburse CDOT for the purchase of the land upon which the Denver Headquarters Building will be located, (ii) finance the acquisition, construction, improvement and equipping of the Denver Headquarters Building, (iii) fund capitalized interest on the Series 2016 Certificates, and (iv) pay the costs of executing and delivering the Series 2016 Certificates.

Interest on the Series 2016 Certificates, at the rates per annum set forth on the inside front cover of this Official Statement, will be payable semiannually each June 15 and December 15, commencing on June 15, 2017. The Series 2016 Certificates will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2016 Certificates. Beneficial Ownership Interests in the Series 2016 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 2016 Certificates by the rules and operating procedures applicable to the DTC book-entry system as described herein.

Maturity Schedule on the Inside Front Cover

The Series 2016 Certificates are subject to redemption prior to maturity as described herein.

The Series 2016 Certificates are payable solely from the Base Rentals and certain other amounts payable by CDOT pursuant to the Lease, and from certain other amounts comprising the Trust Estate under the Indenture. Payment of Base Rentals and other amounts by CDOT are expected to be paid from amounts annually allocated therefor by the State of Colorado Transportation Commission (the "Transportation Commission"), in its sole discretion, from certain amounts on deposit in the State Highway Fund, pursuant to Section 43-1-212, Colorado Revised Statutes. Upon the occurrence of an Event of Nonallocation or 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.

NO PROVISION OF THE SERIES 2016 CERTIFICATES, THE INDENTURE OR THE LEASE SHALL BE CONSTRUED OR INTERPRETED (I) TO DIRECTLY OR INDIRECTLY OBLIGATE CDOT OR THE STATE TO MAKE ANY PAYMENT IN ANY FISCAL YEAR IN EXCESS OF AMOUNTS ALLOCATED THEREFOR FOR SUCH FISCAL YEAR BY THE TRANSPORTATION COMMISSION; (II) AS CREATING A DEBT OR MULTIPLE FISCAL YEAR DIRECT OR INDIRECT DEBT OR OTHER FINANCIAL OBLIGATION WHATSOEVER OF CDOT OR THE STATE WITHIN THE MEANING OF ARTICLE XI, SECTION 3 OR ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION OR ANY OTHER CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION; (III) AS A DELEGATION OF GOVERNMENTAL POWERS BY CDOT OR THE STATE; (IV) AS A LOAN OR PLEDGE OF THE CREDIT OR FAITH OF CDOT OR AS CREATING ANY RESPONSIBILITY BY CDOT OR THE STATE FOR ANY DEBT OR LIABILITY OF ANY PERSON, COMPANY OR CORPORATION WITHIN THE MEANING OF ARTICLE XI, SECTION 1 OF THE COLORADO CONSTITUTION; OR (V) AS A DONATION OR GRANT BY CDOT OR THE STATE TO, OR IN AID OF, ANY PERSON, COMPANY OR CORPORATION WITHIN THE MEANING OF ARTICLE XI, SECTION 2 OF THE COLORADO CONSTITUTION.

An investment in the Series 2016 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 2016 Certificates are offered when, as and if executed and delivered by the Trustee and accepted by the Underwriters, subject to the approving opinion of Kutak Rock LLP, as Special Counsel to CDOT and the State Treasurer, and certain other conditions. Kutak Rock LLP also has served as disclosure counsel to CDOT and the State Treasurer in connection with this Official Statement. Certain legal matters will be passed upon for CDOT and the State Treasurer by the Attorney General of the State. Certain legal matters will be passed upon for the Underwriters by their counsel, Butler Snow LLP. The Series 2016 Certificates are expected to be delivered through the facilities of DTC on or about December 29, 2016.

Wells Fargo Securities

George K. Baum & Company **Loop Capital Markets**

Date of Official Statement: December 14, 2016

MATURITY SCHEDULE

$70,000,000
STATE OF COLORADO
COLORADO DEPARTMENT OF TRANSPORTATION
HEADQUARTERS FACILITIES LEASE PURCHASE AGREEMENT
CERTIFICATES OF PARTICIPATION, SERIES 2016

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers[1]
2019	$1,745,000	5.000%	1.560%	108.273%	19645TAA5
2020	1,830,000	5.000	1.800	110.690	19645TAB3
2021	1,925,000	3.000	2.050	104.029	19645TAC1
2022	1,980,000	5.000	2.220	114.222	19645TAD9
2023	2,080,000	5.000	2.390	115.539	19645TAE7
2024	2,185,000	5.000	2.540	116.623	19645TAF4
2025	2,295,000	5.000	2.660	117.623	19645TAG2
2026	2,405,000	5.000	2.810	118.082	19645TAH0
2027	2,530,000	5.000	2.940	116.905†	19645TAJ6
2028	2,655,000	3.000	3.210	97.998	19645TAK3
2029	2,735,000	5.000	3.120	115.298†	19645TAL1
2030	200,000	3.250	3.440	97.965	19645TAV9
2030	2,670,000	5.000	3.200	114.592†	19645TAM9
2031	3,010,000	5.000	3.270	113.979†	19645TAN7
2032	3,160,000	5.000	3.330	113.456†	19645TAP2
2033	3,320,000	5.000	3.420	112.678†	19645TAQ0
2034	3,485,000	5.000	3.480	112.162†	19645TAR8
2035	3,660,000	5.000	3.520	111.820†	19645TAS6
2036	3,840,000	5.000	3.560	111.479†	19645TAT4

$22,290,000 5.000% Term Certificates due June 15, 2041 - Yield: 3.000%;
Price: 104.709%††; CUSIP No.[1] 19645TAU1

THE PRICES AT WHICH THE SERIES 2016 CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ABOVE. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE SERIES 2016 CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2016 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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[1] Copyright 2016, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with CDOT and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Series 2016 Certificates. None of CDOT, the State, the State Treasurer or the Underwriters take responsibility for the accuracy of the CUSIP numbers.
† Priced to the par call date of June 15, 2026.
†† Priced to the par call date of June 15, 2019.

NOTICES

This Official Statement does not constitute an offer to sell the Series 2016 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 by CDOT, the State, the State Treasurer or the Underwriters 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 CDOT, the State, the State Treasurer, the Underwriters 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 officers, employees and records of CDOT and the State and other sources believed to be reliable, but this Official Statement is not to be construed as the promise or guarantee of CDOT, the State, the State Treasurer or the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. In accordance with, and as part of, their responsibilities under federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

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 2016 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 2016 Certificates and may not be reproduced or used, in whole or in part, for any other purpose.

The Series 2016 Certificates have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, none of the foregoing authorities 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 2016 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 "THE LEASED PROPERTY," "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION," "STATE FINANCIAL INFORMATION—Pension and Post-Employment Benefits," "APPENDIX D—OSPB SEPTEMBER 2016 REVENUE FORECAST" and "APPENDIX F—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. Neither CDOT nor the State 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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LANDSCAPE - RNL DESIGN
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COLORADO
Department of Transportation

CDOT

HEADQUARTERS - REGION 1

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OFFICIAL STATEMENT

Relating to

$70,000,000
STATE OF COLORADO
COLORADO DEPARTMENT OF TRANSPORTATION
HEADQUARTERS FACILITIES LEASE PURCHASE AGREEMENT
CERTIFICATES OF PARTICIPATION, SERIES 2016

This Official Statement contains information that was either not available or differs from that contained in the Preliminary Official Statement dated December 7, 2016 (the "Preliminary Official Statement"), including without limitation, the aggregate principal amounts, principal amounts per each maturity, interest rates, reoffering yields, prices, CUSIP numbers, estimated sources and uses of funds, redemption provisions and the purchase price to be paid by the Underwriters for the Series 2016 Certificates. Additionally, subsequent to the publication of the Preliminary Official Statement, the Colorado Department of Transportation completed the purchase of the Denver Site; such purchase occurred on December 13, 2016. Accordingly, prospective investors should read this Official Statement in its entirety.

Included in this Official Statement are references to information contained in the September 2016 Revenue Forecast of the Colorado Office of State Planning and Budgeting ("OSPB"). Additionally, appended to this Official Statement as Appendix D is the September 2016 Revenue Forecast. OSPB's December 2016 Revenue Forecast is expected to be released on December 20, 2016. A copy of the December 2016 Revenue Forecast will be available at drive.google.com/file/d/0B0TNL0CtD9wXZVZ4RVZQLXJhRFk/view.

INTRODUCTION

This Official Statement, which includes the cover page, inside front cover, prefatory information and the appendices, furnishes information in connection with the offering and sale of the $70,000,000 State of Colorado, Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2016 (the "Series 2016 Certificates") to be executed and delivered pursuant to an Indenture of Trust, to be dated as of the Closing Date (as defined here) (the "Indenture") by Zions Bank, a division of ZB, National Association, as trustee (the "Trustee"). The Series 2016 Certificates evidence proportionate interests in the right to receive certain amounts payable by the State of Colorado (the "State"), acting by and through the Colorado Department of Transportation ("CDOT"), under an annually renewable lease purchase agreement, to be dated as of the Closing Date (the "Lease"), to be entered into by and between the Trustee, solely as trustee under the Indenture, as lessor, and CDOT, 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 as Appendix A. See also "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE AND THE LEASE." Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings ascribed thereto in the forms of the Indenture and the Lease appended to this Official Statement as Appendix A.

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 2016 Certificates to potential investors is made only by means of the entire Official Statement.

Plan of Finance

The net proceeds derived from the offering and sale of the Series 2016 Certificates will be used to (i) reimburse CDOT for its purchase of certain land in Denver, Colorado, upon which the Denver Headquarters Building (as defined below) will be constructed, (ii) finance the acquisition, construction, improvement and equipping of CDOT's new Main and District 1 Regional headquarters building to be located in Denver, Colorado (the "Denver Headquarters Building"), (iii) fund capitalized interest on the Series 2016 Certificates through June 15, 2018, and (iv) pay the costs of executing and delivering the Series 2016 Certificates (the "Costs of Execution and Delivery"). See "PLAN OF FINANCE."

CDOT

CDOT is an executive department of the State, with all the powers, duties, and privileges permitted by Title 43, Colorado Revised Statutes, as amended. CDOT is under the direction of the Executive Director (the "Executive Director"). CDOT works in conjunction with the State of Colorado Transportation Commission (the "Transportation Commission"), which under Colorado law is responsible for formulating general policy with respect to State public highways and other transportation systems, and which promulgates and adopts all CDOT budgets and all State transportation programs. See "THE COLORADO DEPARTMENT OF TRANSPORTATION—The Transportation Commission" and "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION—Appropriations and Budgetary Process." In cooperation with the Transportation Commission and other State entities and local, federal, and private entities, CDOT is responsible for the planning, development, and construction of public highways and other components of the transportation network for the State. CDOT has no taxing powers. See "THE COLORADO DEPARTMENT OF TRANSPORTATION."

Lease; Leased Property

On the date of execution and delivery of the Series 2016 Certificates (December 29, 2016, the "Closing Date"), CDOT will use a portion of the proceeds of the Series 2016 Certificates to reimburse itself for the prior purchase of approximately 2.99 acres of real property located in the City and County of Denver (the "Denver Site," and together with the Denver Headquarters Building, the "Denver Leased Property") from the Metropolitan Football Stadium District (the "Stadium District"). CDOT purchased the Denver Site on December 13, 2016. CDOT will construct, improve and equip the Denver Headquarters Building on the Denver Site. Concurrently with the execution and delivery of the Series 2016 Certificates, CDOT will lease the Denver Site to the Trustee pursuant to a site lease, to be dated as of the Closing Date (the "Site Lease"). The Trustee will in turn lease the Denver Site and the Denver Headquarters Building (which CDOT will agree to construct and improve pursuant to the Lease) to CDOT pursuant to the Lease. The Denver Headquarters Building will generally consist of a five-story, 175,000 square-foot office building, that will have capacity for approximately 776 full-time employees, a four-story parking garage that will accommodate approximately 428 vehicles and a surface parking lot for approximately 76 vehicles. See "PLAN OF FINANCE—The Project" and "THE LEASED PROPERTY."

The term of the Lease will consist of the initial term commencing on the date of execution of the Lease and extending through June 30, 2017 (the "Initial Term"), plus 24 successive scheduled one year terms (each a "Renewal Term") coinciding with CDOT's July 1/June 30 fiscal year (the "Fiscal Year"). The Initial Term plus all Renewal Terms as to which CDOT exercises its option to renew are referred to herein collectively as the "Lease Term." Pursuant to the Lease, CDOT will agree to pay to the Trustee during the Lease Term base rentals (the "Base Rentals") for the use and possession of the Denver Leased Property (and together with any Sites and Improvements added to the Lease, the "Leased Property") in an annual amount equal to the principal of and interest due on the Series 2016 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 annually allocated therefor by the Transportation Commission, in its sole discretion, from the State Highway Fund, pursuant to Section 43-1-212, Colorado Revised Statutes. The Transportation Commission may determine each year not to allocate moneys for the payment of Base Rentals and Additional Rentals for the following Fiscal Year, and CDOT will be considered to have terminated its obligations under the Lease (an "Event of Nonallocation"). See "—Security and Sources of Payment for the Series 2016 Certificates" below and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES—Payments by CDOT Under the Lease."

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

As of the Closing Date, the Leased Property will only consist of the Denver Leased Property. See "THE LEASED PROPERTY."

The Series 2016 Certificates

Authorization. The Series 2016 Certificates will be executed and delivered by the Trustee pursuant to the Indenture and under authority granted by the Constitution of the State of Colorado (the "State Constitution") and laws of the State. See generally "THE SERIES 2016 CERTIFICATES" and the form of the Indenture appended to this Official Statement as Appendix A.

General Provisions. The Series 2016 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, mandatory sinking fund and extraordinary mandatory redemption prior to maturity as described in "THE SERIES 2016 CERTIFICATES—Redemption Prior to Maturity."

The Series 2016 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 June 15 and December 15, commencing June 15, 2017 (each an "Interest Payment Date").

Book-Entry Only Registration. The Series 2016 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 2016 Certificates. Ownership interests in the Series 2016 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 2016 Certificates and various other matters by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2016 CERTIFICATES—DTC Book-Entry System" and "APPENDIX I—DTC BOOK-ENTRY SYSTEM." References herein to the registered owners of the Series 2016 Certificates 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 2016 Certificates will be made by the Trustee, as paying agent for the Series 2016 Certificates, to Cede & Co., as the Owner of the Series 2016 Certificates, for subsequent credit to the accounts of the Beneficial Owners as discussed in "APPENDIX I—DTC BOOK-ENTRY SYSTEM."

Security and Sources of Payment for the Series 2016 Certificates

Limited Obligations. The Series 2016 Certificates evidence proportionate interests in the right to receive, and are payable solely from, Revenues consisting of the annually allocated Base Rentals and certain other amounts payable by CDOT 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, any purchase option price (if paid) by CDOT under the Lease (the "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 an Event of Nonallocation, 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"). See "THE SERIES 2016 CERTIFICATES—Redemption Prior to Maturity—Extraordinary Mandatory Redemption," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES—Limited Obligations; Revenues," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES—Payments by CDOT Under the Lease," and "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE AND THE LEASE—The Lease."

The Indenture provides that the Series 2016 Certificates do not constitute a mandatory charge or requirement of CDOT 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 CDOT or the State, or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of CDOT or the State, within the meaning of any constitutional or statutory debt provision or limitation. No provision of the Series 2016 Certificates, the Indenture, the Lease, the Site Lease or any other document or instrument may be construed or interpreted: (a) to directly or indirectly obligate CDOT or the State to make any payment in any Fiscal Year in excess of amounts allocated by the Transportation Commission for Base Rentals and Additional Rentals for such Fiscal Year; (b) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of CDOT or 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; (c) as a delegation of governmental powers by CDOT or the State; (d) as a loan or pledge of the credit or faith of CDOT or the State or as creating any responsibility by CDOT or 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 (e) as a donation or grant by CDOT or 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 2016 Certificates will not directly or indirectly obligate CDOT to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those allocated by the Transportation Commission for CDOT's then current Fiscal Year.

Payments by CDOT Under the Lease. The primary source of payment of the Series 2016 Certificates is expected to be the Base Rentals paid by CDOT under the Lease during the Lease Term. Payment of Base Rentals, Additional Rentals and all other payments by CDOT will constitute currently allocated expenditures of CDOT, and pursuant to applicable statutes and subject to the terms of the Lease, CDOT will be obligated to pay such amounts during the Lease Term only from and to the extent moneys are allocated therefor by the Transportation Commission, in its sole discretion, from the State Highway Fund, pursuant to Section 43-1-212, Colorado Revised Statutes. The obligations of CDOT to pay Base Rentals, Additional Rentals and other amounts under the Lease do not constitute an indebtedness of CDOT or the State within the meaning of any provision of the constitution or laws of the State concerning or limiting the creation of indebtedness of CDOT or the State, nor do such obligations constitute a multiple fiscal year direct or indirect debt or other financial obligation of CDOT or the State within the meaning of Section 3 of Article XI of the State Constitution or 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 or statutes. In the event the Transportation Commission does not allocate sufficient funds for the Base Rentals and any Additional Rentals estimated to become due in a Fiscal Year, CDOT will be considered to have terminated the Lease, and the sole security available to the Trustee, as lessor under the Lease, will be 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 FOR THE SERIES 2016 CERTIFICATES—Payments by CDOT Under the Lease" and "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE AND THE LEASE—The Lease."

CDOT 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 Purchase Option Price, being an amount sufficient to redeem or defease all the outstanding Series 2016 Certificates and any Additional Certificates executed and delivered pursuant to the Indenture as described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES—Additional Certificates" and pay all Additional Rentals payable through the date on which the Leased Property is conveyed to CDOT or its designee. See "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE AND THE LEASE—The Lease—CDOT's Purchase Option."

If the Lease is terminated as the result of the occurrence of an Event of Nonallocation or a Lease Event of Default, the Lease will terminate, CDOT will be required to vacate the Leased Property within 90 days 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 AND THE LEASE—The Lease—Lease Term" and "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

Legal and Tax Matters

Kutak Rock LLP is serving as special counsel to CDOT and the State Treasurer ("Special Counsel") in connection with the execution and delivery of the Series 2016 Certificates and will deliver its approving opinion substantially in the form appended to this Official Statement as Appendix H. Kutak Rock LLP also has served as disclosure counsel to CDOT and the State Treasurer in connection with this Official Statement. Certain legal matters will be passed upon for CDOT and the State Treasurer by the Attorney General of the State. Certain legal matters will be passed upon for the Underwriters (as defined under "UNDERWRITING") by their counsel, Butler Snow LLP.

In the opinion of Special Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance by CDOT with certain covenants, the portion of the Base Rentals paid by CDOT which is designated and paid as interest, as provided in the Lease, and received by the owners of the Series 2016 Certificates is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax, except that such interest will be included in a corporate taxpayer's adjusted current earnings for purposes of computing its federal alternative minimum tax. Special Counsel is also of the opinion that under existing State of Colorado statutes, to the extent the portion of the Base Rentals paid by CDOT which is designated and paid as interest, as provided in the Lease, and received by the owners of the Series 2016 Certificates, is excluded from gross income for federal income tax purposes, such portion of the Base Rentals is excluded from gross income for State of Colorado income tax purposes and from the calculation of State of Colorado alternative minimum taxable income. See generally "LEGAL MATTERS," "TAX MATTERS" and "APPENDIX H—FORM OF OPINION OF SPECIAL COUNSEL."

Investment Considerations

An investment in the Series 2016 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 2016 Certificates, the State, acting by and through the State Treasurer, will enter into a Continuing Disclosure Undertaking, the form of which is appended to this Official Statement as Appendix G, pursuant to which the State will agree for the benefit of the Owners and Beneficial Owners of the Series 2016 Certificates to file with the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access ("EMMA") system (a) certain annual financial information and the State's audited annual financial statements not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2016, and (ii) notices of the occurrence of enumerated events within ten business days of their occurrence. See "CONTINUING DISCLOSURE—Series 2016 Certificates" and "APPENDIX G—FORM OF CONTINUING DISCLOSURE UNDERTAKING."

For a discussion of the recent compliance by CDOT and the State with its continuing disclosure undertakings, 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 Treasurer. See "APPENDIX E—CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION." Development Research Partners, Inc. has consented to the inclusion of such information in this Official Statement. Neither CDOT nor the State assume any 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.

Additional Information

Brief descriptions of the Series 2016 Certificates, the Indenture, the Lease, the Site Lease 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 and the Site Lease are appended to this Official Statement as Appendix A. During the offering period, copies of other documents referred to herein may be obtained from CDOT's Financial Advisor at: Stifel, Nicolaus & Company, Incorporated, at 1125 17th Street, Suite 1600, Denver, Colorado 80202, telephone number: (303) 291-5288.

Forward Looking Statements

This Official Statement, including, but not limited to, the information set forth in "THE LEASED PROPERTY," "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION," "STATE FINANCIAL INFORMATION—Pension and Post-Employment Benefits," "APPENDIX D—OSPB SEPTEMBER 2016 REVENUE FORECAST" and "APPENDIX F—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. Neither CDOT nor the State 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.

Miscellaneous

The cover page, inside front cover, prefatory information and the 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 CDOT, the State, the State Treasurer or the Underwriters. 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.

CDOT and the State maintain certain websites, the information on which is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2016 Certificates.

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 CDOT, the State or the State Treasurer and the Owners or Beneficial Owners of the Series 2016 Certificates.

PLAN OF FINANCE

Plan of Finance

The net proceeds derived from the offering and sale of the Series 2016 Certificates will be used to (i) reimburse CDOT for its purchase of the Denver Site (which occurred on December 13, 2016), (ii) finance the acquisition, construction, improvement and equipping of the Denver Headquarters Building, (iii) fund capitalized interest on the Series 2016 Certificates through June 15, 2018, and (iv) pay the Costs of Execution and Delivery.

The Project

The "Project" will consist of the purchase of the Denver Site (approximately 2.99 acres) and the design, construction and equipping of the Denver Headquarters Building. The Denver Headquarters Building will generally consist of a five-story, 175,000 square-foot office building, a four-story parking garage that will accommodate approximately 428 vehicles and a surface parking lot for approximately 76 vehicles. The office building will have approximately 35 private offices and an open office environment for the remainder of the employees, and various conference rooms and an auditorium. The office building will have capacity for approximately 776 full-time employees. CDOT has entered into a Design/Build Guaranteed Maximum Price Contract with J.E. Dunn Construction Company. As of the date of this Official Statement, 100% of the design and engineering work has been completed for the Denver Headquarters Building. Construction is expected to begin in December 2016 and is expected to be completed in April 2018.

The purchase of the Denver Site and the design, construction and equipping of the Denver Headquarters Building is budgeted at approximately $70 million. CDOT purchased the Denver Site from the Stadium District for $6 million on December 13, 2016. The design, construction and equipping of the Denver Headquarters Building is budgeted at approximately $64 million (including approximately $4.4 million for furniture, fixtures and equipment and approximately $3.4 million for contingency). Up to approximately $1.9 million of the contingency is expected to be used for environmental clean-up of the Denver Site as further described under "THE LEASED PROPERTY—Denver Leased Property—Environmental Mitigation of the Denver Leased Property." The costs of acquiring the furniture, fixtures and equipment will be paid with a portion of the proceeds of the Series 2016 Certificates, but the furniture, fixtures and equipment will not be included in the Leased Property under the Lease.

Sale of CDOT's Current Headquarters and Other Buildings

CDOT's current Main headquarters is located in Denver in a building that was constructed in the 1950's that houses approximately 500 employees. Additionally, CDOT's current District 1 Regional headquarters building is located in Denver in a building that was constructed in 1956 that houses approximately 130 employees. In order for CDOT to remain in these buildings substantial improvements would be required to be made to the buildings. After reviewing several options, CDOT decided that its best option was to purchase the Denver Site, construct the Denver Headquarters Building on that site and consolidate its Main headquarters and its District 1 Regional headquarters into one building. Some functions currently undertaken at the current Main headquarters and the District 1 Regional headquarters are expected to be relocated to other CDOT facilities. After the Denver Headquarters Building is completed and CDOT has moved into the office building (currently expected to be in April 2018), CDOT plans to sell the current Main headquarters building and the current District 1 Regional headquarters building. At the time of sale of the current Main headquarters building and the current District 1 Regional headquarters building, CDOT may, but is not required to, use the proceeds of such sale, along with certain other moneys CDOT expects to receive from the sale of certain other properties, to redeem all or a portion of the Series 2016 Certificates maturing on June 15, 2041. CDOT currently expects to receive approximately $20 million of sale proceeds. See "THE SERIES 2016 CERTIFICATES—Redemption Prior to Maturity—Optional Redemption."

Estimated Sources and Uses of Funds

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

Sources	
Principal of Series 2016 Certificates	$70,000,000.00
Net Original Issue Premium	7,017,143.00
Total Sources	$77,017,143.00
Uses	
Deposit to Project Account	$71,390,187.71
Capitalized Interest[1]	4,974,937.22
Costs of Execution and Delivery and Underwriters' Discount[2]	652,018.07
Total Uses	$77,017,143.00

[1] To be used to pay interest on the Series 2016 Certificates through June 15, 2018.

[2] Such amount (other than Underwriters' discount) will be deposited to the Costs of Execution and Delivery Account of the Construction Fund and will be used to pay costs of issuance including legal fees, rating agency fees, printing costs and Financial Advisor's fees. For information with respect to the Underwriters' discount, see "UNDERWRITING."

THE SERIES 2016 CERTIFICATES

The following is a summary of certain provisions of the Series 2016 Certificates during such time as the Series 2016 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 as Appendix A, for the detailed provisions pertaining to the Series 2016 Certificates, including provisions applicable in the event of the discontinuance of participation in the DTC book-entry system.

General Provisions

The Series 2016 Certificates will be executed and delivered by the Trustee in the aggregate principal amount of $70,000,000 pursuant to the Indenture and under authority granted by the State Constitution and laws of the State, including, without limitation, Section 43-1-212, Colorado Revised Statutes, as amended ("C.R.S.") (the "Enabling Legislation").

The Series 2016 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, mandatory sinking fund and extraordinary mandatory redemption prior to maturity as described in "—Redemption Prior to Maturity" below.

Interest on the Series 2016 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 2016

Certificates and will be payable semiannually on each Interest Payment Date, being each June 15 and December 15, commencing June 15, 2017.

DTC Book-Entry System

The Series 2016 Certificates will be executed and delivered 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 2016 Certificates. Beneficial Ownership Interests in the Series 2016 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 Series 2016 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 I—DTC BOOK-ENTRY SYSTEM."

Principal and interest payments with respect to the Series 2016 Certificates are payable by the Trustee, as paying agent for the Series 2016 Certificates, to Cede & Co., as the Owner of the Series 2016 Certificates, for subsequent credit to the accounts of the Beneficial Owners as discussed in "APPENDIX I—DTC BOOK-ENTRY SYSTEM."

None of the Trustee, CDOT, the State or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant, (b) 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 2016 Certificates under the Indenture, (c) the payment by DTC or any DTC Participant of any amount received under the Indenture with respect to the Series 2016 Certificates, (d) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2016 Certificates or (e) any other related matter.

Redemption Prior to Maturity

Optional Redemption. The Series 2016 Certificates will be subject to optional redemption prior to maturity as follows:

(a) the Series 2016 Certificates maturing on June 15, 2041 will be subject to redemption prior to maturity on June 15, 2019, and on any date thereafter, in whole or in part in Authorized Denominations, and if in part by lot within such maturity, at a redemption price equal to the principal amount of such Series 2016 Certificates redeemed plus accrued interest to the redemption date, without premium; and

(b) the Series 2016 Certificates maturing on or after June 15, 2027 (other than the Series 2016 Certificates maturing on June 15, 2041) will be subject to redemption prior to maturity on June 15, 2026, and any date thereafter, in whole or in part in Authorized Denominations, and if in part, in such order of maturities as CDOT directs and by lot within a maturity, at a redemption price equal to the principal amount of the Series 2016 Certificates to be redeemed plus accrued interest to the redemption date, without premium. See also "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE AND THE LEASE—The Lease—CDOT's Purchase Option."

With respect to any optional redemption of the Series 2016 Certificates, if less than all of the Series 2016 Certificates are to be optionally redeemed at any one time, as described above, CDOT may select the maturities, principal amounts and, with respect to any Series 2016 Certificates that are subject to mandatory sinking fund redemption as set forth below, the principal amounts subject to mandatory sinking fund redemption in any year to be redeemed. If CDOT does so select any principal amount subject to mandatory sinking fund redemption in any year, it will deliver to the Trustee a new mandatory sinking fund redemption schedule for such Series 2016 Certificates reflecting the reduction in such principal amount subject to mandatory sinking fund redemption due to such optional redemption.

Mandatory Sinking Fund Redemption. The Series 2016 Certificates maturing on June 15, 2041 (the "Series 2016 Term Certificates") are subject to mandatory sinking fund redemption on June 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2016 Term Certificates will be selected for redemption on each mandatory sinking fund redemption date by lot, rounded to the nearest Authorized Denomination.

Mandatory Sinking Fund Redemption Date (June 15)	**Principal Amount**
2037	$4,035,000
2038	4,235,000
2039	4,445,000
2040	4,670,000
2041*	4,905,000

* Maturity Date

At its option, to be exercised on or before the forty-fifth day next preceding each mandatory sinking fund redemption date, CDOT may (i) deliver to the Trustee for cancellation any Series 2016 Certificates with the same maturity date as the Series 2016 Term Certificates and (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for any Series 2016 Certificates with the same maturity date as the Series 2016 Term Certificates which prior to such date have been redeemed (otherwise than by mandatory sinking fund redemption) and cancelled and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Series 2016 Certificate so delivered or previously redeemed will be credited at the principal amount thereof to the mandatory sinking fund redemption obligation on the mandatory sinking fund redemption dates by lot, and the principal amount of Series 2016 Term Certificates to be redeemed as part of such mandatory sinking fund redemption on such dates shall be accordingly reduced.

Extraordinary Mandatory Redemption. The Series 2016 Certificates are subject to mandatory redemption in whole upon the occurrence of any of the following events:

(a) the Lease is terminated following an Event of Nonallocation;

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

(c) (i) any portion of the Leased Property is destroyed or damaged by fire or other casualty, (ii) title to, or the temporary or permanent use of, any portion of the Leased Property or the estate of CDOT 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, (iii) a breach of warranty or any material defect with respect to any portion of the Leased Property becomes apparent, or (iv) title to or the use of any portion of the Leased Property is lost by reason of a defect in the title thereto (referred to in the Indenture as a “Property Damage, Defect or Title Event”); and both (A) 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 (B) CDOT does not elect to (1) to use the Net Proceeds and other moneys paid by CDOT 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; (2) apply the Net Proceeds to the payment by CDOT of the Purchase Option Price for the entire Leased Property or such portion of the Leased Property, or (3) substitute property for the affected portion of the Leased Property. 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 Series 2016 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 Series 2016 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 Series 2016 Certificates, the Trustee may, or at the request of the Owners of a majority in aggregate principal amount of the outstanding Series 2016 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 Series 2016 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 Series 2016 Certificates. IF THE NET PROCEEDS RESULTING FROM THE EXERCISE OF SUCH REMEDIES UNDER THE LEASE AND OTHER MONEYS ARE INSUFFICIENT TO REDEEM THE OUTSTANDING SERIES 2016 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 SERIES 2016 CERTIFICATES ACCORDING TO THE PRINCIPAL AMOUNT THEREOF OUTSTANDING. IF THE SERIES 2016 CERTIFICATES ARE REDEEMED UPON THE OCCURRENCE OF AN EVENT DESCRIBED ABOVE FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT OF THE SERIES 2016 CERTIFICATES PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT WILL BE DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE SERIES 2016 CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO OWNER OF THE SERIES 2016 CERTIFICATES WILL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE TRUSTEE OR CDOT.

Notice of Redemption. Whenever Series 2016 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 2016 Certificates to be redeemed (initially only Cede & Co.) at their registered addresses. The Trustee is also required to make available to CDOT and any Owner at all reasonable times information as to Series 2016 Certificates which have been redeemed or called for redemption.

Any notice of optional 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 2016 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 2016 Certificates called for redemption in the same manner as the original redemption notice was given.

During such time as the Series 2016 Certificates are subject to the DTC book-entry system, the Trustee will be required to send notices of redemption of the Series 2016 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 2016 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 2016 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 2016 Certificates and accrued interest thereon to the redemption date), interest on the Series 2016 Certificates, or portions thereof, being redeemed will cease to accrue.

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BASE RENTALS AND SERIES 2016 CERTIFICATES PAYMENT SCHEDULE

Set forth in the following table is a schedule of the Base Rentals relating to the Leased Property to become due and payable under the Lease if the Lease is renewed by CDOT for the full Lease Term, which also constitutes the payment schedule for the Series 2016 Certificates. See also "THE SERIES 2016 CERTIFICATES—Redemption Prior to Maturity—Optional Redemption."

Base Rentals and Series 2016 Certificate Payment Schedule

Fiscal Year Ended June 30	Principal[2]	Interest[2,3]	Total
2017	$ –	$ 1,570,037	$ 1,570,037
2018	–	3,404,900	3,404,900
2019	1,745,000	3,404,900	5,149,900
2020	1,830,000	3,317,650	5,147,650
2021	1,925,000	3,226,150	5,151,150
2022	1,980,000	3,168,400	5,148,400
2023	2,080,000	3,069,400	5,149,400
2024	2,185,000	2,965,400	5,150,400
2025	2,295,000	2,856,150	5,151,150
2026	2,405,000	2,741,400	5,146,400
2027	2,530,000	2,621,150	5,151,150
2028	2,655,000	2,494,650	5,149,650
2029	2,735,000	2,415,000	5,150,000
2030	2,870,000	2,278,250	5,148,250
2031	3,010,000	2,138,250	5,148,250
2032	3,160,000	1,987,750	5,147,750
2033	3,320,000	1,829,750	5,149,750
2034	3,485,000	1,663,750	5,148,750
2035	3,660,000	1,489,500	5,149,500
2036	3,840,000	1,306,500	5,146,500
2037	4,035,000	1,114,500	5,149,500
2038	4,235,000	912,750	5,147,750
2039	4,445,000	701,000	5,146,000
2040	4,670,000	478,750	5,148,750
2041	4,905,000	245,250	5,150,250
Total[1]	$70,000,000	$53,401,187	$123,401,187

[1] Totals may not sum due to rounding.

[2] Principal of the Series 2016 Certificates is payable on June 15 and interest on the Series 2016 Certificates is payable on June 15 and December 15. The Principal Portion and Interest Portion of the Base Rentals are payable by CDOT during the Lease Term three business days prior to the related principal and interest payment dates on the Series 2016 Certificates.

[3] Includes capitalized interest to be paid from proceeds of the Series 2016 Certificates through June 15, 2018.

Source: The Financial Advisor

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SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES

Limited Obligations; Revenues

The Series 2016 Certificates evidence proportionate interests in the right to receive Revenues and are secured by and payable solely from the Trust Estate.

The Trust Estate is defined in the Indenture as:

(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, any Purchase Option Price paid by CDOT and any Net Proceeds;

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

(d) all right, title and interest of the Trustee in, to and under all Project Contracts, which, immediately upon execution and delivery will automatically be included in the Trust Estate; and;

(e) all money and securities from time to time held by the Trustee under the Indenture in the Base Rentals Fund and the Construction Fund (but not the Rebate Fund, or any defeasance escrow fund or account established pursuant to the Indenture), 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 under the Indenture, by any person in favor of the Trustee, which will accept any and all such property and hold and apply the same subject to the terms hereof.

The Revenues are defined in the Indenture as:

- all amounts payable by or on behalf of CDOT or with respect to the Leased Property pursuant to the Lease, including, but not limited to, all Base Rentals, any prepayments of Base Rentals under the Lease, any Purchase Option Price paid by CDOT and any 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 CDOT Under the Lease, "—Base Rentals Fund" and "—Construction Fund" under this caption, as well as "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE AND THE LEASE—The Lease—CDOT's Purchase Option."

The Indenture provides that the Series 2016 Certificates do not constitute a mandatory charge or requirement of CDOT 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 CDOT or the State or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of CDOT or the State, within the meaning of any constitutional or statutory debt provision or limitation. No provision of the Series 2016 Certificates, the Indenture, the Lease, the Site Lease or any other document or instrument is to be construed or interpreted: (i) to directly or indirectly obligate CDOT or the State to make any payment in any Fiscal Year in excess of amounts allocated by the Transportation Commission 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 CDOT or 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 CDOT or the State; (iv) as a loan or pledge of the credit or faith of CDOT or the State or as creating any responsibility by CDOT or 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 CDOT or 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 2016 Certificates will not directly or indirectly obligate CDOT to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those allocated by the Transportation Commission for CDOT's then current Fiscal Year.

Payments by CDOT Under the Lease

The primary source of payment of the Series 2016 Certificates is expected to be the Base Rentals paid by CDOT. Pursuant to the Lease, CDOT 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 2016 Certificates. CDOT's obligation under the Lease to pay Base Rentals is subject to CDOT's annual right to terminate the Lease upon the occurrence of an Event of Nonallocation.

CDOT also has the option, but not the obligation, to terminate the Lease at any time by paying the Purchase Option Price for the entire Leased Property.

CDOT may pay the Base Rentals, Additional Rentals and other obligations under the Lease solely from amounts annually allocated therefor by the Transportation Commission, in its sole discretion, from certain amounts on deposit in the State Highway Fund, pursuant to Section 43-1-212, Colorado Revised Statutes. However, the Lease does not, and may not be construed to, pledge or create a lien on any class or source of moneys of CDOT to the payments of CDOT's obligations under the Lease.

All payment obligations of CDOT 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 CDOT's then current Fiscal Year. Payment of Base Rentals, Additional Rentals and all other payments by CDOT under the Lease will constitute currently allocated expenditures of CDOT. All obligations of CDOT under the Lease are subject to the action of the Transportation Commission in annually making moneys available for payments thereunder. The obligations of CDOT to pay Base Rentals and Additional Rentals and all other obligations of CDOT under the Lease are subject to allocation of moneys sufficient to pay the same by the Transportation Commission in its sole discretion, and will not be deemed or construed as creating an indebtedness of CDOT or the State within the meaning of any provision of the constitution or laws of the State concerning or limiting the creation of indebtedness of CDOT or the State, nor do such obligations constitute a multiple fiscal year direct or indirect debt or other financial obligation of CDOT or the State within the meaning of Section 3 of Article XI of the State Constitution or 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 or statutes. In the event CDOT 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 AND THE LEASE—The Lease—Payments By CDOT," "Event of Nonallocation" and "Limitations on Obligations of CDOT and 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 the provisions 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 Series 2016 Certificates on the next Interest Payment Date.

Base Rentals Fund

The Indenture establishes in the custody of the Trustee the "State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement 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 be used solely for the payment of the principal of and interest on the Series 2016 Certificates and any Additional Certificates 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 the provisions of the Indenture.

Construction Fund

The Indenture establishes in the custody of the Trustee the "State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Construction Fund" (the "Construction Fund"), and, within such fund, a Costs of Execution and Delivery Account and a Project Account.

Project Account. Upon the delivery of the Series 2016 Certificates, proceeds of the Series 2016 Certificates will be deposited to the Project Account. Additionally, any excess moneys on deposit in the Costs of Execution and Delivery Account will be transferred to the Project Account. So long as no Lease Event of Default or Event of Nonallocation has occurred, moneys held in the Project Account are to be disbursed to pay the costs of the Project upon receipt of a requisition signed by a CDOT Representative and such other documents and certificates as the Trustee may reasonably request to evidence the proper expenditure of moneys from the Project Account. If CDOT exercises its option to purchase the entire Leased Property pursuant to the provisions of the Lease, CDOT will be permitted to apply any amounts still held in the Project Account toward the payment of the Purchase Option Price therefor.

Upon receipt of the written certificate from CDOT evidencing the occurrence of the completion of the Project, any moneys remaining in the Project Account will be transferred to the Base Rentals Fund and applied as a credit against Base Rental payments in accordance with the Lease.

If a Lease Event of Default or an Event of Nonallocation has occurred, the Trustee will either disburse moneys held in the Project Account as provided in the preceding paragraph or apply such moneys as provided in Article VII of the Indenture.

Costs of Execution and Delivery Account. Upon the delivery of the Series 2016 Certificates, proceeds of the Series 2016 Certificates will be deposited to the Costs of Execution and Delivery Account. So long as no Lease Event of Default or Event of Nonallocation has occurred, payments from the Costs of Execution and Delivery Account will 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 2016 Certificates. So long as no Lease Event of Default or Event of Nonallocation has occurred, the Trustee will transfer to the Project Account all moneys that remain in the Costs of Execution and Delivery Account as of the date that is 180 days after the Closing Date.

Additional Certificates

So long as no Indenture Event of Default[1], Lease Event of Default or Event of Nonallocation 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 in the Indenture, without the consent of the Owners of the Outstanding Certificates. The principal of any Additional Certificates is required to mature on June 15, and the interest payment dates therefor are to be the same as the Interest Payment Dates for the Series 2016 Certificates. Otherwise, the times and amounts of payment and prior redemption provisions, 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 of Outstanding Certificates, solely to provide moneys to fund either or both of the following:

(a) the costs of acquiring, constructing, improving and/or installing any New Facility, or of acquiring a site for any New Facility (and costs reasonably related thereto);

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

(c) refunding or refinancing of all or any portion of Outstanding Certificates (including the Series 2016 Certificates).

Additional Certificates may be executed and delivered only upon there being furnished to the Trustee: (i) originally executed counterparts of a supplemental indenture and related amendments to the Site Lease and the Lease, which amendments shall, in the case of Additional Certificates issued for one of the purposes set forth in clause (a) of the previous paragraph, provide for the addition of the New Facility and include the amendments required by Section 9.05 of the Lease, a form of which is appended to this Official Statement as Appendix A; (ii) a commitment or other evidence that the amount of the title

[1] An Indenture Event of Default includes (a) the failure to pay the principal of, premium, if any, or interest on any Series 2016 Certificate or Additional Certificate when due, and (b) an Event of Nonallocation. For more information about Indenture Events of Default and associated remedies, see Article VII of the Indenture, a form of which is appended to this Official Statement as Appendix A.

insurance policy or policies 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 will be the maximum insurable value of the real property included in the Leased Property; (iii) a written opinion of Special Counsel to the effect that: (A) the execution and delivery of the Additional Certificates has been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled; (B) 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 (C) 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 set forth in the Indenture or in the Lease; (iv) with respect to Additional Certificates being executed and delivered for the purpose set forth in clause (a) of the previous paragraph, a certificate by CDOT certifying that the Fair Market Value of the New Facility is at least 90% of the aggregate principal amount of such Additional Certificates; (v) with respect to Additional Certificates being executed and delivered for the purpose set forth in clause (b) of the previous paragraph, the documents required by Section 8.05 or 8.06 of the Lease, as applicable; and (f) written directions from the underwriter, placement agent, purchaser or purchasers in respect of the Additional Certificates, together with written acknowledgment of CDOT 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 the 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 (including the Series 2016 Certificates) and in respect of all Revenues, and will be ranked *pari passu* with such Outstanding Certificates and with any subsequent series of Additional Certificates.

See "THE LEASED PROPERTY—Additions to Leased Property" for a discussion of CDOT's expectation to execute and deliver Additional Certificates to finance or refinance certain facilities located, or to be located, in Aurora, Pueblo, Greeley and Platteville.

SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE AND THE LEASE

The following is a summary of selected provisions of the Site Lease and the Lease. 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 and the Lease, the forms of which are appended to this Official Statement as Appendix A.

The Site Lease

The Site Lease, will be dated as of and entered into on the Closing Date by and between CDOT, as site lessor, and Zions Bank, a division of ZB, National Association, solely in its capacity as the Trustee under the Indenture, as site lessee. Pursuant to the Site Lease, CDOT will lease the Leased Property and any improvements located thereon as of the date of the Site Lease to the Trustee for a term ending on June 30, 2046.

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 (a) June 30, 2046, (b) 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 CDOT pursuant to the Lease, or (c) conveyance of the Leased Property to CDOT pursuant to the Lease. See "—The Lease—CDOT'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 CDOT 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 2016 Certificates to pay for the acquisition, construction and installation 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 CDOT pursuant to the Lease. 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, an Event of Nonallocation or an Indenture Event of Default.

Substitution of Other Property for the Leased Property. If CDOT 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 CDOT 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, has been given to the Trustee by CDOT, unless CDOT 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, CDOT 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, CDOT 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 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 will be deemed to occur as a result of the exercise of any remedy by CDOT under the Site Lease. So long as any of the Certificates are outstanding and unpaid in accordance with the terms thereof, (a) 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 (b) the Site Lease will not be terminated except as described in "Term" above.

Amendments to the Site Lease. The Site Lease may be amended only in accordance with the provisions of the Indenture.

The Lease

The Lease will be dated as of and entered into on the Closing Date by and between Zions Bank, a division of ZB, National Association, solely in its capacity as the Trustee under the Indenture, as lessor, and CDOT, as lessee. Pursuant to the Lease, the Trustee will lease to CDOT the Trustee's leasehold estate in the Leased Property under the Site Lease.

Lease Term. The Lease Term will be comprised of (a) the Initial Term, which will commence on the date that the Lease is executed and delivered and end on June 30, 2017, plus (b) 24 successive scheduled one-year Renewal Terms that coincide with CDOT'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 30 of the Initial Term or of any Renewal Term during which an Event of Nonallocation has occurred; (c) the purchase of the Trustee's interest in all the Leased Property by CDOT pursuant to the Lease; or (d) termination of the Lease following a Lease Event of Default in accordance with the Lease. Notwithstanding clause (b) above, an Event of Nonallocation will not be deemed to occur if, on or before August 15 of the ensuing Fiscal Year, (i) the Transportation Commission has allocated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonallocation, and (ii) CDOT has paid all Base Rentals and Additional Rentals due during the period from June 30 through the date of such allocation or authorization.

Upon termination of the Lease Term, all unaccrued obligations of CDOT under the Lease will terminate, but all obligations of CDOT that have accrued thereunder prior to such termination will continue until discharged in full; and if the termination occurs because of the occurrence of an Event of Nonallocation or a Lease Event of Default, CDOT's right to possession of the Leased Property thereunder will terminate and (i) CDOT, within 90 days, is to vacate the Leased Property; and (ii) if and to the extent the Transportation Commission has allocated funds for payment of Base Rentals and Additional Rentals payable during, or with respect to CDOT'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), CDOT 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 an Event of Nonallocation 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 and the Indenture appended to this Official Statement as Appendix A.

Payments by CDOT. Pursuant to the Lease, CDOT 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 2016 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 CDOT to pay Base Rentals and Additional Rentals during the Lease Term, to the extent allocated by the Transportation Commission 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 CDOT and the Trustee, or between CDOT or the Trustee and any other party relating to the Leased Property, CDOT 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 CDOT of any rights, claims or defenses which CDOT may assert. No action or inaction on the part of the Trustee is to affect CDOT's obligation to pay Base Rentals and Additional Rentals during the Lease Term.

Event of Nonallocation. Pursuant to the provisions of the Lease, the Executive Director of CDOT or such other officer of CDOT who is responsible for formulating budget proposals for CDOT 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 Transportation Commission during the Lease Term; and (ii) include in each annual budget proposal submitted to the Transportation Commission 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 CDOT that any decision to continue or to terminate the Lease will be made solely by the Transportation Commission, in its sole discretion, and not by any other department, agency or official of CDOT.

An Event of Nonallocation will be deemed to have occurred, subject to CDOT's right to cure as provided below, on June 30 of any Fiscal Year if the Transportation Commission has, on such date, failed, for any reason, to allocate 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, an Event of Nonallocation will not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Transportation Commission has allocated or otherwise authorized the expenditure of amounts sufficient to avoid a Lease Event of Default, and (ii) CDOT has paid all Base Rentals and Additional Rentals due during the period from June 30 through the date of such allocation or authorization.

If CDOT 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, CDOT is to 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 the failure to give such notice will not (i) constitute a Lease Event of Default or an Indenture Event of Default, (ii) prevent CDOT from terminating the Lease or (iii) result in any liability on the part of CDOT.

Limitations on Obligations of CDOT and the State. Payment of Base Rentals and Additional Rentals and all other payments by CDOT are subject to the limitations described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES—Payments by CDOT Under the Lease."

No provision of the Series 2016 Certificates, the Indenture, the Lease the Site Lease or any other document or instrument is to be construed or interpreted (i) to directly or indirectly obligate CDOT or the State to make any payment in any Fiscal Year in excess of amounts allocated by the Transportation Commission 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 CDOT or 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 CDOT or the State; (iv) as a loan or pledge of the credit or faith of CDOT or State or as creating any responsibility by CDOT or 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 CDOT or 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 CDOT, nor does any provision of the Lease restrict the future issuance of any obligations of CDOT, payable from any class or source of moneys of CDOT; provided, however, that the restrictions set forth in the Indenture will apply to the issuance of Additional Certificates.

CDOT's Purchase Option. The Lease grants to CDOT the option to purchase the Trustee's leasehold interest as to all of the Leased Property (or following the addition of any New Facilities to the Leased Property in the future, any portion of the Leased Property specified in the Lease), and thereby terminate the Lease, by paying to the Trustee the Purchase Option Price, being an amount which is sufficient to: (a) redeem or defease the outstanding Certificates allocable to the Leased Property or the portion thereof being released; and (b) pay all Additional Rentals payable through the date on which the Leased Property is conveyed to CDOT or its designee pursuant to the Indenture. The Purchase Option Price will be reduced by any available moneys in the funds and accounts created under the Indenture.

Notwithstanding the foregoing, the Lease provides that, if any Additional Certificates are issued to add any New Facilities to the Leased Property, and CDOT later elects to pay a Purchase Option Price with respect to a specified portion of the Leased Property, the Denver Leased Property will not be released prior to any other portion of the Leased Property, except under the circumstances in which the Stadium District, as the seller of the Denver Site to CDOT, shall be entitled to repurchase the Denver Leased Property (at a purchase price no less than the amount needed to fully defease the Series 2016 Certificates) described in clause (c) under "THE LEASED PROPERTY—Denver Leased Property—Limitations on Use of Denver Leased Property—Purchase and Sale Agreement."

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

CDOT has no obligation to exercise such purchase option. See also Article IX of the Lease, a form of which is appended to this Official Statement as Appendix A.

Operation, Maintenance and Insurance of Leased Property. CDOT 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. CDOT is permitted to sublease all or any portion of the Leased Property, subject to compliance with its tax covenant in the Lease. See Articles VII and VIII of the Lease, a form of which is appended to this Official Statement as Appendix A and "THE LEASED PROPERTY—Property Damage, Defects or Title Events." See also "THE LEASED PROPERTY—Denver Leased Property—Limitations on Use of Denver Leased Property.

Modifications to and Substitution of the Leased Property. The Lease permits CDOT, at its 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, 8.06 and 8.08 of the Lease, a form of which is appended to this Official Statement as Appendix A and "THE LEASED PROPERTY—Substitution of Leased Property by CDOT."

Personal Property. The Lease permits CDOT, at its 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, CDOT will make various covenants regarding the Leased Property, as well as covenants designed to preserve the tax-exempt status of the interest on the Series 2016 Certificates. See generally Article IX of the Lease, a form of which is appended to this Official Statement as Appendix A.

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:

(a) failure by CDOT to pay any specifically allocated 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;

(b) failure by CDOT to pay any Additional Rentals for which funds have been specifically allocated 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 Series 2016 Certificates, the Leased Property or the interest of the Trustee in the Leased Property;

(c) failure by CDOT to vacate the Leased Property within 90 days following an Event of Nonallocation;

(d) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of CDOT 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 CDOT in the Leased Property in violation of the Lease; or

(e) failure by CDOT to observe and perform any covenant, condition or agreement, other than as referred to in clause (a), (b), (c) or (d) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied is given to CDOT 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) CDOT will be obligated to pay Base Rentals and Additional Rentals only during the Lease Term, except as otherwise described in clause (ii) of the last paragraph of "Lease Term" above; and (ii) if, by reason of *Force Majeure*, CDOT 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, CDOT will not be deemed in default during the continuance of such inability; provided, however, that CDOT is to, as promptly as legally and reasonably possible, remedy the cause or causes preventing CDOT from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances are to be solely within the discretion of CDOT.

Upon the occurrence and continuation of a Lease Event of Default, the Trustee may take one or any combination of the following remedial steps:

(i) terminate the Lease Term and give notice to CDOT to vacate the Leased Property;

(ii) sell or lease its interest in all or any portion of the Leased Property;

(iii) recover any of the following from CDOT that is not recovered pursuant to paragraph (ii) above: (A) the portion of Base Rentals and Additional Rentals payable pursuant to clause (ii) of the last paragraph of "Lease Term" above; (B) the portion of Base Rentals for the then current Fiscal Year that has been specifically allocated by the Transportation Commission, regardless of when CDOT vacates the Leased Property; and (C) the portion of the Additional Rentals for the then current Fiscal year that has been specifically allocated by the Transportation Commission, 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, CDOT vacates the Leased Property;

(iv) 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 (a form of which is appended to this Official Statement as Appendix A) by specific performance, writ of mandamus or other injunctive relief; and

(v) 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 CDOT provided in the Lease.

The Trustee also will 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 CDOT by reason of a Lease Event of Default only as to certain liabilities of CDOT as described in the Lease. Likewise, a judgment requiring a payment of money may be entered against CDOT by reason of an Event of Nonallocation, or a failure to vacate the Leased Property following an Event of Nonallocation, only to the extent provided in clause (A) of paragraph (iii) 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 Lease, a form of which is appended to this Official Statement as Appendix A, 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 as Appendix A.

No Individual Liability. All covenants, stipulations, promises, agreements and obligations of CDOT or the Trustee, as the case may be, contained in the Lease are the covenants, stipulations, promises, agreements and obligations of CDOT or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of CDOT, 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 CDOT, 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 LEASED PROPERTY

Denver Leased Property

Description of the Denver Leased Property. The Denver Leased Property under the Site Lease and the Lease will consist of the site and improvements thereon comprising the Denver Site and CDOT's new Main and District 1 Regional headquarters building to be located at 2829 West Howard Place in Denver, Colorado. The Denver Headquarters Building will generally consist of a five-story, 175,000 square-foot office building that will have capacity for approximately 776 full-time employees, a four-story parking garage that will accommodate approximately 428 vehicles and a surface parking lot for approximately 76 vehicles. The Denver Headquarters Building will be located directly adjacent to a light rail stop that is four stops from the hub of the Regional Transportation District's light rail system. It also will be located near the intersection of two major arterial highways (Federal Boulevard and Colfax Avenue), and will be within a half mile of Colorado's major North/South Interstate (I-25). The Denver Site will consist of approximately 2.99 acres and a 0.462 acre access easement. Upon completion of the Denver Headquarters Building, CDOT expects the Denver Leased Property will have a Fair Market Value of approximately $65,625,000. See "PLAN OF FINANCE—The Project."

Zoning and Entitlements of Denver Leased Property. The only uses allowed by the current zoning for the Denver Site are adult entertainment and sport or entertainment facility, coliseum, or exhibition building. All other uses must be approved by the City and County of Denver (the "City") through a special review application process. CDOT applied to the City, and the City approved, use of the Denver Site for a 175,000 square foot office building (non-dental/non-medical) by special review. CDOT, as a State entity, is not required to go through the entitlement process required by the City's zoning code. The City will only approve concept and engineering plans for the Denver Headquarters Building. The Denver Headquarters Building and the other improvements on the Denver Site will be constructed under the State Buildings Department requirements, which includes inspection and code compliance review and approval from a third-party independent code reviewer. Thus, the City will not issue a zoning permit, building permit or certificate of occupancy for the Denver Headquarters Building and the other improvements to be constructed on the Denver Site.

The Denver Headquarters Building will exceed the maximum gross floor area limitation set forth in the City's zoning code. As a State entity, CDOT is not required to obtain a variance from the City zoning code for this exceedance. Thus, the Denver Headquarters Building will not comply with the City zoning code regarding maximum gross floor area. If CDOT is no longer the tenant of the Denver Headquarters Building, it is unclear whether the City will consider the Denver Headquarters Building to be a State building. If the Denver Headquarters Building is not a State building, the City planning department has indicated that the Denver Headquarters Building would be considered a non-compliant or non-conforming structure under the City's zoning code. In such an event, additional City restrictions will apply to the use and operation of the Denver Headquarters Building and the Denver Site and there can be no assurance that the Trustee will be able to lease the Denver Headquarters Building and the Denver Site to someone other than CDOT; and if the Trustee is able to lease the Denver Headquarters Building and the Denver Site to someone other than CDOT, there can be no assurance that the related lease payments will be sufficient to pay all of the principal of and interest on the Series 2016 Certificates. See "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

Environmental Mitigation of the Denver Leased Property. A Phase I Environmental Site Assessment, as amended (the "Phase I") was conducted for the Denver Site through the City's Brownfields program. The Phase I identified a number of on-site and off-site Recognized Environmental Conditions ("RECs"), including lead and polynuclear aromatic hydrocarbon ("PAH") impact to soil; chlorinated volatile organic compound ("VOC") impact to groundwater; elevated concentrations of VOCs in soil gas, particularly benzene; and a layer of fill, observed to consist of coal fragments, brick and brick fragments, glass shards, wood fragments, and rubber. In addition to the Phase I, a Phase II Environmental Site Assessment (the "Phase II") was conducted for the Denver Site. The Phase II was designed to assess potential impacts to soil, groundwater, and soil gas at the Denver Site as a result of the RECs. Sampling locations were selected across the Denver Site, with bias to the south based on the RECs. Soil gas samples were biased to the proposed footprint for the Denver Headquarters Building. Cleanup or remediation of the Denver Site is not proposed. Rather, environmental impacts and associated exposure risk will be managed on-site. On-site management of the RECs will be accomplished through the use of a materials management plan, which will be applicable both during and after construction of the Denver Headquarters Building. The RECs also will be managed on-site by use of engineered barriers (i.e., pavement, "clean" soil cover, and a passive vapor mitigation system ("VMS")), and an institutional control (i.e., deed restriction or environmental covenant) post construction.

To proceed with on-site management of the RECs, a Colorado Voluntary Clean-Up Program ("VCUP") application, a tax credit notification letter, and an authorization letter from the property owners must be submitted to the Colorado Department of Public Health and Environment ("CDPHE") for its review and approval. CDPHE has up to 45 days to review the VCUP application. CDPHE provides a letter stating that the application has been approved for the property to enter into the VCUP. The VCUP for the Denver Site was submitted to CDPHE on October 11, 2016, and on December 2, 2016, CDPHE provided CDOT a letter approving the VCUP for the Denver Site. Environmental-related activities to the Denver Site are scheduled to begin in December 2016, and be completed by March 2017. Construction of the Denver Headquarters Building is tentatively scheduled to be completed by April 2018. Once construction is completed, CDOT will be required to prepare and submit a Completion Report to CDPHE that will summarize the remediation activities undertaken on the Denver Site. Following submission of the Completion Report, CDPHE will have 45 days to review, approve, and provide a No Action Determination Letter (a "NAD Letter"), if it has no comments or concerns with respect to the remediation activities undertaken on the Denver Site. Once CDPHE issues a NAD Letter, the use of the Denver Leased Property will be limited to commercial use, with no groundwater use; and subject to materials management practices for future subsurface work, protective measures for the VMS, and maintenance of pavement and "clean cover" used as engineered barriers. A deed restriction or environmental covenant is planned for the Denver Leased Property, the use of which will establish ongoing controls, and most likely restrict future use of the property to commercial office use. An annual report will be required to be submitted to CDPHE. Any changes to the use of the Denver Leased Property or new construction would require additional CDPHE involvement. See "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

Limitations on Use of Denver Leased Property.

Purchase and Sale Agreement. Pursuant to the Purchase and Sale Agreement, executed and delivered by the Stadium District and CDOT, the Stadium District sold, and CDOT purchased, the Denver Site on December 13, 2016 for a purchase price of $5,999,999. CDOT will use a portion of the proceeds of the Series 2016 Certificates to reimburse itself for the $5,999,999 purchase price. At the time of purchase of the Denver Site, the Stadium District and CDOT entered into a Post-Closing Agreement and Covenant (the "Post-Closing Agreement"), that will be binding upon any future users of the Denver Site and the Denver Headquarters Building. The Post-Closing Agreement includes, among other provisions, certain restrictions on the use of the Denver Leased Property. Certain of these restrictions include:

(a) CDOT will only use the Denver Leased Property as commercial, administrative and executive offices;

(b) the Denver Leased Property cannot be used for any of the following purposes, without the prior written consent of the Stadium District: adult amusement or entertainment; adult bookstores; adult theaters; sexually oriented commercial enterprises; gasoline filling stations; automobile repair; all residential uses; all hotels and lodging uses; hospitals; child care facilities; schools; retail sale of sport memorabilia or professional sports team clothing; sports restaurants or sports bars; marijuana sales; or marijuana cultivation, testing or storage; and

(c) the Stadium District has the right to repurchase the Denver Site (at a purchase price no less than the amount needed to fully defease the Series 2016 Certificates) if CDOT does not begin construction of the Denver Headquarters Building within one year of the effective date of the Post-Closing Agreement or CDOT does not complete construction of the Denver Headquarters Building within 3 years of the date CDOT begins grading on the Denver Site.

See "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

Parking Lease. CDOT's use of the Denver Leased Property will additionally be limited by the terms of a parking lease (the "Parking Lease") between CDOT and Stadium Management Company, LLC ("SMC"), that was executed concurrently with the sale of the Denver Site by the Stadium District to CDOT. The Parking Lease provides for the use by employees of SMC and the Denver Broncos organization and other workers at the nearby stadium, currently known as Sports Authority Field at Mile High (the "Stadium"), of a portion of the parking spaces in the parking garage and surface lot to be constructed on the Denver Site to serve the Denver Headquarters Building. Such use will be limited to days on which National Football League games will be played at the Stadium and to not more than 15 additional events per calendar year to be held in the Stadium.

The leasehold interest of SMC in the Denver Leased Property under the Parking Lease will be subordinated to the Trustee's interest in the Denver Leased Property under the Site Lease, but will survive any termination by CDOT of the Lease and limit the use of the Denver Leased Property by any subsequent lessee thereof.

Additions to Leased Property

The Leased Property also will include any and all additions or modifications to, or replacements of, the existing improvements, as well as any real property or buildings leased by CDOT to the Trustee pursuant to a future amendment to the Site Lease and leased by CDOT 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 FOR THE SERIES 2016 CERTIFICATES—Additional Certificates."

As of the date of this Official Statement, CDOT expects to amend the Site Lease and the Lease during calendar year 2017, to add the following New Facilities to the Leased Property: (a) several maintenance buildings that will be located in and constructed in Aurora, Colorado (the "Aurora Maintenance Facilities"), (b) its District 2 Regional headquarters building that will be located and constructed in Pueblo, Colorado (the "Pueblo Headquarters Building"), (c) its District 4 Regional headquarters building that is located in Greeley, Colorado (the "Greeley Headquarters Building"), and (d) a maintenance building located in Platteville, Colorado (the "Platteville Maintenance Facility"). In connection with amending the Site Lease and the Lease and adding these properties to the Leased Property, CDOT expects Additional Certificates will be executed and delivered in calendar year 2017 in the estimated aggregate principal amount of $55 million (the "Series 2017 Certificates"). The proceeds of the Series 2017 Certificates will be used to construct and improve the Aurora Maintenance Facilities and the Pueblo Headquarters Building and to reimburse CDOT for the moneys it previously expended constructing and improving the Greeley Headquarters Building and the Platteville Maintenance Facility. However, CDOT may decide not to add these properties and facilities to the Site Lease, Lease and Leased Property and the Series 2017 Certificates may not be executed and delivered.

Aurora Maintenance Facilities. The Aurora Maintenance Facilities will be located on approximately 17.3 acres in Aurora, Colorado, at 18500 East Colfax Avenue. CDOT owns a total of approximately 33 acres at this location, but only expects to use 17.3 acres for the Aurora Maintenance Facilities. The Aurora Maintenance Facilities are expected to include seven buildings to support maintenance activities of CDOT, consisting of a water quality management training facility (1,700 square feet), a highway sign production shop (15,500 square feet), a traffic vehicle storage facility and office (10,000 square feet), a motor pool mechanic's shop (17,080 square feet), a traffic signals shop and offices (6,500 square feet), a sand shed (4,000 square feet), and a magnesium chloride containment facility (2,000 square feet). Additionally, CDOT is expected to undertake a complete re-grading of the site to correct existing drainage problems. The re-grading work will include a large detention pond and piping to assist with site drainage. The total cost to construct, improve and equip the Aurora Maintenance Facilities (including the re-grading work) is projected to be approximately $16 million.

Pueblo Headquarters Building. The Pueblo Headquarters Building will be located on approximately 12 acres in north Pueblo, Colorado on the northeast corner of the intersection of Outlook Boulevard and Wills Boulevard. The property is expected to be improved with an administrative building that will house both CDOT's District 2 Regional headquarters and Colorado State Patrol employees. It also is expected to contain a heavy duty mechanics shop and a regional storeroom for CDOT (the "maintenance building"). The administrative building is expected to consist of 42,984 square feet, and the maintenance building is expected to consist of 53,982 square feet. The Colorado State Patrol portion of the buildings is expected to consist of 12,224 square feet and contain a 911 dispatch center, an evidence processing and storage facility, two garage bays and a trooper office. The buildings (both administrative and maintenance) will be able to accommodate approximately 140 full time employees. The total cost to construct, improve and equip the Pueblo Headquarters Building is projected to be approximately $28.9 million.

Greeley Headquarters Building. The Greeley Headquarters Building is located on approximately 15 acres in Greeley, Colorado at 10601 10th Street. The Greeley Headquarters Building consists of a 38,200 square foot administrative building, a 6,670 square foot light duty maintenance building, a storage space and evidence room for the Colorado State Patrol, and an 11,000 square foot vehicle storage facility building. The Greeley property also contains an approximately 5,000 square foot building that existed before construction of the new buildings. The Colorado State Patrol occupies 4,400 square feet of the administrative building and approximately 1,355 square feet of the light duty maintenance building. The portions of the Greeley property leased to the Colorado State Patrol will not be part of the Site Lease or the Lease. Construction of the Greeley Headquarters Building was completed in November 2015 at a total cost of approximately $17 million ($1.3 million of which was paid by the Colorado State Patrol).

Platteville Maintenance Facility. The Platteville Maintenance Facility is located on an approximately 57 acre parcel of land in Platteville, Colorado at 12897 CR 40. The Platteville Maintenance Facility consists of a 12-bay traffic and patrol building, a 40,000 square feet heavy duty mechanics shop and regional storeroom and a sand shed. The 12-bay building and heavy equipment mechanics shop and regional storeroom facility each include several offices, restrooms and other administrative type support functions. All of the buildings are pre-engineered metal buildings. Construction of the Platteville Maintenance Facility was completed in November 2015 at a total cost of approximately $8.2 million.

As currently contemplated by CDOT, following the execution and delivery of the Series 2017 Certificates, the Leased Property would include the following properties with the following Fair Market Values:

Leased Property	Land/Existing Buildings Value[1]	Cost of Improvements[2]	Fair Market Value[4]
Denver Headquarters Building and Denver Site	$ 5,999,999	$ 59,625,000	$ 65,624,999
Aurora Maintenance Facilities	2,068,773	16,024,000	18,092,773
Pueblo Headquarters Building	680,000	27,985,155	28,665,155
Greeley Headquarters Building	1,348,225	14,768,333 [3]	16,116,558
Platteville Maintenance Facility	180,000	8,171,960 [3]	8,351,960
Total	$10,276,997	$126,574,448	$136,851,445

1 Includes only land and building values. The value of the Denver Site was determined pursuant to three independent appraisals. The value of the site upon which the Aurora Maintenance Facilities will be located was determined pursuant to a real estate broker's opinion. The site upon which the Pueblo Headquarters Building will be located was donated to CDOT and its value was determined pursuant to a real estate broker's opinion. The value of the site upon which the Greeley Headquarters Building is located was determined pursuant to the amount CDOT paid for the site. The value of the site upon which the Platteville Maintenance Facility is located was determined pursuant to the amount CDOT paid for the site.

2 Does not include costs of furniture, fixtures and equipment. Cost of improvements are expected to be funded with proceeds of the Series 2016 Certificates and the Series 2017 Certificates.

3 Construction of the Greeley Headquarters Building and the Platteville Maintenance Facility was completed in 2015. Numbers shown are the actual costs to CDOT to construct the Greeley Headquarters Building and the Platteville Maintenance Facility, not including the costs of furniture, fixtures and equipment, if any.

4 See definition of "Fair Market Value" in the Indenture, which is appended to this Official Statement as Appendix A.

Source: CDOT

Operation and Maintenance of the Leased Property; Insurance

The Lease obligates CDOT 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

CDOT pay as 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 (including the Series 2016 Certificates), and to maintain public liability insurance in respect of the activities undertaken by CDOT in connection with the Leased Property. See generally Articles VII and VIII of the Lease, a form of which is appended to this Official Statement as Appendix A, as well as "—Property Damage, Defect or Title Events" below and "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE—Self-Insurance."

Substitution of Leased Property by CDOT

The Lease permits CDOT to substitute other property for the Leased Property with the consent of the Trustee, subject to the conditions specified in Sections 8.05 and 8.06 of the Lease, a form of which is appended to this Official Statement as Appendix A.

Property Damage, Defect or Title Events

The Lease requires CDOT to repair, restore, modify, improve or replace any Leased Property that is (a) destroyed or damaged by fire or other casualty, (b) taken under the exercise of the power of eminent domain, (c) subject to a breach of warranty or a material defect or (d) 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 Section 8.07 of the Lease, a form or which is appended to this Official Statement as Appendix A. See also "Operation and Maintenance of the Leased Property; Insurance" above, "THE SERIES 2016 CERTIFICATES—Redemption Prior to Maturity—Extraordinary Mandatory Redemption" and "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

THE COLORADO DEPARTMENT OF TRANSPORTATION

General

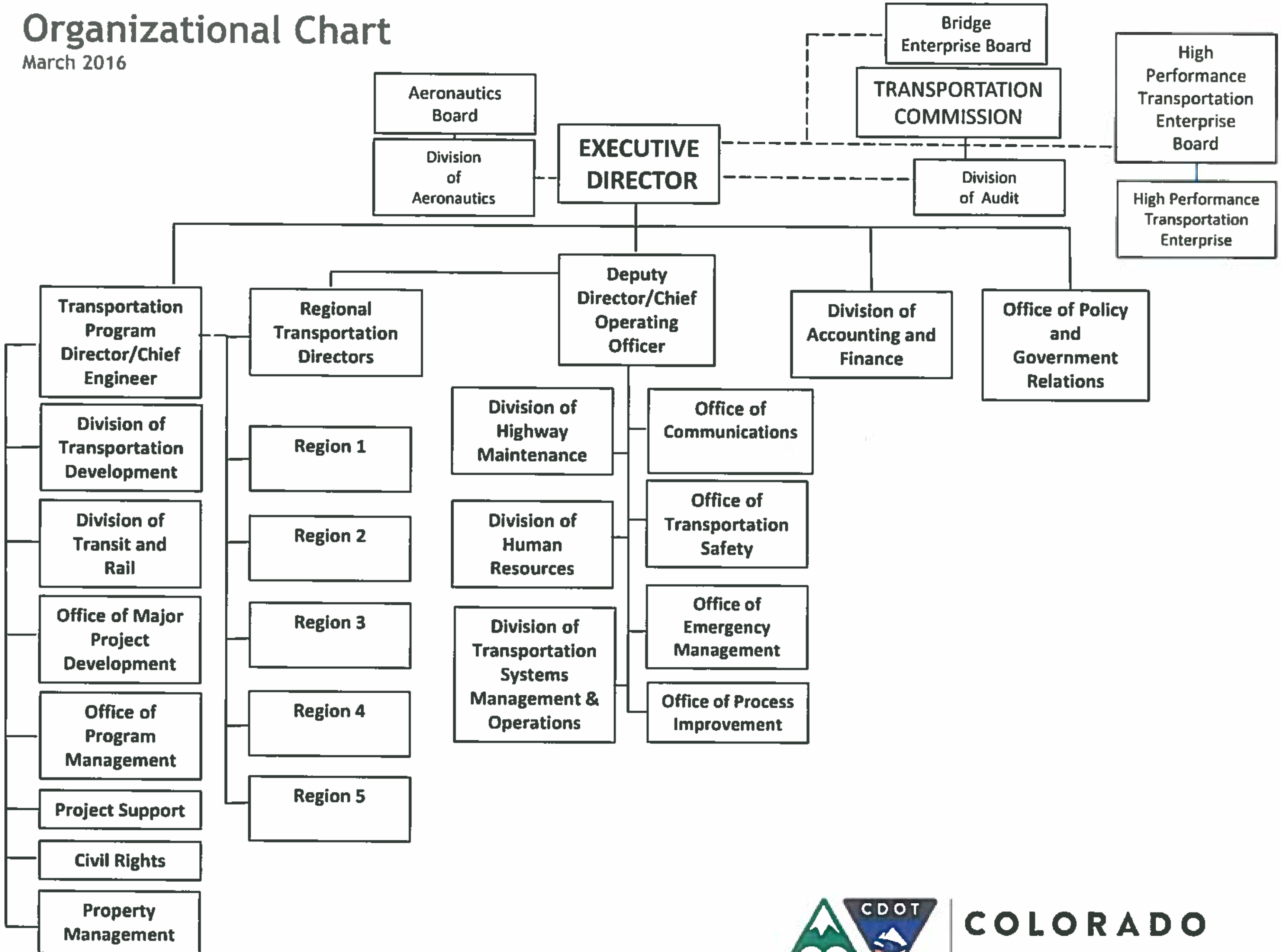
CDOT, in conjunction with the Transportation Commission and other State, local, federal, and private entities, is responsible for the planning, development, and construction of public highways and other components of the transportation network for the State. CDOT is established by State statute as an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

Organization of Department

CDOT is under the direction of the Executive Director, who is appointed by the Governor of the State with the consent of the Senate and who serves at the pleasure of the Governor. CDOT's organizational chart is provided on the next page, and a brief description of each unit follows.

Organizational Chart

March 2016



CDOT CO COLORADO Department of Transportation

Office of the Executive Director. The Executive Director is established by State statute as the head of CDOT, is appointed by the Governor of the State with the consent of the State Senate, and serves at the pleasure of the Governor. The Executive Director is responsible for the overall direction for and management of CDOT. State statute provides that the Executive Director is to plan, develop, construct, coordinate, and promote an integrated transportation system in cooperation with federal, regional, local, and other State agencies and with private individuals and organizations concerned with transportation planning and operations in the State; to initiate such comprehensive planning measures and authorize such studies and other research as he or she deems necessary for the development of an integrated transportation system; and to exercise general supervisory control over and coordinate the activities, functions, and employees of CDOT and its divisions.

Division of the Chief Engineer. The Division of the Chief Engineer is established under State statute, and includes the Office of the Chief Engineer and Staff Branches. The Chief Engineer is required to be a registered, professional engineer with a minimum of ten years' responsible engineering experience, including management and organization in the field of highway engineering. The Chief Engineer is appointed by the Executive Director, and has direct control and management of the functions of the Division. The Chief Engineer, subject to the supervision of the Executive Director, is responsible for awarding contracts for the construction and maintenance of the State highways and mass transportation projects. The Chief Engineer has the authority to take and hold real property in the name of CDOT, to accept federal moneys available for highways and other public transportation purposes, and to represent CDOT in negotiating intergovernmental agreements. The Chief Engineer also has overall direction of the Intelligent Transportation Systems Program, the five transportation regions, and Director of Staff Branches, and is responsible for the duties formerly assigned to the Deputy Chief Engineer, which position has been eliminated. The Staff Branches' activities include oversight of construction, maintenance, safety, right-of-way, bridge/roadway design, environmental, and materials testing. The Staff Branches provide support to the engineering regions in establishing construction specifications and standards, tracking and evaluating maintenance activities, delivering safety programs, and coordinating environmental activities.

Division of Accounting and Finance. The Division of Accounting and Finance is responsible for the overall financial management of CDOT. The Division forecasts revenue, develops the Statewide Transportation Improvement Program, develops budgetary procedures and forms, prepares the budget for all CDOT organizations, manages CDOT's Transportation Revenue Anticipation Notes program, programs federal aid projects, analyzes pending legislation for potential fiscal impacts on CDOT, and prepares fiscal notes for the Legislative Council. Information developed by the Division is utilized by management, the Transportation Commission, the Governor's Office, the Colorado Office of State Planning and Budgeting ("OSPB"), the Joint Budget Committee, the Legislative Council, legislative committees, the Federal Highway Administration ("FHWA"), the Federal Transit Administration, local governments, and the general public.

Engineering Regions. CDOT has established five Engineering Regions across the State in order to decentralize many of its construction and maintenance project functions and maximize contact with local governments, industry, and the public. Each CDOT Engineering Region is a semi-autonomous operating entity covering all aspects of CDOT operations for that Region. Thus, each Region covers engineering, maintenance, planning and environmental, traffic, right-of-way and surveying, utilities, and human resource management for its area.

Division of Transportation Operations. The Division of Transportation Operations is responsible for the planning, development, and administration of a statewide program designed to reduce congestion and improve the safety, security, mobility, and efficient utilization of Colorado's existing highway system. The Division is formed on the belief and commitment that CDOT can do more to operate Colorado's existing surface transportation system so that it performs better to meet customer expectations through activities other than building new capacity. The Division currently includes the Intelligent Transportation Systems Branch that operates one primary transportation operation center, a 511 system, traveler information system (COTrip), dispatches courtesy patrols, oversees the development of the CDOT application for mobile devices, and manages an evolving Intelligent Transportation System network. The Division leads the planning to define strategic and operational goals and develop a detailed reorganization plan to align CDOT's organizational structure with its operational goals. The Division manages delivery of timely and meaningful traveler information in corridors through state of the art technology; active traffic management programs, such as managed lanes, peak period shoulder lanes, variable speed limits, and adaptive signal management; shocks (such as weather, incidents, and construction) to the transportation system through timely and effective planning and response; special events in and around corridors; operation contracts for heavy tow and courtesy patrols; existing and new traffic operation centers; operational rules and regulations; and travel demand management strategies and programs.

The Transportation Commission

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

Current Operations

General. The State highway system covers 9,146 miles and each year handles over 27 billion vehicle miles of travel. CDOT oversees surface treatment, other construction, maintenance, and operations with respect to the State highway system, as well as operating certain miscellaneous and local programs. The surface treatment program is designed to reduce deterioration of and preserve and maintain the surface condition of the State highway system, based on surface condition objectives established by the Transportation Commission in 1994. Other construction programs include CDOT's repair or replacement of structurally deficient bridges on the State highway system, miscellaneous safety construction and enhancements, and construction to address regional priorities. CDOT's highway maintenance program, consisting of regular maintenance and snow and ice removal activities, covers eight regions within the State and includes an additional maintenance unit to service the Eisenhower/Johnson Memorial Tunnel on 1-70 and a Traffic and Safety Engineering section that is responsible for signals, signing, and striping in the Denver metropolitan area. Nearly two-thirds of CDOT's staff is dedicated to highway maintenance, and CDOT's maintenance program budget for Fiscal Year 2016-17 totals $588.1 million, with approximately $76.1 million allocated to snow and ice removal. CDOT's operations program covers CDOT's administration, as well as engineering costs not attributable to construction projects. Miscellaneous programs include the activities of CDOT's Aeronautics Division as well as safety education programs. CDOT's Intelligent Transportation Systems Program is designed to provide drivers real-time information from the CDOT Traffic Operations Center on road and weather conditions, closures, detours, and delays. CDOT also oversees certain transit-related and local programs. For Fiscal Year 2015-16, CDOT's total budget covering all its programs was $1.497 billion. For Fiscal Year 2016-17, CDOT's total budget covering all its programs is $1.433 billion.

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

Transportation Plans

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

COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION

General

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

State Highway Fund (CDOT Operating Fund)

General. Except to the extent payable from the proceeds of the Series 2016 Certificates and income from the investment thereof, from the Net Proceeds of certain insurance policies, from the Net Proceeds of leasing of or a liquidation of the Trustee's interest in the portion of the Leased Property included in the Trust Estate (see "THE LEASED PROPERTY") or from other amounts made available under the Indenture, the Series 2016 Certificates and the interest thereon are payable solely from Revenues, consisting principally of the Base Rentals and the Purchase Option Price, if paid. Base Rental payments may be made solely from amounts annually allocated therefor by the Transportation Commission from the State Highway Fund, pursuant to Section 43-1-212, Colorado Revised Statutes.

State Highway Fund. The State Highway Fund, established pursuant to Section 43-1-219, Colorado Revised Statutes, is the primary operating fund used by CDOT to manage State transportation projects. The State Highway Fund receives revenue from the Highway Users Tax Fund ("HUTF"), various other revenue and fees, federal funds, and the General Fund of the State. See Appendices B and C appended to this Official Statement. Only certain moneys on deposit in the State Highway Fund will be available to pay Base Rentals (mainly certain amounts transferred from the HUTF). In Fiscal Years 2014-15 and 2015-16, approximately 28.4% (or $437.0 million) and 25.4% (or $438.5 million), respectively, of the deposits to the State Highway Fund consisted of revenues from the HUTF that would have been available to pay Base Rentals. In Fiscal Year 2016-17, CDOT expects that approximately 29.8% (or $426.5 million) of the deposits to the State Highway Fund will consist of revenues from the HUTF that would have been available to pay Base Rentals. As described below under "—Appropriations and Budgetary Process—The Budget Process" over 97% of CDOT's budget is automatically appropriated each Fiscal Year pursuant to statutory continuing appropriation and is subject to annual approval and allocation by the Transportation Commission. The Base Rentals are part of the budget that is subject to continuing appropriation. In addition to the Base Rentals, budgeting for operations, construction, and maintenance activities are part of the budget that is subject to continuing appropriation. The other major source of revenue to the State Highway Fund is federal grants and contracts, which are not available to pay the Base Rentals.

In addition to serving as CDOT's primary operating fund, the State Highway Fund serves as a secondary source of security for the State's Education Loan Program Tax and Revenue Anticipation Notes program. Proceeds of the notes are used by the State to make loans payable within the same Fiscal

Year to school districts within the state which participate in the program. To the extent that any school district fails to repay a loan within such Fiscal Year, the State may use certain State funds, including the State Highway Fund, to purchase a portion of the notes corresponding to the unpaid underlying loan obligation. As of the date of this Official Statement, the State had $275,000,000 of outstanding Education Loan Program Tax and Revenue Anticipation Notes. Additionally, the State expects to issue additional Education Loan Program Tax and Revenue Anticipation Notes in the approximate amount of $350 million in January 2017.

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

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

State Motor Fuel Tax Rates

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

As described below, motor fuel tax revenues in the HUTF are subject to distribution to CDOT, other State entities, and counties and cities in the State based on various legislative formulas. State motor fuel taxes generated $599.4 million (60.0%) of the total HUTF revenues in Fiscal Year 2014-15 and $609.7 million (59.1%) of the total HUTF revenues in Fiscal Year 2015-16, and which is expected to generate $577.9 million (57.2%) of the total HUTF revenues in Fiscal Year 2016-17. The State's motor fuel tax generated $305.2 million (20.0%) of total CDOT revenues in Fiscal Year 2014-15 and $307.0 million (19.5%) of total CDOT revenues in Fiscal Year 2015-16, and is expected to generate $298.5 million (20.8%) of total CDOT revenues in Fiscal Year 2016-17.

The remaining portion of HUTF revenues are comprised of

(i) motor vehicle registration and other fees, which together generated $206.7 million (20.3%) of the total HUTF revenues and $109.0 million (8.0%) of total CDOT revenues in Fiscal Year 2014-15, $210.3 million (20.4%) of the total HUTF revenues and $109.6 million (7.0%) of total CDOT revenues in Fiscal Year 2015-16, and which are expected to generate $214.5 million (21.2%) of the total HUTF revenues and $106.6 million (7.4%) of total CDOT revenues in Fiscal Year 2016-17; and

(ii) FASTER Revenues, which generated $104.1 million (7.7%) of total CDOT revenues in Fiscal Year 2014-15 and $107.3 million (6.8%) of total CDOT revenues in Fiscal Year 2015-16, and are expected to generate $107.8 million (7.5%) of total CDOT revenues in Fiscal Year 2016-17. *FASTER Revenues will not be available to make payments of any Base Rentals, Additional Rentals or the Option Purchase Price.* CDOT utilizes the FASTER Revenues for various purposes (including the funding of infrastructure and transit improvements).

HUTF revenues are distributed to CDOT and other State and local entities according to various legislative formulas. Prior to making any distributions from the HUTF to CDOT, counties and municipalities, the General Assembly funds the Colorado State Patrol and portions of the Department of Revenue's Motor Vehicles Division through annual appropriations from HUTF. These "off-the-top" deductions amounted to $125.8 million (12.4%) of the total HUTF in Fiscal Year 2014-15, and $131.1 million (12.7%) of the total HUTF in Fiscal Year 2015-16, and are expected to be $130.9 million (13%) of the total HUTF in Fiscal Year 2016-17. By statute, the "off-the-top" deductions may not increase more than 6% annually and may grow to the level of 23% of the HUTF's total income from the previous Fiscal Year.

Remaining HUTF revenues are statutorily divided into three separate funding streams. Principal first stream revenues are distributed 65% to CDOT, 26% to counties and 9% to municipalities and include:

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

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

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

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The following table sets forth the amount of HUTF revenues received by CDOT in Fiscal Years 2007-08 through 2015-16 that would have been available to pay Base Rentals.

HUTF Revenue to CDOT
Available to Pay Base Rentals
Fiscal Years 2007-08 through 2015-16
(Dollars in millions)

Fiscal Year	HUTF Revenue[1]
2007	$422.1
2008	433.0
2009	408.9
2010	406.0
2011	409.9
2012	414.0
2013	406.2
2014	418.6
2015	437.0
2016	438.5

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

S.B. 09-228. In 2009, the General Assembly approved, and the Governor signed into law, Senate Bill 09-228 ("S.B. 09-228"), which eliminated an annual percentage growth limit on appropriations from the State's General Fund. Two prior bills, Senate Bill 97-001 and House Bill 02-1310, which transferred general fund revenue in excess of the appropriation limit to the State Highway Fund, were also repealed by S.B. 09-228. S.B. 09-228 requires a five year sequence of conditional transfers of up to 2.0% of gross general fund revenue to the State Highway Fund. These transfers commenced in Fiscal Year 2015-16 when CDOT received $199.2 million. CDOT expects to receive approximately $158.0 million of S.B. 09-228 funds in Fiscal Year 2016-17. However, Governor Hickenlooper's proposed Fiscal Year 2017-18 budget, released in November 2016, proposes cutting CDOT's S.B. 09-228 funding by approximately $100 million in Fiscal Year 2017-18. S.B. 09-228 moneys are required to be spent on projects included in the Strategic Transportation Projects Investment Category Program (commonly known as the "7th Pot Projects") and are not available to make payments of any Base Rentals, Additional Rentals or the Option Purchase Price.

Other Revenues

CDOT receives a variety of other revenues, many of which are dedicated to specific uses and, therefore, are not available to make payments of any Base Rentals, Additional Rentals or the Option Purchase Price. The largest source of restricted revenues are moneys CDOT receives from the federal government through a number of programs for highway, safety, transit and motor carrier projects, generally known as the Federal-Aid Highway Program (the "FAHP"). The FAHP is administered by FHWA. Payments to states under the FAHP are derived from amounts in the Federal Highway Trust Fund. CDOT received $684.2 million of FAHP funding in Fiscal Year 2014-15, and $720.6 million in Fiscal Year 2015-16, and expects to receive $626.2 million in Fiscal Year 2016-17. FAHP amounts received by CDOT are not available to make payments of any Base Rentals, Additional Rentals or the Option Purchase Price.

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

Additionally, CDOT receives certain unrestricted miscellaneous revenues from interest income, various permits, rentals of buildings in CDOT right-of-way, and sales of property. Such revenues would be available to make payments on the Series 2016 Certificates. Such unrestricted miscellaneous revenues totaled approximately $36.5 million in Fiscal Year 2014-15, and approximately $27.2 million for Fiscal Year 2015-16, and are expected to total approximately $27.0 million for Fiscal Year 2016-17. There is no assurance that CDOT will continue to receive such miscellaneous revenues in the future. See "RISKS AND OTHER INVESTMENT CONSIDERATIONS—Economic Conditions Affecting Revenues" and the page following the inside cover of this Official Statement regarding forward looking statements.

Selected State and CDOT Financial Information

Included as Appendix B to this Official Statement are certain tables that set forth a Combined Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the HUTF for Fiscal Years 2011-12 through 2014-15 (audited) and for Fiscal Year 2015-16 (unaudited). These tables were taken from the financial statements of the State as of and for Fiscal Years 2011-12 through 2014-15, which are audited by the State Auditor (the Auditor"), and from the State's Fiscal Year 2015-16 unaudited Basic Financial Statements, or "BFS." The State's Fiscal Year 2014-15 Comprehensive Annual Financial Report, or "CAFR," including the State Auditor's Opinion thereon, and the State's Fiscal Year 2015-16 unaudited BFS, are also appended to this Official Statement as Appendix C. Prospective investors who wish to review the State's CAFRs for Fiscal Years 2011-12 through 2014-15 may obtain copies as described in "INTRODUCTION—Additional Information." Financial, economic and demographic information about the State is provided solely for general background to prospective investors.

Financial Audits

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

The State's Fiscal Year 2014-15 CAFR, including the State Auditor's Opinion thereon, and the State's Fiscal Year 2015-16 unaudited BFS, are appended to this Official Statement as Appendix C. The State's CAFR for Fiscal Year 2015-16 is expected to be released to the public by the State and be available on or about February 28, 2017. 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 2014-15 CAFR or the State's Fiscal Year 2015-16 unaudited BFS, nor has the State Auditor performed any procedures relating to this Official Statement.

CDOT Employee Retirement Plan

CDOT employees participate in a retirement plan administered by the State's Public Employees' Retirement Association of Colorado ("PERA"). For information about PERA, see "STATE FINANCIAL INFORMATION—Pension and Post-Employment Benefits" and "APPENDIX F—STATE PENSION SYSTEM." CDOT's contributions to PERA are made from federal transportation funds and from HUTF revenues. The following table sets forth CDOT's contributions to PERA in dollars (equal to the statutorily required contribution amounts for each period) and as a percentage of HUTF revenues for Fiscal Years 2012-13, 2013-14 and 2014-15.

CDOT Contributions to PERA
Fiscal Years 2012-13 through 2014-15

Fiscal Year	Dollar Amount of CDOT Contribution to PERA	Contribution as a Percentage of HUTF Revenues
2013	$27,095,959	6.7%
2014	30,037,046	7.2
2015	32,331,268	7.4

Source: CDOT

CDOT's proportionate share of the GASB 68 Net Pension Liability at the end of Fiscal Year 2014-15, excluding CDOT enterprises and internal service funds, was $606.5 million. See additional information on the pension plan and funding in "APPENDIX F—STATE PENSION SYSTEM."

Appropriations and Budgetary Process

The Budget Process.

<u>*Budget Items Subject to Continuing Appropriation*</u>. CDOT's annual budget is developed under the direction of the Transportation Commission through CDOT's Division of Accounting and Finance, which is also responsible for submitting the budget to OSPB. The majority of CDOT's budget (over 97% of the Fiscal Year 2016-17 budget) is automatically appropriated pursuant to statutory continuing appropriation and is subject to annual approval and allocation by the Transportation Commission. This portion of the budget that is subject to continuing appropriation includes budgeting for operations (including the Base Rentals), construction, and maintenance activities. The operations budget includes planning and research, special allocations for training, DBE certification, intelligent transportation systems, vehicle lease payments, workers' compensation insurance, equipment, property, and other miscellaneous operations. The construction program includes allocations for the following: debt service on the TRANS (see "DEBT AND OTHER FINANCIAL OBLIGATIONS—Transportation Revenue Anticipation Notes"), surface treatment, bridges, rest areas, safety, other regional priorities, and local programs for metro areas, bridges, safety, air quality, and enhancements. Budgets are also established for engineering, right-of-way, utilities, environmental clearances, materials testing, developing design standards, construction management, and other project related costs. However, these costs are allocated to projects either directly or indirectly and funded as part of the various construction programs.

In June of each year, the Division of Accounting and Finance issues budget building instructions to the division directors within CDOT. Included in the instructions are formats for "decision items" used to request new funding or to request a significant increase to current funding levels. Decision items for the portion of the budget to be approved by the Transportation Commission are submitted by division directors to the Division of Accounting and Finance in October. During the month of September, the Division of Accounting and Finance updates revenue estimates and prepares the continuation budget.

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

The Fiscal Year 2016-17 CDOT budget was signed by the Governor on June 30, 2016.

Budget Items Subject to Annual Legislative Appropriation. The remaining portion of CDOT's budget (less than 3% of the Fiscal Year 2016-17 budget) is appropriated annually by the General Assembly. This appropriated portion of the budget includes the budgets for administration and the First Time Drunk Driving Offender account. The budget for administration, as defined by State statute, includes the salaries and expenses of the offices and staff of the Transportation Commission, the Executive Director, the Chief Engineer, regional directors, budget, internal audit, public information, equal employment, special activities, accounting, administrative services, building operations, management systems, personnel, procurement, insurance, legal, and central data processing. State statutes limit administrative spending for these items to 5% of the total budget allocation plan for CDOT. State statutes provide that appropriations made by the General Assembly to CDOT for administrative expenditures are to be set forth in a single line item as a total sum, without identification by project, program, or district.

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

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

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

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

DEBT AND OTHER FINANCIAL OBLIGATIONS

Transportation Revenue Anticipation Notes

CDOT's Transportation Revenue Anticipation Notes (the "TRANs") are special, limited obligations of CDOT, 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 moneys on deposit in the State Highway Fund and State Highway Supplementary Fund. The TRANs are not deemed to be an indebtedness of CDOT or the State, and do not create a pledge of the taxing powers, faith or credit of the State or any political subdivision of the State. The TRANs were approved by the electors of the State. As of the Date of this Official Statement, the TRANs were outstanding in the aggregate principal amount of $126,100,000. The TRANs have a final maturity date of December 15, 2016.

Lease Purchase Agreements, Intra-Agency Agreements and Other Obligations

Series 2012 Lease Purchase Agreement. As of the date of this Official Statement, CDOT has entered into one other lease purchase agreement (the "Series 2012 Lease") with Wells Fargo Bank, National Association, as trustee, in connection with the Certificates of Participation, Series 2012 (the "Series 2012 Certificates"). As of the date of this Official Statement, the Series 2012 Certificates were outstanding in the aggregate principal amount of $13,205,000. The Series 2012 Certificates have a final maturity date of June 15, 2022. The property being leased under the Series 2012 Lease is not part of the Leased Property.

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

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

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

STATE FINANCIAL INFORMATION

While the Series 2016 Certificates are limited obligations payable from the Base Rentals, which are payable by CDOT from amounts annually allocated by the Transportation Commission as described in this Official Statement, it is important for prospective purchasers to analyze the financial and overall status of the State in order to evaluate the context in which the Transportation Commission takes steps to budget and allocate funds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES" and "RISKS AND OTHER INVESTMENT CONSIDERATIONS." The State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS are appended to this Official Statement as Appendix C. See also "APPENDIX E—CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" and "APPENDIX F—STATE PENSION SYSTEM." With the exception of Appendix E, the information in this Section and Appendices C, D and F has been provided by the State. The information in Appendix E has been provided by Development Research Partners. Neither CDOT nor the State take any responsibility for the accuracy or completeness of such information.

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 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 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C for a discussion of the outstanding lease purchase agreements entered into by the State as of June 30, 2015 and June 30, 2016, as well as the aggregate minimum lease payments due under such lease purchase agreements entered into by the State for Fiscal Years 2014-15 and thereafter. See also Note 44 to the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C for a discussion of lease purchase agreements entered into by the State after June 30, 2016.

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 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C for a discussion of the outstanding lease/rental agreements entered into by the State as of June 30, 2015, as well as the aggregate minimum payment obligations under such agreements in Fiscal Years 2014-15 and thereafter.

State departments and agencies, including State institutions of higher education, also issue revenue bonds for business type activities, as well as bonds and/or notes for the purchase of equipment and construction of facilities and infrastructure. With the exception of the University of Colorado, which is governed by an elected Board of Regents, the State institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. See Notes 24, 25 and 44 to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C for a discussion of such bonds and notes outstanding as of June 30, 2015 and June 30, 2016, and of those issued after June 30, 2016. The revenue bonds and certificates of participation listed in such Notes have in most cases been publicly offered, while the notes payable listed in such Notes have generally been private financings directly with banks or other financial institutions. The State has contingent moral obligations to intercept revenue and make certain debt payments on notes and bonds issued by State school districts in the event they fail to make a required payment to the holders of such notes and bonds. See Note 43 to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C.

See also the Statistical Section of the State's Fiscal Year 2014-15 CAFR appended to this Official Statement as Appendix C for a ten year history of the total outstanding debt and related debt service expenditures of the State.

State Tax and Revenue Anticipation Notes

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more 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 with proceeds of internal borrowing from other State funds. 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 44 to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C for a discussion of State tax and revenue anticipation notes outstanding as of June 30, 2015 and June 30, 2016, and of such notes issued after June 30, 2016. The State issued $275 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2016A, on July 21, 2016 and $600 million of General Tax and Revenue Anticipation Note, Series 2016A on July 19, 2016. The State expects to issue additional Education Loan Program Tax and Revenue Anticipation Notes in the approximate amount of $350 million in January 2017.

See also the Statistical Section of the State's Fiscal Year 2014-15 CAFR appended to this Official Statement as Appendix C for a ten year history of the total outstanding debt and related debt service expenditures of the State.

State Authorities

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

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 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C.

Basis of Presentation of Financial Results and Estimates

The financial reports and financial schedules contained in the State's Fiscal Year 2014-15 CAFR 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.

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 F—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 F—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 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C, as well as PERA's Comprehensive Annual Financial Report for calendar year 2015 (the "PERA 2015 CAFR"). The information in the State's Fiscal Year 2014-15 CAFR regarding PERA is derived from PERA's Comprehensive Annual Financial Report for calendar year 2014, while information in this

Official Statement regarding PERA is derived from the PERA 2015 CAFR. See also "Implementation of Changes in Pension Accounting Standards Applicable to the State—GASB 68" hereafter.

The State Division Plan. The State Division Plan is funded with contributions made by the State (including CDOT) 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, 2015, the PERA 2015 CAFR reports that the State Division Plan had an unfunded actuarial accrued liability ("UAAL") of approximately $10.2 billion and a funded ratio of only 57.6%. This UAAL would amortize over a 44-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%. Effective January 1, 2017, the Board of Trustees of PERA lowered the actuarial investment rate of return and discount rate from 7.5% to 7.25%, which will increase the State's pension liability in future years.

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, 2015, the Plan had an unfunded accrued liability of approximately $10.7 billion and a funded ratio of 55.6%.

The funding status of the State Division Plan summarized above reflects the implementation by PERA in 2014 of Governmental Accounting Standards Board ("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 F—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, 2015, the Health Care Trust Fund had an unfunded actuarial accrued liability of approximately $1.3 billion, a funded ratio of 18.4% 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 2015 CAFR for additional information regarding the Health Care Trust Fund.

Implementation of Changes in Pension Accounting Standards Applicable to the State — GASB 68. GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68"), which is related to GASB 67 but is applicable to the State, is effective for fiscal years beginning after June 15, 2014, and accordingly has been implemented in the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C. 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 UAAL of approximately $9.7 billion as of December 31, 2013, $9.9 billion as of December 31, 2014, and $10.2 billion as of December 31, 2015. The State reported a liability in the State's Fiscal Year 2015-16 unaudited BFS of approximately $10.3 billion ($10.1 billion for the State Division and $0.2 billion for the Judicial Division) at June 30, 2016, for its proportionate share of the net pension liability, compared to a reported a liability in the State's Fiscal Year 2014-15 CAFR of approximately $9.1 billion ($9.0 billion for the State Division and $0.1 billion for the Judicial Division) at June 30, 2015, for its proportionate share of the net pension liability. Schedules presenting the State's proportionate share of the net pension liability for its retirement plan as of June 30, 2014, 2015 and 2016, and a ten year history of the State's contribution to PERA for the State and Judicial Divisions, are set forth in Note RSI-2 to the Required Supplementary information in the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS. See also "Overall Financial Position and Results of Operations" in the Management's Discussion and Analysis in the State's Fiscal Year 2014-15 CAFR, the introduction to Notes 1-7 and Notes 18-20 to the Financial Statements in the State's Fiscal Year 2014-15 CAFR and in the State's Fiscal Year 2015-16 unaudited BFS, and "APPENDIX F—STATE PENSION SYSTEM" and particularly the section thereof entitled "Implementation of Changes in Pension Accounting Standards Applicable to the State — GASB 68."

Effective January 1, 2017, the Board of Trustees of PERA lowered the actuarial investment rate of return and discount rate from 7.5% to 7.25%, which will increase the State's pension liability in future years.

Effect of Pension Liability on the Series 2016 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 CDOT's determination to renew the Lease in the future, and therefore could potentially have a material adverse effect on the payment of the Series 2016 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 F—STATE PENSION SYSTEM" and Management's Discussion and Analysis in the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C, and particularly the section thereof captioned "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS—Pension Plan Contributions."

Taxpayer's Bill of Rights

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

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

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

Thirdly, TABOR requires the State to maintain an emergency reserve equal to 3% of its fiscal year spending (the "TABOR Reserve"), which may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. The annual Long 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 2015-16 and 2016-17 have been estimated in the OSPB September 2016 Revenue Forecast to be $387.1 million and $393.8 million, respectively.

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

The maximum annual percentage change in State fiscal year spending is limited by TABOR to inflation (determined as the percentage change in U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index) plus the percentage change in State population in the prior calendar year, adjusted for revenue changes approved by voters after 1991, being the base year for calculating fiscal year spending. 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 2016 Revenue Forecast states that TABOR revenues in Fiscal Years 2015-16 and 2016-17 have exceeded or will exceed the TABOR limit by \$2.462 billion and \$2.407 billion, respectively, resulting in the State being \$26.7 million below the ESRC in Fiscal Year 2015-16 and \$158.8 million below the projected ESRC in Fiscal Year 2016-17. Therefore, no refund to taxpayers is required for these years.

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 D—OSPB SEPTEMBER 2016 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 2016 Revenue Forecast.

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) financing CDOT's 7th Pot Projects.

Effect of TABOR on the Series 2016 Certificates. Voter approval under TABOR is not required for the execution and delivery of the Series 2016 Certificates as they do not constitute a "multiple fiscal year direct or indirect ... debt or other financial obligation" within the meaning of TABOR. However, because payments made by CDOT under the Lease will constitute Fiscal Year spending by CDOT, any requirement that CDOT reduce its spending or refund tax revenues to comply with TABOR could increase the risk that CDOT will not renew or continue the Lease Term from one Fiscal Year to the next.

RISKS AND OTHER INVESTMENT CONSIDERATIONS

An investment in the Series 2016 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 2016 Certificates and could also affect the market price of the Series 2016 Certificates to an extent that cannot be determined.

Economic Conditions Affecting Revenues

The availability of amounts on deposit in the State Highway Fund from which Base Rentals and Additional Rentals may be allocated by the Transportation Commission is dependent on a number of economic factors. The bulk of amounts on deposit in the State Highway Fund is made up of revenues from State motor fuel taxes, which may fluctuate based on, among other things, the condition of the State and national economies, population growth, income and employment levels, levels of tourism, weather conditions, fuel prices, vehicle fuel efficiency, fuel supplies, road conditions, and the availability of alternate modes of transportation.

This Official Statement contains economic and demographic information about the State prepared and compiled in June 2016 by Development Research Partners, Inc. for use by the State. See "APPENDIX E—CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION." Development Research Partners, Inc. has consented to the inclusion of such information in this Official Statement. None of CDOT, the State or the Underwriters assume any responsibility for the accuracy, completeness or fairness of the information contained in Appendix E. The information in Appendix E has been included in this Official Statement in reliance upon the authority of Development Research Partners, Inc. as experts in the preparation of economic and demographic analyses. Potential investors should read Appendix E in its entirety for information with respect to the economic and demographic status of the State.

Upon Execution and Delivery of Series 2016 Certificates the Leased Property Will Only Include the Denver Leased Property

At the time of the execution and delivery of the Series 2016 Certificates, the Leased Property will only consist of the Denver Leased Property. While the proceeds of the Series 2016 Certificates will be used to finance approximately $4.4 million of furniture, fixtures and equipment for the Denver Headquarters Buildings, the furniture, fixtures and equipment will not be included in the Leased Property. As of the date of this Official Statement, CDOT expects to amend the Site Lease and the Lease during 2017, to add the Aurora Maintenance Facilities, the Pueblo Headquarters Building, the Greeley Headquarters Building and the Platteville Maintenance Facility to the Leased Property as described under "THE LEASED PROPERTY—Additions to Leased Property." However, CDOT may decide not to add these properties and facilities to the Site Lease, the Lease and Leased Property, and CDOT has no obligation to do so. In such an event, the Leased Property will only consist of the Denver Leased Property and the Series 2016 Certificates would not be secured by the addition of such properties to the Site Lease and Lease as currently anticipated.

Option to Renew the Lease Annually; Nonallocation by the Transportation Commission

The obligation of CDOT to make payments under the Lease does not constitute an obligation of CDOT to apply its general resources beyond the current Fiscal Year. CDOT is not obligated to pay Base Rentals or Additional Rentals under the Lease unless funds are allocated by the Transportation

Commission 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 Transportation Commission does not specifically allocate amounts sufficient to pay all Base Rentals and Additional Rentals, as estimated, for the next Fiscal Year, then an "Event of Nonallocation" will occur. If an Event of Nonallocation occurs as described above or otherwise as provided in the Lease, the Lease Term of the Lease will be terminated. Notwithstanding the foregoing, an Event of Nonallocation will not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year (a) the Transportation Commission has allocated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonallocation and (b) CDOT has paid all Base Rentals and Additional Rentals due during the period from June 30 through the date of such allocation or authorization. See Section 6.04 in the Lease, a form of which is appended to this Official Statement as Appendix A.

Allocation of amounts sufficient to pay all Base Rentals and Additional Rentals in each Fiscal Year is at the sole discretion of the Transportation Commission and there is no guarantee that it will do so. Additionally, there is no assurance that CDOT will renew the Lease from Fiscal Year to Fiscal Year and therefore not terminate the Lease, and CDOT has no obligation to do so. There is no penalty to CDOT (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 has been exercised) if CDOT 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 allocate 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 allocation of funds may be affected by the continuing need of CDOT for the Leased Property. In addition, the ability of CDOT to maintain adequate revenues for its operations and obligations in general (including obligations associated with the Lease) is dependent upon several factors outside CDOT's control, such as the economy, legislative changes and federal funding. Restrictions imposed under the State Constitution on CDOT's revenues and spending apply to the collection and expenditure of certain revenues which may be used to pay Base Rentals and Additional Rentals.

Additionally, the majority of CDOT's budget (over 97% of the Fiscal Year 2016-17 budget) is automatically appropriated pursuant to statutory continuing appropriation (and therefore not subject to approval by the General Assembly) and is subject to annual approval and allocation by the Transportation Commission. This portion of the budget that is subject to continuing appropriation includes budgeting for operations (including the Base Rentals), construction, and maintenance activities. If the General Assembly were to rescind the automatic appropriation of this part of CDOT's budget, CDOT's budget (including the Base Rentals) would be subject to State Legislative approval each Fiscal Year.

Payment of the principal of and interest, if any, on the Series 2016 Certificates upon the occurrence of a Lease Event of Default or an Event of Nonallocation will be dependent upon (a) the value of the Leased Property in a liquidation proceeding instituted by the Trustee or (b) any rental income from leasing (to others) the Leased Property. See "—Consequences of an Event of Nonallocation or a Lease Event of Default" below.

CDOT 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 CDOT for the remaining term of the Site Lease. See "THE LEASED PROPERTY."

The Trustee, as Lessor or Trustee, has no obligation to, nor will it, make any payment on the Series 2016 Certificates or otherwise pursuant to the Lease except to the extent of amounts in the Trust Estate under the Indenture.

See also "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION and "APPENDIX C—STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015 AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

Consequences of an Event of Nonallocation or a Lease Event of Default

General. In the event of the termination of the Lease upon the occurrence of an Event of Nonallocation or a Lease Event of Default, CDOT is required to vacate the Leased Property under the Lease (unless the purchase option under the Lease has been exercised) within 90 days. Subject to the right of CDOT to purchase the Trustee's leasehold interest in the Leased Property under the Lease, 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 CDOT as a remedy. For example, the Lease provides that a judgment requiring a payment of money may be entered against CDOT by reason of an Event of Nonallocation only to the extent CDOT 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 Series 2016 Certificates if and to the extent any such moneys are realized. See Sections 12.01 and 12.02 of the Lease, a form of which is appended to this Official Statement as Appendix A and "THE SERIES 2016 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 2016 Certificates and accrued interest thereon. If any Series 2016 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 the Series 2016 Certificates pursuant to the Indenture; and upon such a partial payment, no owner of any Series 2016 Certificate will have any further claims for payment upon CDOT or the Trustee. See "THE SERIES 2016 CERTIFICATES—Redemption Prior to Maturity—Extraordinary Mandatory Redemption."

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 an Event of Nonallocation or a Lease Event of Default for an amount equal to the aggregate principal amount of the Series 2016 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 2016 Certificates. In addition, the buildings comprising the Denver Leased Property is being designed and constructed to the specifications of CDOT. See "THE LEASED PROPERTY—Denver Leased Property—Description of the Denver 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 an Event of Nonallocation 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 of and interest due on the Series 2016 Certificates.

Additionally, as described under "THE LEASED PROPERTY—Denver Leased Property," the Denver Leased Property is subject to zoning, environmental and other use restrictions that will limit the use of the Denver Leased Property by any future users. These limitations could make it difficult to generate the amounts necessary to pay the entire principal and interest due on the Series 2016 Certificates.

The value of the Leased Property also could be adversely affected by the on-site and off-site RECs that have been identified on the Denver Site as described under "THE LEASED PROPERTY—Denver Leased Property—Environmental Mitigation of the Denver Leased Property" and the presence of, 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. CDOT may also substitute other property for the Leased Property as described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES—The Leased Property—Substitution of Leased Property."

Upon termination of the Lease as the result of an Event of Nonallocation or a Lease Event of Default, there is no assurance of any payment of the principal of and interest on the Series 2016 Certificates.

The principal of and interest on the Series 2016 Certificates will be paid from amounts constituting CDOT's payment of the Base Rentals and other sources identified in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES," which sources do not include any payments generated from the Leased Property other than the Base Rentals. CDOT 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 CDOT 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 Transportation Commission does not allocate the additional required amount, nor does CDOT substitute adequate property for the affected portion of the Leased Property, an Event of Nonallocation 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 "—Condemnation by the State" below. See also "—Consequences of an Event of Nonallocation or a Lease Event of Default" above, "THE LEASED PROPERTY—Operation and Maintenance of the Leased Property" and "THE SERIES 2016 CERTIFICATES—Redemption Prior to Maturity—Extraordinary Mandatory Redemption."

Condemnation by the State

The State has condemnation powers that it could exercise to maintain possession and use of the Leased Property. In the event the State were to exercise its eminent domain powers to maintain possession of the Leased Property, there can be no assurance that the amount required to be paid by the State in connection with any such condemnation proceeding would be sufficient to pay all of the principal of and interest on the Outstanding Series 2016 Certificates or the Purchase Option Price. See "THE SERIES 2016 CERTIFICATES—Redemption Prior to Maturity—Extraordinary Mandatory

Redemption." See also Section 8.07 of the Lease, a form of which is appended to this Official Statement as Appendix A, for information on CDOT's required application of any Net Proceeds received in connection with condemnation of the Leased Property by the State, and any other governmental entity with the power of eminent domain.

Enforceability of Remedies

Under the Lease, the Trustee has the right to take possession of and dispose of the Leased Property upon an Event of Nonallocation 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, 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 CDOT. 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 2016 Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES."

Construction Risks

CDOT has entered into a Design/Build Guaranteed Maximum Price Contract (the "DB Contract") with J.E. Dunn Construction Company ("J.E. Dunn") pursuant to which J.E. Dunn agrees to design and construct the Denver Headquarters Building. There is the possibility of insolvency or bankruptcy of J.E. Dunn or subcontractors during construction. If a default occurs or a conflict arises under the DB Contract with respect to the Denver Headquarters Building, there is a possibility of litigation between CDOT and J.E. Dunn, which could delay or halt the construction of the Denver Headquarters Building.

Under the provisions of the Lease and the DB Contract, the Trustee will have the right to assume the DB Contract and complete the Denver Headquarters Building in the event of the termination of the Lease. If an Event of Nonallocation or Lease Event of Default occurs during the construction of the Denver Headquarters Building, the Trustee could use the monies on deposit in the Project Fund to complete the construction of the Denver Headquarters Building or to redeem the Series 2016 Certificates; although no assurance can be given that there will be sufficient moneys in the Project Fund to complete the Denver Headquarters Building or to redeem all of the Series 2016 Certificates. Additionally, the Trustee could pursue any remedies available to it subject to the limitations described above under "—Consequences of an Event of Nonallocation or a Lease Event of Default."

Contingencies generally involved in the construction of any facility, such as (i) design or construction problems; (ii) site conditions, safety and health conditions, permitting or approvals, and administrative proceedings or litigation; (iii) environmental conditions or compliance with environmental laws; (iv) utility relocation problems; (v) labor or material price increases, shortages or interruptions; (vi) inclement weather; (vii) natural disasters or other force majeure events, may cause delays in the completion of the Denver Headquarters Building or the actual cost of completion to exceed available funds. The likelihood of an Event of Nonallocation occurring increases if there is a failure to complete construction of the Denver Headquarters Building, or there is a delay in completing construction beyond its anticipated completion date, for any reason.

Additionally, because CDOT is a governmental organization, the construction materials that will be purchased to construct the Denver Headquarters Building will not be subject to state and local sales taxes. If the Trustee were to assume the DB Contract, any construction materials purchased to complete the Denver Headquarters Building could be subject to state and local sales taxes and, therefore, the costs to complete the Denver Headquarters Building could be greater than the current budget of $64 million. See "PLAN OF FINANCE—The Project."

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

Special Counsel will express no opinion as to the effect of any termination of CDOT'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 2016 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 2016 Certificates will thereafter be transferable without registration, or pursuant to a transactional exemption from registration, under federal or state securities laws.

State Constitutional Tax and Spending Limitations

TABOR imposes various limits and requirements on the State and all Colorado local governments that do not qualify as "enterprises," including a limitation on any increase in the State's Fiscal Year spending and tax revenues from one year to the next. Because payments made by CDOT under the Lease will constitute Fiscal Year spending by CDOT, any requirement that CDOT reduce its spending or refund tax revenues or other revenues to comply with TABOR could increase the risk that CDOT will not renew or continue the Lease Term from one Fiscal Year to the next. For a more complete description of TABOR and its effect on CDOT, the Lease and the Series 2016 Certificates, see "STATE FINANCIAL INFORMATION—Taxpayer's Bill of Rights."

Future Changes in Laws

Various Colorado laws and constitutional provisions limit revenues and spending of CDOT and govern generally the operation of CDOT. Colorado laws, constitutional provisions and federal laws and regulations also apply to the obligations created by the execution and delivery of the Series 2016 Certificates. There can be no assurance that there will not be changes in interpretation of or additions to the applicable laws and provisions which would have a material adverse effect, directly or indirectly, on the affairs of CDOT.

Risk Management

The Lease requires that the Leased Property be insured against certain risks. There can be no assurance that the amount of insurance required to be obtained with respect to the Leased Property will be adequate or that the cause of any damage or destruction to the Leased Property will be as a result of a risk which is insured. Further, there can be no assurance of the ongoing creditworthiness of the insurance companies with which CDOT obtains insurance policies. CDOT believes that the risks associated with its properties and its operations are adequately provided for.

Secondary Market

While the Underwriters expect, insofar as possible, to maintain a secondary market in the Series 2016 Certificates, no assurance can be given concerning the future existence of such a secondary market or its maintenance by the Underwriters or others, and prospective purchasers of the Series 2016 Certificates should therefore be prepared, if necessary, to hold their Series 2016 Certificates to maturity or prior redemption, if any.

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE

No Litigation Affecting the Series 2016 Certificates

There is no litigation pending, or to the knowledge of CDOT threatened, either seeking to restrain or enjoin the execution or delivery of the Series 2016 Certificates or questioning or affecting the validity of the Series 2016 Certificates or the proceedings or authority under which they are to be executed and delivered. There is also no litigation pending, or to CDOT's knowledge threatened, that in any manner questions the right of CDOT to enter into the Lease 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.

Colorado House Bill 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 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, 43 and General Fund Components (in Supplementary Information) in the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Current Litigation

For a description of pending material litigation in which the State is a defendant, see Note 43 to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C. The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in Note 43, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in such Note.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), have assigned the following ratings and outlooks to the Series 2016 Certificates, "Aa2" (stable outlook) and "AA-" (stable outlook), respectively. 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. CDOT has furnished to the rating agencies certain information and materials relating to the Series 2016 Certificates, CDOT 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 2016 Certificates. CDOT has not undertaken any responsibility to oppose any such revision, suspension or withdrawal.

CONTINUING DISCLOSURE

Series 2016 Certificates

In connection with the execution and delivery of the Series 2016 Certificates, the State, acting by and through the State Treasurer, will enter into a Continuing Disclosure Undertaking, the form of which is appended to this Official Statement as Appendix G, pursuant to which the State Treasurer will agree for the benefit of the Owners and Beneficial Owners of the Series 2016 Certificates to file on the EMMA website (a) certain annual financial information and the State's audited annual financial statements not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2016, and (b) notices of the occurrence of enumerated events within ten business days of their occurrence. See “APPENDIX G—FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

The obligations of the State Treasurer pursuant to the Continuing Disclosure Undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2016 Certificates, and, if necessary, may be enforced by such Owners and Beneficial Owners by specific performance of such obligations by any judicial proceeding available. However, a breach of the State Treasurer’s obligations pursuant to the Continuing Disclosure Undertaking does not constitute an Indenture Event of Default or a Lease Event of Default, and none of the rights and remedies provided in the Indenture and the Lease for such defaults will be available to the Owners or Beneficial Owners of the Series 2016 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, 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. In addition, the State failed to file notices of bond insurer rating downgrades relating to certain outstanding obligations over the last five years, although such bond insurer downgrades did not affect the underlying rating of the State, 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 Year 2009-10 through Fiscal Year 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, the “Debt Management Act (Section 24-36-121 C.R.S.) 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 (including CDOT) 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.

Due to various issues that were experienced by the State in connection with the implementation of a new integrated financial system, the State's Fiscal Year 2014-15 unaudited BFS and the State's Fiscal Year 2014-15 CAFR were not completed and released until late January 2016 and late April 2016, respectively. Thus, the State was unable to submit its Fiscal Year 2014-15 audited financial statements for posting on EMMA by December 31, 2015, as required by numerous continuing disclosure undertakings entered into by the Included Entities. Notice of such noncompliance was posted on EMMA on January 25, 2016, the State's unaudited Basic Financial Statements for Fiscal Year 2014-15 were subsequently posted on EMMA on February 1, 2016, and the State's Fiscal Year 2014-15 CAFR was posted on EMMA on May 2, 2016. The State recently discovered that the OSPB March 2016 revenue forecast was not timely posted on EMMA in connection with the Higher Education Federal Mineral Lease Certificates of Participation, Series 2014A. Both a Notice of Failure to File and the OSPB March 2016 revenue forecast were posted on EMMA on May 17, 2016.

MCDC Settlement Order with Securities and Exchange Commission

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

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

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

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

Additional Information

Additional information concerning the matters discussed in this section may be obtained from the Colorado Attorney General's Office, 1300 Broadway, 6th Floor, Denver, Colorado 80203, Attention: 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 2016 Certificates, as well as the treatment of interest on the Series 2016 Certificates for purposes of federal and State income taxation, are subject to the approving legal opinion of Kutak Rock LLP, as Special Counsel. A form of the opinion of Special Counsel is appended to this Official Statement as Appendix H. Kutak Rock LLP also has served as disclosure counsel to CDOT and the State Treasurer in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for CDOT and the State Treasurer by the Office of the Attorney General of the State. Certain legal matters will be passed upon for the Underwriters by their counsel, Butler Snow LLP. Payment of legal fees to Kutak Rock LLP is contingent upon the sale and delivery of the Series 2016 Certificates.

TAX MATTERS

General Matters

In the opinion of Kutak Rock LLP, Special Counsel to CDOT and the State Treasurer, under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rentals paid by CDOT which is designated and paid as interest, as provided in the Lease, and received by the owners of the Series 2016 Certificates is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and compliance by the State Treasurer and CDOT with covenants designed to satisfy the requirements of the Code that must be met subsequent to the execution and delivery of the Series 2016 Certificates. Failure to comply with such covenants could cause interest on the Series 2016 Certificates to be included in gross income for federal income tax purposes retroactive to the date of the execution and delivery of the Series 2016 Certificates. The State Treasurer and CDOT have covenanted to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2016 Certificates.

Notwithstanding Special Counsel's opinion that the portion of the Base Rentals paid by CDOT which is designated and paid as interest, as provided in the Lease, and received by the owners of the Series 2016 Certificates is not a specific item of tax preference for purposes of the federal alternative minimum tax, such Base Rentals will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2016 Certificates may otherwise affect the federal income tax liability of the owners of the Series 2016 Certificates. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Special Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2016 Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2016 Certificates.

In the opinion of Special Counsel, under existing Colorado statutes, to the extent the portion of the Base Rentals paid by CDOT is designated and paid as interest, as provided in the Lease, and received by the Owners of the Series 2016 Certificates, such portion of Base Rentals is excluded from Colorado income taxation and from the calculation of Colorado alternative minimum taxable income. Special Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2016 Certificates under the laws of Colorado or any other state or jurisdiction.

Original Issue Discount

The Series 2016 Certificates that have an original yield above their respective interest rates, as shown on the inside front cover page of this Official Statement (collectively, the "Discount Series 2016 Certificates"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Series 2016 Certificates and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Series 2016 Certificate is added to the cost basis of the owner of such Discount Series 2016 Certificate in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Series 2016 Certificate (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Series 2016 Certificate that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Series 2016 Certificate, on days that are determined by reference to the maturity date of such Discount Series 2016 Certificate. The amount treated as original issue discount on such Discount Series 2016 Certificate for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Series 2016 Certificate (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Series 2016 Certificate at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Series 2016 Certificate during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Series 2016 Certificate the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Series 2016 Certificate is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Series 2016 Certificates should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Series 2016 Certificate. Subsequent purchasers of Discount Series 2016 Certificates that purchase such Discount Series 2016 Certificates for a price that is higher or lower than the "adjusted issue price" of the Discount Series 2016 Certificates at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium

The Series 2016 Certificates that have an original yield below their respective interest rates, as shown on the inside front cover page of this Official Statement (collectively, the "Premium Series 2016 Certificates"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Series 2016 Certificate over its stated redemption price at maturity constitutes premium on such Premium Series 2016 Certificate. A purchaser of a Premium Series 2016 Certificate must amortize any premium over such Premium Series 2016 Certificate's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Series 2016 Certificates callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Series 2016 Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Series 2016 Certificate prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Series 2016 Certificates should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Series 2016 Certificate.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2016 Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2016 Certificates who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2016 Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2016 Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to obligations issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2016 Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2016 Certificates or the market value thereof would be impacted thereby. Purchasers of the Series 2016 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 the execution and delivery of the Series 2016 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 2016 Certificates are being underwritten by Wells Fargo Bank, National Association, George K. Baum & Company, and Loop Capital Markets LLC (collectively, the "Underwriters"). Pursuant to a Certificate Purchase Agreement entered into by and among the Trustee, the State Treasurer and the Underwriters, the Underwriters have agreed to purchase the Series 2016 Certificates at an aggregate purchase price of $76,795,124.93 (constituting the aggregate principal amount of the Series 2016 Certificates plus a net original issue premium on the sale of the Series 2016 Certificates of $7,017,143.00, and less an underwriting discount of $222,018.07). The Underwriters agree in the Certificate Purchase Agreement to accept delivery of and pay for all of the Series 2016 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 Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The State Treasurer and CDOT acknowledge and agree that: (a) the primary role of the Underwriters is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Trustee and the Underwriters and that the Underwriters have financial and other interests that differ from those of the State Treasurer and CDOT; (b) the Underwriters are not acting as a municipal advisor, financial advisor or fiduciary to the State Treasurer or CDOT and have not assumed any advisory or fiduciary responsibility to the State Treasurer or CDOT with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or is currently providing other services to the State Treasurer and CDOT on other matters); (c) the only obligations the Underwriters have to the State Treasurer and CDOT or the Trustee with respect to the transaction contemplated hereby expressly are set forth in the Certificate Purchase Agreement; and (d) CDOT has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. The State Treasurer and CDOT 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 Treasurer and CDOT in that role.

The Underwriters and their 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 Underwriters and their affiliates have provided, and may in the future provide, a variety of these services to the State Treasurer and CDOT and to persons and entities with relationships with the State Treasurer and CDOT for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their 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 Treasurer and CDOT. The Underwriters and their 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.

The following two paragraphs have been provided by Wells Fargo Bank, National Association for inclusion in this Official Statement and neither the State Treasurer nor CDOT make any representation as to their accuracy or completeness.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the Underwriters of the Series 2016 Certificates, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2016 Certificates. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2016 Certificates with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2016 Certificates. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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

The following paragraph has been provided by Loop Capital Markets LLC for inclusion in this Official Statement and neither the State Treasurer nor CDOT make any representation as to its accuracy or completeness.

Loop Capital Markets LLC ("Loop Capital"), one of the underwriters of the Series 2015 Certificates, has entered into a distribution agreement ("Loop/UBS Distribution Agreement") with UBS Financial Services Inc. ("UBSFS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Loop/UBS Distribution Agreement, UBSFS will purchase the Series 2016 Certificates from Loop Capital at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2016 Certificates that such firm sells.

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, is acting as Financial Advisor to CDOT 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 2016 Certificates. The Financial Advisor is not serving as Financial Advisor to the State in connection with the Series 2016 Certificates. 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 2016 Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2016 Certificates is not contingent upon the delivery of the Series 2016 Certificates.

MISCELLANEOUS

The cover page, inside front cover page, prefatory 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 2016 Certificates, copies of the documents referred to herein may be obtained from the Financial Advisor or the Underwriters 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 CDOT and 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

APPENDIX A

FORMS OF THE INDENTURE, THE SITE LEASE AND THE LEASE

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STATE OF COLORADO
COLORADO DEPARTMENT OF TRANSPORTATION
HEADQUARTERS FACILITIES
INDENTURE OF TRUST

By

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION,
as Trustee

Relating to

State of Colorado
Colorado Department of Transportation
Headquarters Facilities Lease Purchase Agreement
Certificates of Participation, Series 2016

Dated as of December 29, 2016

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

STATE OF COLORADO
COLORADO DEPARTMENT OF TRANSPORTATION
HEADQUARTERS FACILITIES
INDENTURE OF TRUST

THIS STATE OF COLORADO COLORADO DEPARTMENT OF TRANSPORTATION HEADQUARTERS FACILITIES INDENTURE OF TRUST, dated as of December 29, 2016 (this "Indenture"), is executed and delivered by ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION, 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 CDOT not to allocate the Base Rentals and Additional Rentals thereunder, and therefore not renew and thereby terminate the Lease, and other limitations as therein provided, CDOT is to pay certain Base Rentals directly to the Trustee, for the benefit of the Owners of the Certificates, in consideration of CDOT'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 2016 Certificates will be disbursed by the Trustee as described herein to finance the acquisition and improvement of the Leased Property and to pay the Costs of Execution and Delivery as described in the Lease (as further defined in Exhibit A hereto, the "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, any Purchase Option Price paid by CDOT and Net Proceeds;

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

(d) all right, title and interest of the Trustee in, to and under all Project Contracts, which, immediately upon execution and delivery shall automatically be included in the Trust Estate; and; and

(e) all money and securities from time to time held by the Trustee under this Indenture in the Base Rentals Fund and the Construction 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 $70,000,000.

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 Transportation Commission not to allocate 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 CDOT or 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 CDOT or the State or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of CDOT or the State, within the meaning of any constitutional or statutory debt provision or limitation. No provision of the Certificates, this Indenture, the Lease, the Site Lease or any other document or instrument shall be construed or interpreted (i) to directly or indirectly obligate CDOT or the State to make any payment in any Fiscal Year in excess of amounts allocated by the Transportation Commission 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 CDOT or 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 CDOT or the State; (iv) as a loan or pledge of the credit or faith of CDOT or the State or as creating any responsibility by CDOT or 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 CDOT or 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 CDOT or the State to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those allocated for CDOT's then current Fiscal Year.

Section 2.02. Provisions of the Series 2016 Certificates. The Trustee shall execute and deliver the Series 2016 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 CDOT. All provisions and terms of the Series 2016 Certificates set forth therein are incorporated in this Indenture.

The Series 2016 Certificates shall be executed and delivered in fully registered form in the aggregate principal amount of $70,000,000 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 2016 Certificates are held by a Depository, one Series 2016 Certificate shall be executed and delivered for each maturity of the Series 2016 Certificates and registered in the name of the Depository or its nominee as provided in Section 2.06 hereof. No single Series 2016 Certificate may evidence more than one maturity and interest rate. The Series 2016 Certificates shall be numbered consecutively in such manner as the Trustee shall determine.

The Series 2016 Certificates shall be dated the Series 2016 Certificates Closing Date and shall mature on the dates and in the principal amounts set forth in the following table. The Series 2016 Certificates shall be subject to redemption prior to maturity as provided in Article IV hereof.

The Series 2016 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 2016 Certificates Closing Date to their respective maturity or prior redemption dates and shall be payable on each Interest Payment Date; provided, however, that Series 2016 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 2016 Certificates Closing Date:

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Maturity (June 15)	Principal Amount Maturing	Interest Rate Per Annum
2019	$ 1,745,000	5.00%
2020	1,830,000	5.00
2021	1,925,000	3.00
2022	1,980,000	5.00
2023	2,080,000	5.00
2024	2,185,000	5.00
2025	2,295,000	5.00
2026	2,405,000	5.00
2027	2,530,000	5.00
2028	2,655,000	3.00
2029	2,735,000	5.00
2030	200,000	3.25
2030	2,670,000	5.00
2031	3,010,000	5.00
2032	3,160,000	5.00
2033	3,320,000	5.00
2034	3,485,000	5.00
2035	3,660,000	5.00
2036	3,840,000	5.00
2041	22,290,000	5.00

DTC shall act as Depository for the Series 2016 Certificates as provided in Section 2.06 hereof.

Section 2.03. Delivery of the Series 2016 Certificates. On the Series 2016 Certificates Closing Date, the Trustee shall execute and deliver the Series 2016 Certificates to the Underwriter as provided in this Section.

Before or upon the delivery by the Trustee of any of the Series 2016 Certificates, there shall be furnished to the Trustee (i) originally executed counterparts of the Site Lease, the Lease and the Continuing Disclosure Undertaking, (ii) a title insurance commitment or commitments (with a title insurance policy or policies to be delivered in a timely fashion after the delivery of the Series 2016 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 2016 Certificates.

The Trustee shall execute and deliver the Series 2016 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 2016 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 2016 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.

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 CDOT, if CDOT 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, CDOT 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 CDOT, is willing and able to undertake such functions upon reasonable or customary terms, or if CDOT 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 CDOT 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.

(a) So long as no Indenture Event of Default, Lease Event of Default, or Event of Nonallocation has occurred and is continuing and the Lease Term is in effect, one or more series of Additional Certificates may be executed and delivered without the consent of the Owners of the Outstanding Certificates upon the terms and conditions set forth herein. The principal of Additional Certificates shall mature on June 15 and the interest payment dates therefor shall be the same as the Interest Payment Dates for the Series 2016 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.

(b) Except as hereinafter provided, 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 one or more of the following:

(i) the costs of acquiring, constructing, and/or improving any New Facility, or of acquiring a site for any New Facility (and costs reasonably related thereto);

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

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

In each such case, capitalized interest on the Additional Certificates, 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 in the amounts funded with the proceeds of the Additional Certificates.

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

(i) originally executed counterparts of a supplemental Indenture and related amendments to the Site Lease and the Lease, which amendments shall, in the case of Additional Certificates issued for one the purpose set forth in clause (b)(i) of this Section, provide for the addition of the New Facility and include the amendments required by Section 9.05 of the Lease;

(ii) a commitment or other evidence that the amount of the title insurance policy or policies 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;

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

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

(B) 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

(C) 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;

(iv) with respect to Additional Certificates being executed and delivered for the purpose set forth in subsection (b)(i) of this Section, a certificate by CDOT certifying that the Fair Market Value of the New Facility is at least 90% of the aggregate principal amount of such Additional Certificates;

(v) with respect to Additional Certificates being executed and delivered for the purpose set forth in subsection (b)(ii) of this Section, the documents required by Section 8.05 or 8.06 of the Lease, as applicable; and

(vi) written directions from the underwriter, placement agent, purchaser or purchasers in respect of the Additional Certificates, together with written acknowledgment of CDOT, 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.

(d) 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 CDOT, 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 2016 Certificates. The net proceeds of the sale of the Series 2016 Certificates, after deduction of the underwriting discount, shall be applied on the Series 2016 Certificates Closing Date as follows:

(a) $4,974,937.22, representing capitalized interest on the Certificates shall be deposited in the Base Rentals Fund;

(b) $430,000.00 shall be deposited in the Costs of Execution and Delivery Account and applied to the payment of the Costs of Execution and Delivery; and

(c) the remainder of the net proceeds of the Sale of Certificates shall be deposited in the Project Account and applied to Costs of the Project.

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 any Purchase Option Price under the Lease, the Trustee shall apply such amount to the optional redemption of 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 Colorado Department of Transportation Headquarters Facilities 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 and provided that proceeds of any Certificates representing capitalized interest on such Certificates, including without limitation the proceeds of the Series 2016 Certificates described in Section 3.01(a) hereof, shall be used to pay the interest first due on such Certificates. The Trustee may establish an account within the Base Rentals Fund to separately account for such proceeds representing capitalized interest.

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 Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement 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 CDOT's Tax Certificate and upon the written direction of CDOT, 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 CDOT 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. CDOT 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 CDOT's Tax Certificate, and in the amounts calculated to ensure that CDOT's rebate obligations are met, in accordance with CDOT'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 CDOT 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 CDOT, 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 CDOT'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. CDOT 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 CDOT 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. Construction Fund. A special fund is hereby created and established with the Trustee and denominated the "State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement Construction Fund" (the "Construction Fund"), and, within such fund, a Costs of Execution and Delivery Account and a Project Account. The Trustee may establish such additional accounts within the Construction Fund or such subaccounts within any of the existing or any future accounts of the Construction Fund as may be necessary or desirable.

(a) ***Project Account***. Upon the delivery of the Certificates there shall be deposited into the Project Account from the proceeds of the Certificates the amounts directed by Section 3.01(c) hereof. There shall also be deposited into the Project Account any amounts transferred to the Project Account from the Costs of Execution and Delivery

Account pursuant to subsection (b) of this Section 3.05 and any moneys received by the Trustee that are accompanied by instructions to deposit the same into such account, provided that with respect to the latter, CDOT shall have certified to the Trustee that such deposit will not cause CDOT to violate its tax covenant set forth in Section 10.04 of the Lease.

So long as no Lease Event of Default or Event of Nonallocation shall have occurred, payments from the Project Account shall be made by the Trustee upon receipt of (i) a written requisition signed by the CDOT 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 Project Account. The Trustee may conclusively rely on requisitions submitted in accordance with this subsection (a) as complete authorization for the disbursements made pursuant thereto and shall not be responsible for any representations or certifications made therein.

If CDOT shall exercise its option to purchase the entire Leased Property pursuant to Article IX of the Lease, CDOT shall be permitted to apply any amounts still held in the Project Account toward the payment of the Purchase Option Price therefor.

Upon receipt of the written certificate from CDOT evidencing the occurrence of the Completion Date in accordance with Section 5.02 of the Lease, any moneys remaining in the Project Account shall be transferred to the Base Rentals Fund and applied as a credit against Base Rental payments in accordance with Section 6.01(b) of the Lease. Notwithstanding the foregoing, if a Lease Event of Default or Event of Nonallocation shall have occurred, the Trustee shall either disburse moneys held in the Project Account as provided in the preceding sentence or apply such moneys as provided in Article VII hereof

(b) ***Costs of Execution and Delivery Account***. Upon the delivery of the Certificates there shall be deposited into the Costs of Execution and Delivery Account from the proceeds of the Certificates the amounts directed by Section 3.01(b) hereof.

So long as no Lease Event of Default or Event of Nonallocation shall have occurred, payments from the Costs of Execution and Delivery 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 Certificates, accompanied by (i) a written requisition signed by the CDOT Representative in the form set forth in Exhibit F hereto, and (ii) such other documents and certificates as the Trustee may reasonably request to evidence the proper expenditure of moneys from the Costs of Execution and Delivery Account. The Trustee may conclusively rely on requisitions submitted in accordance with this subsection (b) 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 Event of Nonallocation shall have occurred, the Trustee shall transfer to the Project Account all moneys that remain in the Costs of Execution and Delivery Account as of the date that is 180 days after the date hereof.

Section 3.06. Moneys to be Held in Trust. The ownership of the Base Rentals Fund, the Construction 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 CDOT, and if CDOT 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 CDOT and such Owners shall thereafter look only to CDOT for payment and then only (a) to the extent of the amounts so received by CDOT from the Trustee without interest thereon, (b) subject to the defense of any applicable statute of limitations, and (c) subject to CDOT's Allocation 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 CDOT as an overpayment of Base Rentals.

Section 3.08. Repayment to CDOT 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 Construction 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 CDOT 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 CDOT.

ARTICLE IV

REDEMPTION OF CERTIFICATES

Section 4.01. Optional Redemption. In the event CDOT 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 prior to maturity as follows:

(a) ***Series 2016 Certificates***.

(i) The Series 2016 Certificates maturing on June 15, 2041 shall be subject to redemption prior to maturity on June 15, 2019, and on any date thereafter, in whole or in part in Authorized Denominations, and if in part by lot within such maturity, at a redemption price equal to the principal amount of the

Series 2016 Certificates redeemed plus accrued interest to the redemption date, without premium.

(ii) The Series 2016 Certificates maturing on and after June 15, 2027 (other than the Series 2016 Certificates described in clause (i) of this subsection (a)) shall be subject to redemption prior to maturity on June 15, 2026, and on any date thereafter, in whole or in part in Authorized Denominations, and if in part in such order of maturities as CDOT shall direct and by lot within a maturity, at a redemption price equal to the principal amount of the Series 2016 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.

If less than all of the Series 2016 Certificates are to be optionally redeemed at any one time, CDOT may select the maturities, principal amounts and, with respect to any Series 2016 Certificates that are subject to mandatory sinking fund redemption pursuant to Section 4.02 hereof, the principal amounts subject to mandatory sinking fund redemption in any year to be redeemed. If CDOT does so select any principal amount subject to mandatory sinking fund redemption in any year, it shall deliver to the Trustee a new mandatory sinking fund redemption schedule for such Series 2016 Certificates reflecting the reduction in such principal amount subject to mandatory sinking fund redemption due to such optional redemption.

Section 4.02. Mandatory Sinking Fund Redemption. The Series 2016 Certificates maturing on June 15, 2041 are subject to mandatory sinking fund redemption on June 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2016 Certificates maturing on such date shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2016 Certificates maturing on such date, rounded to the nearest Authorized Denomination.

Mandatory Sinking Fund Redemption Date (June 15)	Principal Amount
2037	$4,035,000
2038	4,235,000
2039	4,445,000
2040	4,670,000
2041*	4,905,000

* Maturity date

At its option, to be exercised on or before the forty-fifth day next preceding each mandatory sinking fund redemption date, CDOT may (i) deliver to the Trustee for cancellation any Series 2016 Certificates with the same maturity date as the Series 2016 Certificates subject to such mandatory sinking fund redemption and (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for any Series 2016 Certificates with the same maturity date as the Series 2016 Certificates subject to such mandatory sinking fund redemption which prior to such date have been redeemed (otherwise than by mandatory sinking fund redemption) and cancelled and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Series 2016 Certificate so delivered or previously redeemed shall be credited at the principal amount thereof to the mandatory sinking fund redemption obligation on the mandatory sinking fund redemption dates by lot, and the principal amount of Series 2016 Certificates to be redeemed as part of such mandatory sinking fund redemption on such dates shall be accordingly reduced.

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 an Event of Nonallocation;

(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) CDOT does not elect to apply such Net Proceeds as provided in Section 8.07(c)(i), (ii) or (iii) of the Lease.

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 CDOT as an overpayment of the Purchase Option Price for the Leased Property. 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 CDOT.

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 CDOT 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 CDOT 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 on and 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 Construction 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 CDOT, 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 CDOT, 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 CDOT shall confirm that the investment transactions identified therein accurately reflect the investment directions of CDOT, unless CDOT 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 CDOT 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 CDOT 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 CDOT; and (iv) turn over to CDOT 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 CDOT.

(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 an Event of Nonallocation; 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 Event of Nonallocation which is cured by CDOT, as provided by Section 6.04(c) of the Lease, by a duly effected Allocation 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 Event of Nonallocation which is cured by CDOT 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 CDOT 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 and fees 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 CDOT.

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 CDOT, except as provided herein; but the Trustee may require of CDOT 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 CDOT 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 CDOT by the CDOT Representative or such other person as may be designated for such purpose by CDOT, 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 CDOT.

(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 CDOT 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 to CDOT; (iii) authorized, under its articles of association and bylaws and applicable law to act as trustee under this Indenture, to lease and hold, in trust and as Trustee, the Sites leased to the Trustee pursuant to the Site Lease, to lease the Leased Property to CDOT 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 CDOT and its governmental bodies of the police power inherent in the sovereignty of CDOT 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 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 CDOT.

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 CDOT, 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 CDOT or the Owners of at least 25% in aggregate principal amount of the Outstanding Certificates. The Trustee may, however, at any time request CDOT 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

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 CDOT 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 CDOT or by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, upon written notice being filed with the Trustee, CDOT 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, CDOT shall not be entitled to remove the Trustee pursuant to this Section 8.11 if an Event of Nonallocation 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 CDOT 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 CDOT 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 CDOT 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 CDOT 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 Records of the Trustee; Trustee Record Keeping. The Trustee shall keep such books and records relating to the Site Lease, the Lease and the Funds created under this Indenture as shall be consistent with industry practice and make such books and records available for inspection by CDOT, 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 CDOT, 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 CDOT 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 CDOT 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 CDOT 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 CDOT shall have the right to amend the Lease and the Trustee and 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 or CDOT, 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 (including without limitation to add one or more New Facilities 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 CDOT proposes to amend the Lease or 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 CDOT 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 CDOT, at all reasonable times, to examine and inspect the Leased Property (subject to such regulations as may be imposed by CDOT 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 CDOT 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 CDOT, 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 CDOT, 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: Zions Bank
1001 17th Street
Suite 850
Denver, CO 80202
Telephone: (720) 947-7476 or (720) 947-7475
Facsimile: (855) 547-6178
E-mail: stephanie.nicholls@zionsbank.com
with a copy to: denvercorporatetrust@zionsbank.com
Attention: Corporate Trust Department

to CDOT:	Colorado Department of Transportation 4201 E Arkansas Ave Denver, CO 80222 Telephone: (303) 757-9171 Facsimile: (303) 757-9656 E-mail: Maria.Sobota@state.co.us Attention: Chief Financial Officer
with copies to:	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
	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 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.

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION,
as Trustee

By: ___________________________________
Authorized Signatory

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

The foregoing instrument was acknowledged before me this ___ day of December, 2016, by __________, as an authorized signatory of Zions Bank, a Division of ZB, National Association.

____
Notary Public

My commission expires: _____________________

[SEAL]

EXHIBIT A

DEFINITIONS

"*Act*" means the Colorado Highway Law, Part 2 of Article 1 of Title 43, C.R.S., including without limitation Sections 43-1-211 and 43-1-212, C.R.S.

"*Additional Certificates*" means any Certificates in addition to the Series 2016 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 CDOT Representative;

(d) reasonable fees and expenses of any person or firm employed by CDOT 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 CDOT shall fail to pay the same, as specifically set forth in the Lease) which CDOT agrees to assume or pay as Additional Rentals under the Lease.

Additional Rentals do not include Base Rentals.

"*Allocation*" means the action of the Transportation Commission 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 CDOT during the Lease Term, which constitute payments payable by CDOT 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.

"*CDOT*" means the State of Colorado, acting by and through the Colorado Department of Transportation.

"*CDOT Representative*" means the (a) Controller or Chief Financial Officer of CDOT or (b) any other officer or employee of CDOT authorized by law or by a writing signed by the Executive Director to act as a CDOT Representative under the Site Lease, the Lease or this Indenture.

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

"*Certificates*" means the Series 2016 Certificates and any Additional Certificates.

"*Chief Engineer*" means the Chief Engineer of the Colorado Department of Transportation, created by Section 43-1-109, C.R.S.

"*Construction Fund*" means the fund created under Section 3.05 of this Indenture.

"*Continuing Disclosure Undertaking*" means the undertaking of CDOT, dated the Series 2016 Certificates Closing Date, to provide ongoing disclosure of certain information in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

"*Costs of Execution and Delivery*" means all items of expense directly or indirectly payable by CDOT related to the authorization, execution and delivery of the Site Lease and the Lease and related to the authorization, sale, execution and delivery of the Certificates and to be paid from the Costs of Execution and Delivery Account, including, but not limited to, survey costs, title insurance fees or premiums, costs of the conveyance of the Leased Property to CDOT, recording costs, closing costs and other costs relating to the leasing of the Leased Property under the Site Lease and the Lease, 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 CDOT'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 CDOT as provided in the Lease.

"*Costs of Execution and Delivery Account*" means the account of the Construction Fund created and denominated as such 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 CDOT.

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

"*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.

"*Event of Nonallocation*" means an event described in Section 6.04(b) of the Lease. An Event of Nonallocation 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 CDOT's intention to not renew and therefore terminate the Lease or an event described in the Lease relating to the exercise by CDOT of its right to not allocate amounts due as Additional Rentals in excess of the amounts for which an Allocation has been previously effected.

"*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 CDOT:

(a) the value of the land included in the Leased Property as estimated by CDOT 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 CDOT'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 CDOT or other appropriate authority hereafter may establish as CDOT'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, CDOT 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 CDOT 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.

"*Governor*" means the Governor of the State of Colorado.

"*Indenture*" means this State of Colorado Colorado Department of Transportation Headquarters Facilities Indenture of Trust, dated the Series 2016 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, the period commencing on the date the Lease is executed and delivered (unless a different commencement date is specifically set forth in the Lease) and ending on the following June 30.

"*Interest Payment Date*" means, in respect of the Certificates, each June 15 and December 15, commencing June 15, 2017.

"*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 State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement, dated the Series 2016 Certificates Closing Date, by and between the Trustee, as lessor, and CDOT, 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 Remedy*" or "*Lease Remedies*" means any or all remedial steps provided in the Lease whenever a Lease Event of Default or an Event of Nonallocation 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 CDOT may exercise its option to renew the Lease by effecting an Allocation 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 CDOT is the lessee of the Leased Property under the Lease.

"*Leased Property*" means, collectively, the Sites 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 an Event of Nonallocation 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 CDOT and the Trustee.

"*New Facility*" means any real property and buildings leased by CDOT to the Trustee pursuant to a future amendment to the Site Lease and leased by CDOT from the Trustee pursuant to a future amendment to the Lease in connection with the issuance of Additional Certificates.

"*OSPB*" means the Office of State Planning and Budgeting, created pursuant to Section 24-37-102, C.R.S.

"*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, this Indenture and any related fixture filing and any liens arising or granted pursuant to the Site Lease, the Lease 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 CDOT 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 and the Lease.

"*Permitted Investments*" means any lawful investment permitted for the investment of funds of CDOT 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.

"*Project*" means the acquisition and improvement of the Leased Property and payment of the Costs of Execution and Delivery.

"*Project Account*" means the account of the Construction Fund created and denominated as such under Section 3.05 of this Indenture.

"*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 CDOT 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.

"*Purchase Option Price*" means the amount payable on any date, at the option of CDOT, to purchase the Trustee's leasehold interest in the Leased Property or one or more of the portions thereof listed in Exhibit D to the Lease, as provided in Section 9.01 of the Lease.

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

"*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, each 12-month period, commencing on July 1 of each year and ending on June 30 of the following year, for which CDOT renews the Lease Term after the Initial Term of the Lease.

"*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 CDOT or with respect to the Leased Property pursuant to the Lease including, but not limited to, all Base Rentals under the Lease and any Purchase Option Price paid by CDOT, 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 Lease Term*" means the period that begins on the first day of the Initial Term of the Lease and ends on the date described in Section 4.01(b)(i) thereof.

"*Series 2016 Certificates*" means the "State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2016," dated the Series 2016 Certificates Closing Date, executed and delivered pursuant to this Indenture.

"*Series 2016 Certificates Closing Date*" means the date of execution and delivery of the Series 2016 Certificates to the Underwriter.

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

"*Site Lease*" means the State of Colorado Colorado Department of Transportation Headquarters Facilities Site Lease Agreement, dated the Series 2016 Certificates Closing Date, by and between CDOT, as lessor, and the Trustee, as lessee, as the same may be amended or supplemented.

"*Special Counsel*" means (a) as of the initial date of issuance of the Certificates, Kutak Rock LLP, or (b) as of any other date, Kutak Rock 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, CDOT shall have the right to select Special Counsel.

"*Specifications*" means the specifications of the Project attached as Exhibit E to the Lease, as the same may be amended in accordance with the Lease.

"*State*" means the State of Colorado.

"*State Treasurer*" means the State Treasurer of the State of Colorado.

"*Tax Certificate*" means, as applicable, the tax compliance certificate entered into by the State Treasurer and CDOT with respect to the Lease.

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

"*Transportation Commission*" means the transportation commission created by Section 43-1-106, C.R.S.

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

"*Trustee*" means Zions Bank, a Division of ZB, National Association, 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 or the Site Lease by a written certificate furnished to CDOT 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 CDOT.

"*Underwriter*" means Wells Fargo Bank, National Association, and its successors or assigns, as the original purchaser of the Series 2016 Certificates.

"*Voluntary Clean-Up Plan*" means CDOT's Voluntary Clean-Up Plan" approved by the Colorado Department of Public Health and Environment on December 2, 2016.

* * *

EXHIBIT B

FORM OF THE SERIES 2016 CERTIFICATES

[omitted for form of Indenture appended to Official Statement; see "THE SERIES 2016 CERTIFICATES" in the body of this Official Statement]

EXHIBIT C

DESCRIPTION OF THE LEASED PROPERTY

[omitted for form of Indenture appended to Official Statement; see "THE LEASED PROPERTY" in the body of this Official Statement]

EXHIBIT D

PERMITTED ENCUMBRANCES

[omitted for form of Indenture appended to Official Statement; see "THE LEASED PROPERTY" in the body of this Official Statement]

EXHIBIT E

FORM OF REQUISITION FROM THE PROJECT ACCOUNT

[omitted for form of Indenture appended to Official Statement]

EXHIBIT F

FORM OF REQUISITION FROM COSTS OF EXECUTION AND DELIVERY ACCOUNT

[omitted for form of Indenture appended to Official Statement]

STATE OF COLORADO
COLORADO DEPARTMENT OF TRANSPORTATION
HEADQUARTERS FACILITIES
SITE LEASE AGREEMENT

by and between

STATE OF COLORADO,
acting by and through the Colorado Department of Transportation,
as Site Lessor

and

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION,

acting solely in its capacity as trustee under the indenture identified herein,
as Site Lessee

Dated as of December 29, 2016

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

STATE OF COLORADO
COLORADO DEPARTMENT OF TRANSPORTATION
HEADQUARTERS FACILITIES
SITE LEASE AGREEMENT

THIS STATE OF COLORADO COLORADO DEPARTMENT OF TRANSPORTATION HEADQUARTERS FACILITIES SITE LEASE AGREEMENT (this “Site Lease”), dated as of December 29, 2016, is entered into by and between the State of Colorado, acting by and through the Colorado Department of Transportation (“CDOT”), as lessor, and Zions Bank, a Division of ZB, National Association, 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 lessee.

PREFACE

All capitalized terms used herein have the meanings ascribed to them in Exhibit A to the State of Colorado Colorado Department of Transportation Headquarters Facilities Indenture of Trust dated as of December 29, 2016, entered into by the Trustee as trustee thereunder, as it may be amended or supplemented from time to time (the “Indenture”).

RECITALS

A. CDOT owns, or as of the Series 2016 Certificates Closing Date will own, the land and any improvements thereon described in Exhibit A hereto (collectively, the “Sites”).

B. CDOT is authorized by applicable law to, and will, lease the Sites to the Trustee pursuant to this Site Lease.

C. CDOT, as authorized by the Act, will lease the Sites, together with all Improvements constructed thereon as part of the Project (as further defined in Exhibit A to the Indenture, the “Leased Property”) from the Trustee pursuant to the Lease.

D. Proceeds of the Series 2016 Certificates executed and delivered pursuant to the Indenture will be used to finance the 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. 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 CDOT. CDOT hereby certifies, represents and agrees that:

(a) CDOT is, or as of the Series 2016 Certificates Closing Date will be, the owner of the fee interest in the Sites, subject only to Permitted Encumbrances as set forth in Exhibit B hereto.

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

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

(d) This Site Lease has been duly executed and delivered by CDOT and is enforceable against CDOT 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 CDOT 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 CDOT is now a party or by which CDOT is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to CDOT, or, except as specifically provided in the Lease, the Indenture or this Site Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of CDOT.

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

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

(h) Except as addressed by CDOT's Voluntary Clean-Up Plan, CDOT is not aware of any current violation of any Requirement of Law relating to the Sites 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. CDOT demises and leases the Sites 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. CDOT covenants that, during the Site Lease Term, the Trustee shall peaceably and quietly have, hold and enjoy the Sites without suit, trouble or hindrance from CDOT, 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, 2051;

(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 CDOT pursuant to Article IX of the Lease; or

(c) conveyance of the Leased Property to CDOT pursuant to Article IX of the Lease.

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

PROTECTION OF CDOT AS SITE LESSOR FOLLOWING TERMINATION OF THE LEASE

Section 5.01. 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 (i) contains substantially the same covenants as those of CDOT 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 and (ii) names CDOT and its successors and assigns as intended third party beneficiaries of such covenants, which covenants shall be reasonably satisfactory to CDOT. Any provision of this Site Lease that is similar to any of such covenants in the Lease shall not be interpreted to limit or restrict the rights of CDOT 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 CDOT for the right of the Trustee to use the Sites during the Site Lease Term shall be the application by the Trustee of the proceeds of the Certificates to pay for: (a) the acquisition of the Sites; (b) the subsequent construction of Improvements to the Sites; and (c) the Costs of Execution and Delivery, in accordance with Section 3.01 of the Indenture. The provisions of Article V hereof are intended to assure that any 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 Sites. Title to the Sites shall be held in the name of CDOT, subject to this Site Lease and the Lease.

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

Section 7.03. Granting of Easements. CDOT shall, at the request of the Trustee, consent to grants of easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Leased Property on the same terms and in the same manner as the Trustee is required to do so pursuant to Section 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 CDOT pursuant to the Lease. 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, an Event of Nonallocation or an Indenture Event of Default.

Section 7.05. Substitution of Other Property for the Leased Property. If CDOT substitutes other real property under the Lease for all or any portion of the Leased Property in accordance with the terms and provisions of the Lease, the property so substituted under the Lease shall also be substituted 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, CDOT and Others. The Trustee, CDOT and any other Person who has the right to use the Leased Property under this Site Lease or the Lease, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the 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. CDOT agrees to provide the Leased Property with all gas, water, steam, electricity, heat, power and other utilities provided by CDOT to the Leased Property on the date hereof on a continuous basis except for periods of repair. Pursuant to the Lease, CDOT has agreed to pay for such costs during the Lease Term. 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 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 CDOT 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 CDOT shall have full power to carry out the acts and agreements provided herein, and CDOT and the Trustee, at the written request of the other, shall from time to time execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Site Lease.

Section 9.02. Compliance With Requirements of Law. On and after the date hereof, CDOT 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, CDOT shall join and cooperate fully in any legal action: in which the Trustee 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 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 CDOT's execution, delivery and performance of its obligations under the Lease.

ARTICLE X

LIMITS ON OBLIGATIONS

Section 10.01. Disclaimer of Warranties. CDOT 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 CDOT 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 CDOT, unless CDOT 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, CDOT 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, CDOT 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 shall be deemed to occur as a result of the exercise of any remedy by CDOT, (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 Sections 10.02 and 11.02 hereof, no remedy herein conferred upon or reserved to CDOT 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 CDOT 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. CDOT 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 CDOT. CDOT 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 CDOT's interest in the Leased Property or CDOT'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 Sites to any Person, whether now in existence or organized hereafter, without the written consent of CDOT.

Section 12.03. Transfer of the Trustee's Interest in the Leased Property to CDOT Pursuant to the Lease. The parties recognize and agree that, notwithstanding any other provision of this Site Lease or the Lease, upon conveyance by the Trustee to CDOT of the Trustee's interest in the Leased Property or any portion thereof pursuant to Article IX of the Lease, this Site Lease shall terminate with respect to the Leased Property or such portion thereof, as applicable.

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 CDOT and their respective successors and assigns, 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. The Trustee has received a copy of, and acknowledges the terms of, the Lease.

Section 13.04. Trustee and CDOT Representatives. Whenever under the provisions hereof the approval of the Trustee or CDOT is required, or the Trustee or CDOT is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative and for CDOT by the CDOT Representative, and the Trustee and CDOT 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:
Zions Bank
1001 17th Street
Suite 850
Denver, CO 80202
Telephone: (720) 947-7476 or (720) 947-7475
Facsimile: (855) 547-6178
E-mail: stephanie.nicholls@zionsbank.com
with a copy to: denvercorporatetrust@zionsbank.com
Attention: Corporate Trust Department

if to CDOT:
Colorado Department of Transportation
4201 E Arkansas Ave
Denver, CO 80222
Telephone: (303) 757-9171
Facsimile: (303) 757-9656
E-mail: Maria.Sobota@state.co.us
Attention: Chief Financial Officer

with copies to: 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

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 CDOT or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of CDOT or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of CDOT 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 CDOT 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 CDOT and the Trustee in accordance with Article IX of the Indenture; and the Trustee shall, if and when requested by CDOT, execute and deliver any amendment, change, modification or alteration to this Site Lease proposed by CDOT upon delivery to the Trustee of an opinion of Special Counsel stating that such amendment, change, modification or alteration does not violate this Site Lease, 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 Sites. The legal descriptions of the Sites subject to this Site Lease is set forth in Exhibit A hereto. If the Sites are modified pursuant to the terms of this Site Lease or other land is substituted for land comprising the Sites pursuant to the terms of this Site Lease, the legal descriptions set forth in Exhibit A hereto shall be amended to describe the land comprising the Sites of the Leased Property after such modification or substitution.

Section 13.10. Merger. CDOT and the Trustee intend that the legal doctrine of merger shall have no application to this Site Lease and the Lease and that none of the execution and delivery of this Site Lease or the Lease by the Trustee and CDOT, or the exercise of any remedies by any party under this Site Lease or the Lease, shall operate to terminate or extinguish this Site Lease or the Lease.

Section 13.11. Severability. In the event that any provision of this Site Lease, other than the obligation of CDOT to provide quiet enjoyment of the Sites, 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, CDOT 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. CDOT estimates that the value of the Sites as of the date this Site Lease is entered into is approximately $6,000,000.

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 CDOT 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 COLORADO DEPARTMENT OF TRANSPORTATION HEADQUARTERS FACILITIES 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.

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION, solely in its capacity as trustee under the Indenture By _________________, Authorized Signatory ______________________________ *Signature	STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Transportation ______________________________ By Shailen P. Bhatt, Executive Director
STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Personnel & Administration Office of State Architect, Real Estate Programs For the Executive Director By: ______________________________ Brandon Ates, Manager of Real Estate Programs	LEGAL REVIEW Cynthia H. Coffman, Attorney General By: ______________________________ Kathryn E. Young, First 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: December __, 2016

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

The foregoing instrument was acknowledged before me this ___ day of December, 2016, by __________, as an authorized signatory of Zions Bank, a Division of ZB, National Association.

____
Notary Public

My commission expires: ______________________

[SEAL]

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

The foregoing instrument was acknowledged before me this ___ day of December, 2016, by Shailen P. Bhatt, Executive Director of the Colorado Department of Transportation, acting on behalf of the State of Colorado.

____
Notary Public

My commission expires: ______________________

[SEAL]

EXHIBIT A

DESCRIPTION OF THE SITES

[omitted for form of Lease appended to Official Statement; see "THE LEASED PROPERTY" in the body of this Official Statement]

EXHIBIT B

PERMITTED ENCUMBRANCES

[omitted for form of Lease appended to Official Statement; see "THE LEASED PROPERTY" in the body of this Official Statement]

STATE OF COLORADO
COLORADO DEPARTMENT OF TRANSPORTATION
HEADQUARTERS FACILITIES
LEASE PURCHASE AGREEMENT

by and between

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION,

acting solely in its capacity as Trustee under the Indenture identified herein,

as Lessor

and

STATE OF COLORADO,
acting by and through the Colorado Department of Transportation,

as Lessee

Dated as of December 29, 2016

STATE OF COLORADO
COLORADO DEPARTMENT OF TRANSPORTATION
HEADQUARTERS FACILITIES
LEASE PURCHASE AGREEMENT

THIS STATE OF COLORADO COLORADO DEPARTMENT OF TRANSPORTATION HEADQUARTERS FACILITIES LEASE PURCHASE AGREEMENT, dated as of December 29, 2016 (this "Lease"), is entered into by and between Zions Bank, a division of ZB, National Association, 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 Colorado Department of Transportation ("CDOT"), as lessee.

PREFACE

All capitalized terms used herein have the meanings ascribed to them in Exhibit A to the State of Colorado Colorado Department of Transportation Headquarters Facilities Indenture of Trust dated as of December 29, 2016, entered into by the Trustee, as trustee thereunder, as it may be amended or supplemented from time to time (the "Indenture").

RECITALS

A. CDOT is authorized by the Act to enter into a lease purchase agreement under which CDOT shall acquire title to the property subject to such lease purchase agreement within a period not exceeding 30 years.

B. CDOT has acquired the Sites and leased the same to the Trustee pursuant to the Site Lease. The Trustee will in turn lease the Sites, together with all Improvements constructed thereon as part of the Project (as further defined in Exhibit A to the Indenture, the "Leased Property") to CDOT pursuant to this Lease.

C. 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 2016 Certificates will be applied pursuant to the terms of the Indenture to fund the Project.

D. In accordance with the Act, the terms of this Lease have been approved by the Governor, the Chief Engineer, a majority of the members of the Transportation Commission, and the Director of OSPB.

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 CDOT. CDOT certifies, represents and agrees, to the extent allowed by law and subject to renewal of this Lease and Allocation as set forth in Article VI hereof, that:

(a) This Lease is a lease purchase agreement that is being entered into by CDOT to finance the Project in accordance with the Act.

(b) CDOT is authorized under the Act to lease the Leased Property from the Trustee and to execute, deliver and perform its obligations under this Lease.

(c) This Lease complies with the applicable provisions of the Act and all other applicable provisions of State law.

(d) CDOT has received all approvals and consents required for CDOT's execution, delivery and performance of its obligations under this Lease and for the financing of the Project pursuant to the Site Lease, this Lease and the Indenture.

(e) This Lease has been duly authorized, executed and delivered by CDOT and is a valid and binding obligation enforceable against CDOT 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.

(f) The execution, delivery and performance of this Lease by CDOT 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 CDOT is now a party or by which CDOT is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to CDOT or, except as specifically provided in this Lease, the Site Lease or the Indenture, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of CDOT, except for Permitted Encumbrances as set forth in Exhibit B hereto.

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

(h) The Base Rentals payable in each Fiscal Year during the Lease Term are not more than the fair value of the use of the Leased Property during such Fiscal Year. The Base Rentals payable in any Fiscal Year during the Lease Term do not exceed a reasonable amount so as to place CDOT under an economic compulsion to take any of the following actions: (i) to continue this Lease beyond such Fiscal Year; (ii) to not exercise its right to terminate this Lease at any time through an Event of Nonallocation; or (iii) to exercise its option to purchase the Leased Property hereunder. In making such determinations, CDOT 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 CDOT, the benefit to the citizens and inhabitants of the State by reason of the use and occupancy of the Leased Property pursuant to the terms and provisions of this Lease, the terms of this Lease governing the use of the Leased Property and CDOT'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.

(i) CDOT 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 CDOT to do so.

(j) CDOT is not aware of any current violation of any Requirement of Law relating to the Leased Property.

The certifications, representation and agreements set forth in the Tax Certificate executed by CDOT and the State Treasurer in connection with the execution and delivery of the Series 2016 Certificates are hereby incorporated in this Lease as if set forth in full in this subsection.

Section 2.03. CDOT Acknowledgment of Certain Matters. CDOT 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. CDOT 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 CDOT has duties, obligations and rights under the Indenture, CDOT 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 CDOT and the Trustee. The relationship of CDOT and the Trustee under this Lease is, and shall at all times remain, solely that of lessee and lessor. CDOT 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 CDOT or to any third party with respect to CDOT's obligations relating to the Leased Property. Notwithstanding any other provisions of this Lease: (a) CDOT 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 CDOT and the Trustee do not intend to ever assume such status; and (b) CDOT 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. CDOT and the Trustee acknowledge that the CDOT is the owner in fee of the Sites and has leased the same 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 CDOT, and CDOT 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, CDOT 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, an Event of Nonallocation has occurred (provided that the

Lease Term shall not be deemed to have been terminated if the Event of Nonallocation is cured as provided in Section 6.04(c) hereof);

(iii) the purchase of the Trustee's leasehold interest in the Leased Property by CDOT 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 CDOT hereunder shall terminate, but all obligations of CDOT 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 an Event of Nonallocation or a Lease Event of Default, CDOT's right to possession of the Leased Property hereunder shall terminate and: (i) CDOT shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Transportation Commission has allocated funds for payment of Base Rentals or Additional Rentals payable during, or with respect to CDOT'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), CDOT 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 CDOT.

CDOT shall not have the right to terminate this Lease due to a default by the Trustee under this Lease.

ARTICLE V

THE PROJECT

Section 5.01. CDOT to Construct Project in Accordance with Specifications. CDOT shall cause the Project to be constructed (the "Work") in accordance with title 24, articles 91 to 93 of the Colorado Revised Statutes and the Specifications attached hereto as Exhibit E, with such changes in the Specifications, if any, that are approved by CDOT in writing.

Section 5.02. Completion Date.

(a) CDOT shall cause the Work to be done promptly and with due diligence and shall use its best efforts to cause the Completion Date to occur by November 30, 2019 (the "Scheduled Completion Date"). The "Completion Date" is the date CDOT delivers a certificate (the "Completion Certificate") to the Trustee (i) stating that to the best of CDOT's knowledge, based upon the representations of contractors, architects, engineers, vendors or other consultants, (A) the Project has been completed in accordance with Section 5.01 hereof; and (B) except for any amounts estimated by CDOT to be necessary for payment of any Costs of the Project not then due and payable and Costs of the Project included in requisitions that have been submitted to the Trustee but have not yet been paid by the Trustee, all Costs of the Project have been paid; (ii) stating that the real property improved by the Project has been insured in accordance with Section 7.01 hereof in the dollar amount set forth in such certificate or the certificate of insurance attached thereto; and (iii) to which is attached a certificate of insurance in which the insurer certifies that the real property improved by the Project has been insured by such insurer in the dollar amount set forth therein.

(b) If the Completion Date does not occur by the date that is six months after the Scheduled Completion Date for any reason other than Force Majeure, Trustee may, but shall not be required to, retain a Person other than CDOT to complete the Project and recover from CDOT all reasonable costs incurred by or on behalf of the Trustee in completing the Project.

Section 5.03. Contractor Guarantees. CDOT shall cause each Contractor with which CDOT contracts directly to guarantee all Work performed by it or any subcontractor or other Person performing Work on its behalf against defective workmanship and materials for a period of one year after the Completion Date, provided that such one year period shall not begin with respect to any item that is not completed on the Completion Date until such item is completed.

Section 5.04. Performance and Payment Bonds. CDOT shall require that each Contractor provide a performance bond and a separate labor and material payment bond, each of which shall (a) be executed by a corporate surety licensed to do business in the State, (b) be in customary form, (c) be in the amount payable to such Contractor pursuant to its Project Contract, and (d) be payable to CDOT. If, at any time prior to completion of the Work covered by any such bond, the surety shall be disqualified from doing business within the State, a new bond shall be provided from an alternate surety licensed to do business in the State. The amount of each bond shall be increased or decreased, as appropriate, to reflect changes to the Specifications under Section 5.01 hereof. A copy of each such bond and all modifications thereto shall be furnished to CDOT within 60 days of the effective date of the related Project Contract. CDOT hereby assigns its rights to any proceeds under such bonds to the Trustee.

Section 5.05. Builder's Risk Completed Value Insurance. CDOT shall procure and maintain, at its own cost and expense, until the property to which such insurance relates is insured by CDOT pursuant to Section 7.01 hereof, standard, all risk of loss builder's risk completed value insurance upon property included in or that is imposed by the Project.

Section 5.06. General Public Liability and Property Damage Insurance. CDOT shall require that each Contractor procure and maintain, at its own cost and expense, during such Contractor's Project Contract, standard form comprehensive general public liability and property damage insurance that covers all claims for bodily injury, including death, and claims for destruction of or damage to the property (other than the Work itself), arising out of or in connection with any operations under the Contractor's Project Contract, whether such operations be by the Contractor or by a subcontractor. The insurance shall include the limits and coverage specified for the State of Colorado, Office of the State Architect, State Buildings Programs. Such policies shall include the Trustee as an additional insured and shall include a provision prohibiting cancellation, termination or alteration except pursuant to the policy. A certificate of insurance evidencing such insurance shall be provided to CDOT with respect to each Contractor within 60 days of the effective date of the related Project Contract.

Section 5.07. Workers' Compensation Insurance. CDOT shall require that each Contractor procure and maintain, at its own cost and expense, workers' compensation insurance as required by Colorado law during the term of its contract, covering all persons working under its Project Contract. Such insurance shall contain a provision that such coverage shall not be canceled, terminated or altered without 30 days' prior written notice to CDOT and the Trustee. Certificates evidencing such coverage shall be provided to CDOT.

Section 5.08. Defaults Under Project Contracts. In the event of any default under any Project Contract, or in the event of a breach of warranty with respect to any materials, workmanship or performance or other Work, which default or breach results in frustration of the purpose for which the property improved by the Project was intended, CDOT shall promptly proceed, either separately or in conjunction with others, to pursue diligently its remedies, including any remedy against the surety of any bond securing the performance of the Project Contract.

Section 5.09. Assignment of Rights Under Project Contracts. CDOT hereby assigns to the Trustee, and each Project Contract shall expressly provide that the Trustee shall have, the right to enforce each Project Contract against the Contractor (a) following termination of this Lease and (b) in any case where, in the reasonable judgment of the Trustee, CDOT has failed to enforce the terms of such Project Contract in a manner consistent with the obligations of CDOT under this Lease.

Section 5.10. Costs of the Project.

(a) CDOT may withdraw available money from the Project Account in an aggregate amount up to the sum of the amount of proceeds of the Certificates deposited into the Project Account pursuant to Section 3.01(c) of the Indenture and the amount of any earnings thereon retained in the Project Account for the purpose of paying, or reimbursing CDOT for the payment of, Costs of the Project by delivering to the Trustee a requisition in the form attached as Exhibit E to the Indenture (as used in this Section 5.10, a "Requisition"), signed by a CDOT Representative.

(b) Upon and effective on each date a Requisition is signed and delivered to the Trustee pursuant to subsection (a) of this Section, the representations of CDOT set forth in such Requisition are incorporated in this Lease as if set forth herein in full.

(c) CDOT shall submit a final Requisition to the Trustee pursuant to subsection (a) of this Section no later than six months after the Scheduled Completion Date unless otherwise approved by the Trustee.

Section 5.11. Excess Costs and Project Account Balances. CDOT shall pay all Costs of the Project that exceed the moneys that may be withdrawn from the Project Account pursuant to Section 5.10 hereof from sources other than money withdrawn from the Project Account pursuant to Section 5.10 hereof.

Section 5.12. Compliance with Tax Certificate. CDOT shall comply with the provisions of the Tax Compliance Certificate executed and delivered by the State Treasurer and CDOT in connection with the execution and delivery of this Lease that are applicable to the construction of the Project.

Section 5.13. Records. CDOT shall maintain copies of all requisition forms and Project Contracts, including but not limited to subcontracts, purchase orders and procurement documents. All such documents and records relating to the Project shall be retained by CDOT during the term of this Lease and shall be provided to the Trustee upon request.

ARTICLE VI

PAYMENTS BY CDOT; EVENT OF NONALLOCATION

Section 6.01. Base Rentals.

(a) ***Obligation To Pay Base Rentals***. CDOT 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 CDOT 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, including without limitation amounts representing capitalized interest on the Certificates on deposit therein, other than moneys 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 CDOT 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 Allocation has been effected by CDOT, and, if paid, any Purchase Option Price, shall be paid or prepaid by CDOT 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. CDOT 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 CDOT to pay Base Rentals during the Lease Term shall, subject only to the other Sections of this Article, and the obligation of CDOT to pay Additional Rentals during the Lease Term shall, subject only to Sections 7.01(b), 8.02(b) and 14.16 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 CDOT and the Trustee, or between CDOT or the Trustee and any other Person relating to the Leased Property, CDOT shall, during the Lease Term, pay all Base Rentals and Additional Rentals when due; CDOT 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 CDOT of any rights, claims or defenses which CDOT may assert; and no action or inaction on the part of the Trustee shall affect CDOT's obligation to pay Base Rentals and Additional Rentals during the Lease Term.

Section 6.04. Event of Nonallocation.

(a) The Executive Director of the CDOT or such other officer of the CDOT who is responsible for formulating budget proposals for CDOT 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 Transportation Commission during the Lease Term; and (ii) include in each annual budget proposal submitted to the Transportation Commission 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 CDOT that any decision to continue or to terminate this Lease shall be made solely by the Transportation Commission, in its sole discretion, and not by any other department, agency or official of CDOT or the State.

(b) An Event of Nonallocation shall be deemed to have occurred, subject to CDOT's right to cure pursuant to Section 6.04(c) below, on June 30 of any Fiscal Year if the Transportation Commission has, as of such date, failed, for any reason, to allocate 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, an Event of Nonallocation under such subsection shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Transportation Commission has allocated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonallocation under Section 6.04(b) above, and (ii) CDOT has paid all Base Rentals and Additional Rentals due during the period from June 30 through the date of such allocation or authorization.

(d) If CDOT 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, CDOT 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 CDOT from terminating this Lease or (iii) result in any liability on the part of CDOT.

(e) CDOT shall furnish the Trustee with copies of all allocation or expenditure authorization measures relating to Base Rentals, Additional Rentals or any Purchase Option Price promptly upon the adoption thereof by the Transportation Commission, but not later than 30 days following the adoption thereof by the Transportation Commission; 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 CDOT from terminating this Lease or (iii) result in any liability on the part of CDOT.

(f) The Trustee shall be under no duty to make any investigation as to any statements or information delivered to the Trustee by CDOT pursuant to subsection (d) or (e) of this Section 6.04, but may accept the same as conclusive evidence of the accuracy of such statement or information.

Section 6.05. Limitations on Obligations of CDOT.

(a) Payment of Base Rentals and Additional Rentals and all other payments by CDOT shall constitute currently allocated expenditures of CDOT. All obligations of CDOT under this Lease shall be subject to the action of the Transportation Commission in annually making moneys available for payments hereunder. The obligations of CDOT to pay Base Rentals and Additional Rentals and all other obligations of CDOT hereunder are subject to allocation of moneys sufficient to pay the same by the Transportation Commission in its sole discretion, and shall not be deemed or construed as creating an indebtedness of CDOT or 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 CDOT or the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of CDOT or the State within the meaning Section 20(4) of Article X of the Colorado Constitution. In the event CDOT does not renew this Lease, the sole security available to the Trustee, as lessor under this Lease, shall be the Trust Estate.

(b) CDOT's obligations under this Lease shall be subject to CDOT's annual right to terminate this Lease upon the occurrence of an Event of Nonallocation.

(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 Site Lease or any other document or instrument shall be construed or interpreted (i) to directly or indirectly obligate CDOT or the State to make any payment in any Fiscal Year in excess of amounts allocated by the Transportation Commission 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 CDOT or 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 CDOT or the State; (iv) as a loan or pledge of the credit or faith of CDOT or the State or as creating any responsibility by CDOT or 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 CDOT or 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) CDOT 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 CDOT, nor shall any provision of this Lease restrict the future issuance of any obligations of CDOT payable from any class or source of moneys of CDOT; provided, however, that the restrictions set forth in the Indenture shall apply to the execution and delivery of the Series 2016 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) CDOT 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 at least 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 CDOT in connection with the Leased Property and this Lease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. Section 24-10-101 et seq., or any successor statute, in an amount not less than the amounts for which CDOT 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, CDOT 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 CDOT shall first notify the Trustee of the intention of CDOT to do so, CDOT 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 CDOT that, in the opinion of Counsel, whose fees and expenses shall be paid by CDOT as Additional Rentals hereunder, by nonpayment of any such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of CDOT, the Trustee shall cooperate fully with CDOT 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 CDOT; (ii) each collision, comprehensive, replacement or casualty insurance policy shall be so written or endorsed as to make losses, if any, payable to CDOT 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 CDOT or the Trustee without first giving written notice thereof to CDOT 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 CDOT; and (vi) each casualty or property damage insurance policy shall explicitly waive any co insurance penalty.

(d) CDOT 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) On or before September 30 of each year during the Lease Term, CDOT shall provide to the Trustee one or more insurance certificates showing the coverages in effect as of the date of such certificate for the Leased Property with respect to the insurance required by this Section and certifying that such coverages meet the requirements of this Section. The Trustee shall have no responsibility for monitoring, reviewing or receiving insurance policies related to the Leased Property, or for the sufficiency of such insurance.

Section 7.02. Maintenance and Operation of the Leased Property. CDOT 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 CDOT. CDOT has entered into the Site Lease, as site lessor, with the Trustee, as site lessee. The Trustee shall enter into this Lease, as lessor, with CDOT, as lessee.

Title to the leasehold estate in the Leased Property under the Site Lease shall be held in the name of the Trustee, subject to the Site Lease and this Lease, 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 2016 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 CDOT 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) CDOT 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 CDOT shall first notify the Trustee of its intention to do so, CDOT 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 CDOT that, in the opinion of Counsel, whose fees shall be paid by CDOT as Additional Rentals hereunder, 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 CDOT of the right to continue to contest such item. At the request of CDOT, the Trustee shall cooperate fully with CDOT in any such contest.

Section 8.03. Granting of Easements. As long as no Event of Nonallocation, Indenture Event of Default or Lease Event of Default shall have happened and be continuing, the Trustee shall, at the request of CDOT:

(a) consent to the grant of easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from this Lease and the Indenture and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights of way and other rights and privileges with respect to the Leased Property, free from this Lease and the Indenture and any security interest or other encumbrance created hereunder or thereunder, with or without consideration; and

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right of way or other grant or privilege under 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 CDOT 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. CDOT shall not sublease all or any portion of the Leased Property to any Person unless the following conditions are satisfied:

(a) CDOT receives an opinion that any such sublease or grant of use by CDOT complies with the terms and provisions of the Act;

(b) the sublease or grant of use by CDOT complies with the covenant in Section 10.04 hereof;

(c) the obligations of CDOT under this Lease shall remain obligations of CDOT, and CDOT shall maintain its direct relationship with the Trustee, notwithstanding the sublease or grant of use;

(d) any such sublease shall provide that it will terminate in the event this Lease terminates for any reason; and

(e) CDOT 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. CDOT, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and additions (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto, and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and additions shall be at least as great as the value of the Leased Property prior thereto; (c) the Leased Property, after such remodeling, substitutions, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Lease; and (d) any such substitutions shall only be made following satisfaction of the requirements of Section 8.06 hereof.

Section 8.06. Substitution of Other Property for the Leased Property. CDOT 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 CDOT to accomplish the substitution:

(a) a certificate by CDOT 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) 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 CDOT 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 CDOT as the property for which it was substituted; and

(d) an opinion of Special Counsel to the effect that such substitution is in compliance with the Act, is permitted by this Lease and will not cause CDOT to violate its tax covenant set forth in Section 10.04 hereof.

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 CDOT shall elect one of the following alternatives:

(i) to use the Net Proceeds and other moneys paid by CDOT 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 CDOT shall pay the remainder of such costs as Additional Rentals;

(ii) to apply the Net Proceeds to the payment by CDOT (subject to Article VI hereof) of the Purchase Option Price for the entire Leased Property or such portion of the Leased Property in accordance with Section 9.01 hereof, in which case the Net Proceeds shall be delivered to CDOT;

(iii) 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 CDOT; or

(iv) 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 CDOT elects to proceed under this Section 8.07(c)(iv), then an Event of Nonallocation shall be deemed to have occurred and the Trustee may pursue remedies available to it following an Event of Nonallocation.

(d) CDOT 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 CDOT 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 and the Indenture.

Section 8.08. Personal Property of CDOT. CDOT, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or its removal would materially damage the Leased Property, in which case it shall become part of the Leased Property.

ARTICLE IX

CDOT'S PURCHASE OPTION; RELEASE OF PORTIONS OF LEASED PROPERTY; CONVEYANCE TO CDOT AT END OF LEASE TERM

Section 9.01. CDOT's Purchase Option.

(a) CDOT is hereby granted the option, on any date, to pay the then-applicable Purchase Option Price for the purpose of either:

(i) purchasing the Trustee's leasehold interest in the entire Leased Property and terminating this Lease in whole; or

(ii) purchasing the Trustee's leasehold interest in one of the portions of the Leased Property listed in Exhibit D hereto and terminating this Lease with respect to such portion of the Leased Property; provided that, except as provided in the following sentence, the option granted by this clause (ii) shall not be exercisable with respect to any listed portion of the Leased Property unless all portions of the Leased Property, if any, listed above such portion to be purchased shall have previously been released pursuant to Section 9.04 hereof or shall have been previously, or shall be simultaneously, purchased pursuant to this Section. Notwithstanding the foregoing, in the event that the Metropolitan Football Stadium District (as used in this Section, the "District") shall pay to CDOT the amount required to release the portion of the Leased Property listed in Exhibit D as "CDOT Main/Region 1 Headquarters" (which is the same property described in Exhibit A as the "2016 Leased Property"), under the circumstances permitted by the Purchase and Sale Agreement for such portion of the Leased Property between CDOT and the District, CDOT shall be permitted to purchase such portion of the Leased Property pursuant to this clause (ii) regardless of whether any portions of the Leased Property listed above it in Exhibit D shall remain subject to this Lease.

(b) The "Purchase Option Price" shall be:

(i) for a purchase of the entire Leased Property pursuant to clause (i) of subsection (a) of this Section, 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 transferred to CDOT or its designee pursuant to this Lease, including, but not limited to, all fees and expenses of the Trustee relating to such transfer and the payment, redemption or defeasance of the Outstanding Certificates; provided, however, that the 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.

(ii) for a purchase of a portion of the Leased Property pursuant to clause (ii) of subsection (a) of this Section, an amount sufficient to: (i) defease Outstanding Certificates in the amount set forth for such portion of the Leased Property in Exhibit D in accordance with the defeasance provisions of the Indenture (or, if such Certificates are then subject to optional redemption, to redeem such Certificates in accordance with the redemption provisions of the Indenture); and (ii) pay all Additional Rentals directly attributable to such portion of the Leased Property that are payable through the date on which the Trustee's interest in such portion of the Leased Property is transferred to CDOT or its designee pursuant to this Lease, including, but not limited to, all fees and expenses of the Trustee relating to such transfer and the payment, redemption or defeasance of such Certificates.

(c) In order to exercise its option to purchase the Leased Property or a portion thereof pursuant to this Section, CDOT shall: (i) give written notice to the Trustee (A) stating that CDOT intends to purchase the same pursuant to this Section, (B) identifying the source of funds it will use to pay the applicable 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 such Purchase Option Price to the Trustee in immediately available funds on the closing date. If CDOT has given notice to the Trustee of its intention to purchase the Leased Property or such portion thereof but does not deposit the amounts with the Trustee on the date specified in such notice, CDOT shall continue to pay Base Rentals which have been specifically allocated 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.

(d) Upon any purchase by CDOT of a portion of the Leased Property pursuant to subsection (a)(ii) of this Section, Exhibit A hereto shall be amended to reflect the reduction in principal amount of Outstanding Certificates and interest payable thereon. Additionally, upon any purchase described in the last sentence of such subsection (a)(ii), the Purchase Option Prices set forth in Exhibit D shall be amended to reflect the deletion of such portion of the Leased Property from such list.

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 or a portion thereof pursuant to Section 9.01 hereof, the Trustee shall execute and deliver to CDOT all necessary documents assigning, transferring and conveying to CDOT the Trustee's leasehold interest in the Leased Property or such portion thereof, subject only to the following: (a) Permitted Encumbrances, other than this Lease, the Indenture 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 CDOT; and (d) those liens and encumbrances, if any, to which the Leased Property purchased by CDOT 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 CDOT 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 CDOT 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 Trustee's leasehold interest in the Leased

Property shall be assigned, transferred and conveyed to CDOT at the end of the Lease Term in the manner described in Section 9.02 hereof without any additional payment by CDOT.

Section 9.04. Release of Portions of the Leased Property.

(a) When the principal component of Base Rentals paid by CDOT equals the applicable amount set forth in Exhibit D hereto, and all Additional Rentals then due and owing from CDOT to the Trustee shall have been paid by CDOT, the cost of the corresponding portion of the Leased Property set forth in Exhibit D shall be deemed to have been fully amortized and the Lessor and the Trustee shall release such portion of the Leased Property from this Lease and the lien thereon granted to the Trustee pursuant to the Indenture.

(b) Upon a release of a portion of the Leased Property pursuant to this Section, the Trustee shall execute and deliver to CDOT or its designee all necessary documents assigning, transferring and conveying to CDOT or its designee the Trustee's leasehold interest in such portion thereof, subject only to the following: (a) Permitted Encumbrances, other than this Lease, the Indenture 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 CDOT; and (d) those liens and encumbrances, if any, to which the Leased Property purchased by CDOT pursuant to this Article was subject when such Leased Property was leased by the Trustee pursuant to the Site Lease.

Section 9.05. New Facilities Added to Leased Property. Any amendment to this Lease executed in connection with the addition of any New Facility to the Leased Property shall include, inter alia, amendments to the exhibits hereto as follows:

(a) an amendment to Exhibit A hereto to add the legal description of the land included in such New Facility and a description of the Improvements included therein;

(b) an amendment to Exhibit B hereto to add the easements, covenants, restrictions, liens and encumbrances to which title to such New Facility is subject when leased to CDOT pursuant to such amendment;

(c) an amendment to Exhibit C hereto to add the additional Base Rentals associated with such New Facility;

(d) an amendment to Exhibit D hereto to add such New Facility to the schedule set forth in such Exhibit D as a separate portion of the Leased Property and to amend the release amounts listed in such schedule by the addition of the principal amount of the Additional Certificates executed and delivered in connection with such New Facility; provided that New Facilities may be added to such release schedule in any order so long as the portion of the Leased Property listed in Exhibit D as "CDOT Main/Region 1 Headquarters" (which is the same property described in Exhibit A as the "2016 Leased Property") shall, unless consented to by a majority of the Owners of all Certificates then

Outstanding, always remain the last such portion of the Leased Property to be released (which release shall not occur until the payment of the Purchase Option Price with respect to all of the then-remaining Leased Property pursuant to Section 9.01 hereof or the payment of all scheduled Base Rentals as provided in Section 9.03 hereof); and

(e) If any Improvements shall be constructed as a portion of such New Facility with the proceeds of such Additional Certificates, an amendment to Exhibit E hereto to add the Specifications with respect thereto.

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 Event of Nonallocation or Lease Event of Default shall have occurred, the Trustee and CDOT shall have full power to carry out the acts and agreements provided herein, and CDOT 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, except as provided in this Section 10.02, neither CDOT 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, but subject to the provisions of this Section 10.02, CDOT, 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 CDOT'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. Notwithstanding any of the foregoing provisions of this Section 10.02, with respect to the matters addressed by the Voluntary Clean-Up Plan, CDOT shall be deemed to be in compliance with the requirements of this Section 10.02 so long as CDOT is in compliance with the provisions of the Voluntary Clean-Up Plan.

Section 10.03. Participation in Legal Actions.

(a) At the request of and at the cost of CDOT (payable as Additional Rentals hereunder), the Trustee shall join and cooperate fully in any legal action: (i) in which CDOT 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 CDOT; or (iii) that involves the imposition of any charges, costs or other obligations with respect to CDOT's execution, delivery and performance of its obligations under this Lease or the Site Lease.

(b) At the request of the Trustee and upon a determination by CDOT that such action is in the best interests of CDOT, CDOT shall, at the cost of CDOT (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. CDOT 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 CDOT or any facilities, equipment or other property financed or refinanced with the proceeds of the Certificates (except for the possible exercise of CDOT'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, (b) would cause the 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, or (c) would cause the interest on the Certificates to lose its exclusion from Colorado taxable income or to lose its exclusion from Colorado alternative minimum taxable income under present Colorado law. Subject to CDOT'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 CDOT in fulfilling the above covenant under the Tax Code and Colorado law have been met.

In addition, CDOT 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. CDOT 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 CDOT moneys pursuant to the foregoing sentence shall be Additional Rentals for all purposes of this Lease.

CDOT 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 CDOT's tax covenant herein.

Section 10.05. Payment of Fees and Expenses of the Trustee. CDOT 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 or any matter related thereto as set forth in the fee letter of the Trustee delivered to CDOT on or before the date of this Lease, as the same may be amended with the consent of CDOT. Such fees and expenses shall include, but shall not be limited to, costs of defending any claim or action brought against the Trustee or its directors, officers, employees or agents relating to the foregoing. CDOT 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 CDOT 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 Allocation has been effected.

Section 10.06. Investment of Funds. By authorizing the execution and delivery of this Lease, CDOT 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 CDOT of any item

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

ARTICLE XII 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 CDOT to pay any Base Rentals specifically allocated by the Transportation Commission to the Trustee on or before the applicable Base Rentals Payment Date; provided, however, that a failure by CDOT 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 CDOT to pay when due any Additional Rentals for which funds have been specifically allocated by the Transportation Commission, 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 CDOT to vacate the Leased Property within 90 days following an Event of Nonallocation in accordance with Section 4.02(b) hereof;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of CDOT 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 CDOT in the Leased Property in violation of Section 13.02(b) hereof; or

(v) failure by CDOT 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 CDOT 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) CDOT 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, CDOT 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, CDOT shall not be deemed in default during the continuance of such inability; provided, however, that CDOT shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing CDOT from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of CDOT.

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 CDOT 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 CDOT 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 allocated by the Transportation Commission, regardless of when CDOT vacates the Leased Property; and

(iii) the portion of the Additional Rentals for the then current Fiscal Year that has been specifically allocated by the Transportation Commission, 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, CDOT 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 CDOT 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 CDOT by reason of a Lease Event of Default only as to CDOT's liabilities described in Section 12.02(c) hereof. A judgment requiring a payment of money may be entered against CDOT by reason of an Event of Nonallocation, or a failure to vacate the Leased Property following an Event of Nonallocation, 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 CDOT 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 CDOT'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, CDOT 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, CDOT may transfer its interest in the Leased Property after, and only after, this Lease has terminated and the Trustee's leasehold interest in the Leased Property has been conveyed to CDOT 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 CDOT and their respective successors and assigns, subject, however, to the limitations set forth in Article XIII 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. CDOT has received a copy of, and acknowledges the terms of, the Indenture.

Section 14.04. Trustee and CDOT Representatives. Whenever under the provisions hereof the approval of the Trustee or CDOT is required, or the Trustee or CDOT is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative and for CDOT by the CDOT Representative, and the Trustee and CDOT 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:
Zions Bank
1001 17th Street
Suite 850
Denver, CO 80202
Telephone: (720) 947-7476 or (720) 947-7475
Facsimile: (855) 547-6178
E-mail: stephanie.nicholls@zionsbank.com
With a copy to: denvercorporatetrust@zionsbank.com
Attention: Corporate Trust Department

if to CDOT:
Colorado Department of Transportation
4201 E Arkansas Ave
Denver, CO 80222
Telephone: (303) 757-9171
Facsimile: (303) 757-9656
E-mail: Maria.Sobota@state.co.us
Attention: Chief Financial Officer

with copies to: 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

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 14.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of CDOT or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of CDOT or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of CDOT 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 CDOT 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 CDOT and the Trustee in accordance with Article IX of the Indenture. The Trustee shall, if and when requested by CDOT, execute and deliver any amendment, change, modification or alteration to this Lease proposed by CDOT upon delivery to the Trustee of an opinion of Special Counsel stating that such amendment, change, modification or alteration does not violate the Site Lease, 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. No Merger. CDOT and the Trustee intend that the legal doctrine of merger shall have no application to this Lease or the Site Lease, and that none of the execution and delivery of this Lease or the Site Lease by the Trustee and CDOT or the exercise of any remedies by any party under this Lease or the Site Lease shall operate to terminate or extinguish this Lease or the Site Lease.

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 CDOT 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 CDOT 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 CDOT payable after the current Fiscal Year are contingent upon funds for that purpose being allocated, budgeted and otherwise made available by the Transportation Commission.

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 CDOT 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.

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THE PARTIES HERETO HAVE EXECUTED THIS STATE OF COLORADO COLORADO DEPARTMENT OF TRANSPORTATION HEADQUARTERS FACILITIES 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.

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION, solely in its capacity as trustee under the Indenture By _________________, Authorized Signatory ______________________________ *Signature	STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Transportation ______________________________ By Shailen P. Bhatt, Executive Director
STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Personnel & Administration Office of State Architect, Real Estate Programs For the Executive Director By: ____________________________ Brandon Ates, Manager of Real Estate Programs	LEGAL REVIEW Cynthia H. Coffman, Attorney General By: ____________________________ Kathryn E. Young, First 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: December __, 2016

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

The foregoing instrument was acknowledged before me this ___ day of December, 2016, by __________, as an authorized signatory of Zions Bank, a division of ZB, National Association.

____
Notary Public

My commission expires: ______________________

[SEAL]

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

The foregoing instrument was acknowledged before me this ___ day of December, 2016, by Shailen P. Bhatt, Executive Director of the Colorado Department of Transportation, acting on behalf of the State of Colorado.

____
Notary Public

My commission expires: ______________________

[SEAL]

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

[omitted for form of Lease appended to Official Statement; see "THE LEASED PROPERTY" in the body of this Official Statement]

EXHIBIT B

PERMITTED ENCUMBRANCES

[omitted for form of Lease appended to Official Statement; see "THE LEASED PROPERTY" in the body of this Official Statement]

EXHIBIT C

BASE RENTALS SCHEDULE

[omitted for form of Lease appended to Official Statement; see "BASE RENTALS AND SERIES 2016 CERTIFICATES PAYMENT SCHEDULE" in the body of this Official Statement]

EXHIBIT D

LEASED PROPERTY RELEASE SCHEDULE

[omitted for form of Lease appended to Official Statement; see "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE AND THE LEASE—The Lease" in the body of this Official Statement]

EXHIBIT E

SPECIFICATIONS

[omitted for form of Lease appended to Official Statement; see "PLAN OF FINANCE—The Project" in the body of this Official Statement]

APPENDIX B

SELECTED STATE AND CDOT FINANCIAL INFORMATION

Highway Users Tax Fund

The following tables set forth a Combined Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the Highway Users Tax Fund and sub-accounts for Fiscal Years 2011-12 through 2014-15 presented on the current financial resources basis and modified accrual basis as described in Note 5 to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS (appended to this Official Statement as Appendix C). These tables were taken from the financial statements of the State as of and for Fiscal Years 2011-12 through 2014-15, which are audited by the State Auditor, and the State's Fiscal Year 2015-16 unaudited BFS. Balances reported in these tables include the State Highway Fund in addition to sub-accounts within the Highway Users Tax Fund for the Department of Public Safety, the Department of Revenue, and the Department of Public Health and Environment not appropriated by the General Assembly or otherwise available to CDOT to pay Base Rentals as discussed under the caption "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION" in the forepart of this Official Statement.

The State's Fiscal Year 2014-15 CAFR, including the State Auditor's Opinion thereon, and the State's Fiscal Year 2015-16 unaudited BFS are also appended to this Official Statement as Appendix C.

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HIGHWAY USERS TAX FUND[1]
COMBINED BALANCE SHEET
(As of June 30 of each year)
(Dollars in thousands)

	2016 (unaudited)	2015	2014	2013	2012
ASSETS:					
Cash and Pooled Case	$ 56,696	$ 49,427	$ 41,727	$ 39,687	$ 35,731
Taxes Receivable , net	(1)	–	–	–	–
Other Receivables, net	3,272	2,940	2,956	2,701	3,069
Due from Other Governments	–	–	–	–	14
Due From Other Funds	5,033	4,074	5,278	2,973	1,409
Inventories	8,860	8,377	7,673	8,249	8,406
Prepaids, Advances and Deferred Charges	1,252	1,908	1,481	4,201	64
Restricted Cash and Pooled Cash	752,176	842,169	1,043,875	1,139,988	1,161,468
Restricted Receivables	453,177	363,128	257,595	175,415	181,592
Other Long-Term Assets	12,150	7,258	7,680	10,589	13,162
Depreciable Capital Assets & Infrastructure, net	30	–	–	–	–
TOTAL ASSETS	$1,292,645	$1,279,281	$1,368,265	$1,383,812	$1,404,915
LIABILITIES					
Tax Refunds Payable	$ 4,860	$ 2,814	$ 484	$ 107	$ 131
Accounts Payable and Accrued Liabilities	203,740	221,298	184,673	107,710	99,993
Due to Other Governments	34,195	36,628	32,928	60,755	61,213
Due to Other Funds	634	565	1,349	1,068	721
Deferred Revenues	–	28,278	17,136	16,587	19,839
Unearned Revenue	16,834	–	–	–	–
Compensated Absences Payable	–	–	–	17	–
Claims and Judgments Payable	–	–	7	–	–
Other Current Liabilities	28	26	26	25	25
TOTAL LIABILITIES	$260,291	$289,609	$236,603	$186,269	$181,922
DEFERRED INFLOWS OF RESOURCES	$933	$1,112	$1,290	–	–
FUND EQUITY					
Nonspendable:					
Long-term Portion of Interfund Loan Receivable	$ 30	–	–	–	–
Inventories	8,860	$ 8,377	$ 7,673	$ 8,249	$ 8,406
Prepaids	1,252	1,908	1,481	4,210	64
Restricted	974,931	942,510	1,080,201	1,145,997	1,176,269
Committed	46,348	35,765	41,017	39,087	38,254
TOTAL FUND EQUITY	$1,033,421	$988,560	$1,130,372	$1,197,543	$1,222,993
TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES	$1,292,645	$1,279,281	$1,368,265	$1,383,812	$1,404,915

[1] See Notes 4 and 5 to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS (appended to this Official Statement as Appendix C) for a description of the Highway Users Tax Fund and the basis of accounting used.

Source: State audited financial statements, Fiscal Years 2011-12 through 2014-15; State's Fiscal Year 2015-16 unaudited BFS

HIGHWAY USERS TAX FUND[1]
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(As of June 30 of each year)
(Dollars in thousands)

	2016 (unaudited)	2015	2014	2013	2012
REVENUES:					
Taxes	$ 610,089	$ 599,774	$ 573,894	$ 552,768	$ 558,284
Licenses, Permits and Fines	376,963	363,345	346,218	338,212	337,346
Charges for Goods and Services	134,185	136,633	125,930	123,585	120,766
Rents	3,318	2,132	2,322	4,149	1,486
Investment Income	11,052	10,540	15,546	(502)	15,474
Federal Grants and Contracts	842,408	837,065	750,438	721,266	615,172
Other	102,032	116,744	140,307	63,380	77,882
TOTAL REVENUES	$2,080,047	$2,066,233	$1,954,655	$1,802,858	$1,726,410
EXPENDITURES:					
Current:					
General Government	$ 57,685	$ 54,013	$ 10,947	$ 11,351	$ 10,220
Health and Rehabilitation	11,277	10,158	10,505	10,175	10,160
Justice	123,635	117,513	109,317	101,916	87,446
Transportation	1,328,083	1,279,623	1,200,325	1,061,861	979,697
Capital Outlay	42,837	81,431	33,530	33,523	37,564
Intergovernmental:					
Cities	236,675	232,371	185,693	157,398	139,811
Counties	212,937	229,420	211,707	186,589	189,076
Special Districts	46,917	33,836	44,052	40,496	27,390
Other	582	254	204	620	638
TOTAL EXPENDITURES	$2,060,628	$2,038,619	$1,806,280	$1,603,929	$1,482,002
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$19,419	$27,614	$148,375	$198,929	$244,388
OTHER FINANCING SOURCES (USES):					
Transfer In	$ 204,713	$ 9,796	$ 10,962	$ 1,045	$ 2,165
Transfer Out	(181,703)	(182,761)	(227,051)	(225,056)	(231,299)
Insurance Recoveries	432	3,539	543	143	4,362
Note/Bond/COP Refunding Issuance	–	–	–	–	125,725
Bond/COP Premium Refunding Proceeds	–	–	–		18,617
Bond/COP Refunding Payments	–	–	–	(31,312)	(143,978)
TOTAL OTHER FINANCING SOURCES (USES)	$ 23,442	$(169,426)	$(215,546)	$(224,255)	$(224,408)
NET CHANGE IN FUND BALANCES	$ 42,861	$(141,812)	$ (67,171)	$ (25,326)	$ 19,980
FUND BALANCE, JULY 1	$ 988,560	$1,130,372	$1,197,543	$1,222,993	$1,203,013
Prior Period Adjustment	–	–	–	(124)	–
FUND BALANCE, JUNE 30	$1,031,421	$988,560	$1,130,372	$1,197,543	$1,222,993

[1] See Notes 4 and 5 to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS (appended to this Official Statement as Appendix C) for a description of the Highway Users Tax Fund and the basis of accounting used.

Source: State audited financial statements, Fiscal Years 201-12 through 2014-15; State's Fiscal Year 2015-16 unaudited BFS.

HUTF Revenues Received by CDOT

The following table sets forth the amount of HUTF revenues received by CDOT in Fiscal Years 2007-08 through 2015-16 that would have been available to pay Base Rentals.

HUTF Revenue to CDOT
Available to Pay Base Rentals
Fiscal Years 2007-08 through 2015-16
(Dollars in millions)

Fiscal Year	HUTF Revenue[1]
2007	$422.1
2008	433.0
2009	408.9
2010	406.0
2011	409.9
2012	414.0
2013	406.2
2014	418.6
2015	437.0
2016	438.5

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

CDOT Employee Retirement Plan

The following table sets forth CDOT's contributions to PERA in dollars (equal to the statutorily required contribution amounts for each period) and as a percentage of HUTF revenues for Fiscal Years 2012-13, 2013-14 and 2014-15.

CDOT Contributions to PERA
Fiscal Years 2012-13 through 2014-15

Fiscal Year	Dollar Amount of CDOT Contribution to PERA	Contribution as a Percentage of HUTF Revenues
2013	$27,095,959	6.7%
2014	30,037,046	7.2
2015	32,331,268	7.4

Source: CDOT

CDOT's proportionate share of the GASB 68 Net Pension Liability at the end of Fiscal Year 2014-15, excluding CDOT enterprises and internal service funds, is $606.5 million. See additional information on the pension plan and funding in "APPENDIX F—STATE PENSION SYSTEM."

APPENDIX C

STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

and

STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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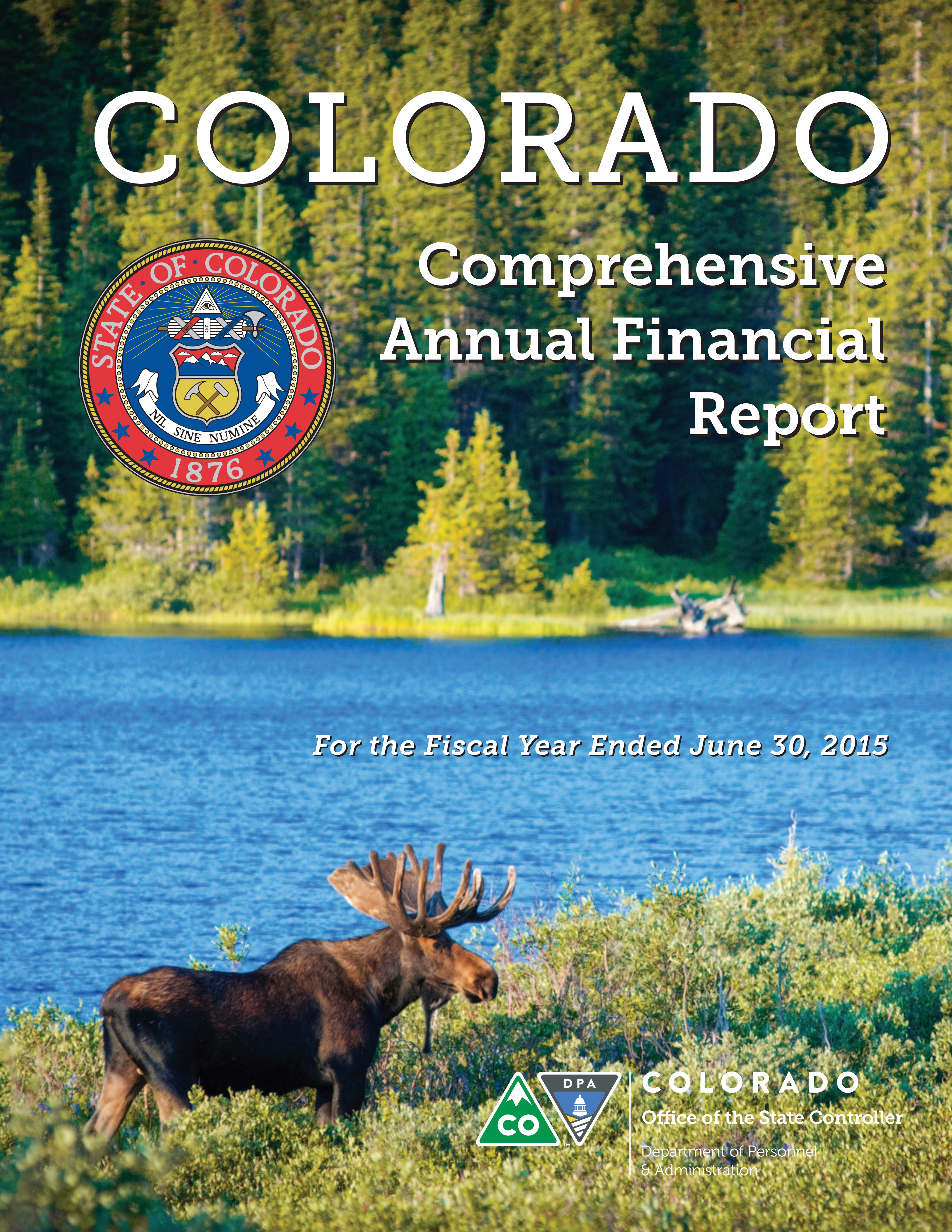

COLORADO

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

COLORADO
Office of the State Controller
Department of Personnel & Administration

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STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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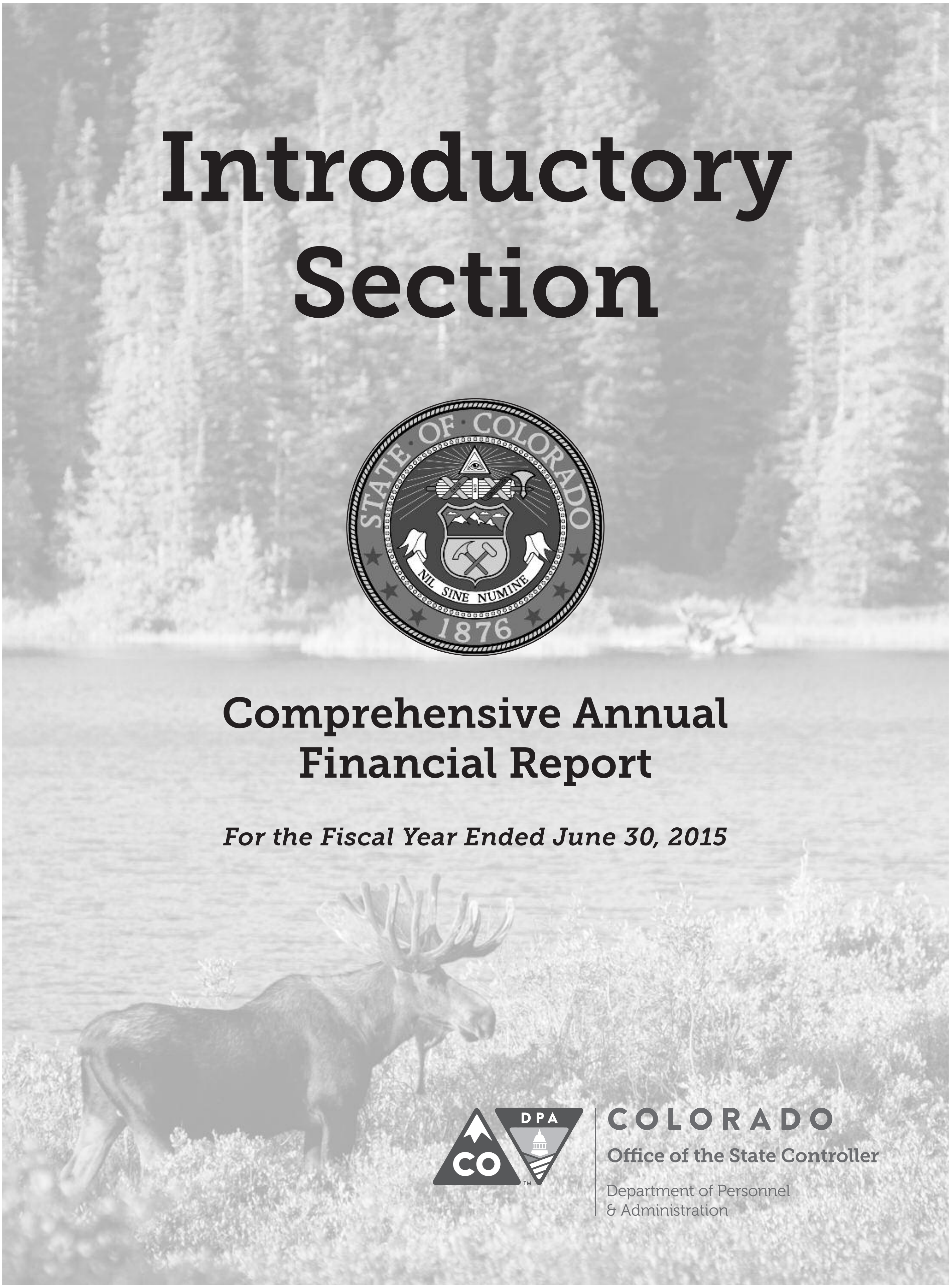


Introductory Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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

April 26, 2016

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, 2015. 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 and Supplementary Information, are not presented in accordance with GAAP; rather, they reflect the budgetary basis of accounting which defers certain payroll, Medicaid, and other statutorily defined expenditures to the following fiscal year. (See additional information on "Cash Basis Accounting" on page 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
Colorado 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 69). Audited financial reports are available from each of these entities.

PROFILE OF THE STATE OF COLORADO

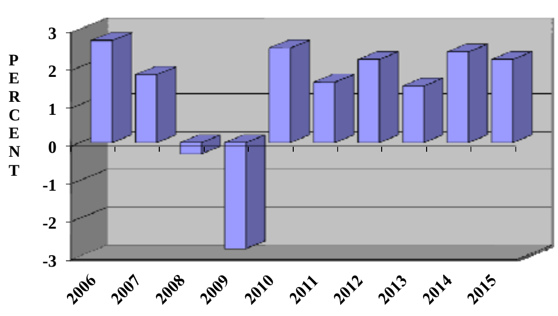
Colorado became the thirty-eighth state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains with elevations ranging from 3,315 to 14,433 feet above sea level. The State's major economic sectors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

PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT



ECONOMIC CONDITION AND OUTLOOK

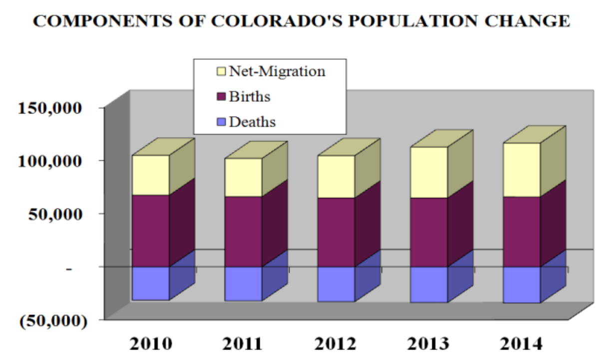
The State's General Fund general-purpose revenues reflect the overall condition of the State economy, which showed slower growth in Fiscal Year 2014-15; General Fund revenues increased by $669.0 million (7.4 percent) from the prior year. In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State increased by approximately 6.2 percent for 2014 and is forecast to increase by 4.8 percent for 2015. State nonagricultural employment levels rose by 81,800 in 2014, and are forecasted to increase by another 69,000 in 2015.

The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 2.0 percent in the third quarter of calendar year 2014 and 2.4 percent in the third quarter of 2015. Inflation adjusted GDP increased 2.1 percent from the third quarter of 2014 to the third quarter of 2015 (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 3.1 percent. The increase in personal consumption was led by an increase of 5.6 percent in durable goods, the most significant in recreational goods and vehicles. Additionally, private domestic investment increased 3.7 percent, primarily in the construction and acquisition of residential structures and information processing equipment offset by a declining investment in other equipment. Government spending increased quarter-over-quarter by 0.7 percent related to decreases in federal, and increases in state and local government spending. Quarter-over-quarter exports decreased by 3.3 percent and imports grew by 6.3 percent; net imports increased the GDP compared to the third quarter of 2014.

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 December, 2015 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

"The state and national economies continue to see moderate, broad-based job growth across most industries. Rising household incomes have supported growth in consumer spending, which has propped up economic activity. Business conditions softened in 2015 for energy, manufacturing and export industries on low commodity prices, a stronger U.S. dollar, and slower global economic activity. These trends are expected to continue to moderate growth prospects for Colorado and the nation in 2016. The aging U.S. population, tighter monetary policy, and rising home prices in Colorado are also expected to moderate growth."

Colorado's economic growth slowed during the course of 2015 from its robust pace in 2014. The contraction in the oil and gas sector, a tighter labor market, and sluggish global growth all have contributed to the slowdown. However, much of the slowdown in economic activity worldwide has been confined to the manufacturing and mining sectors, which make up a relatively small portion of Colorado's economy. Therefore, the core of the state's economy, with its diverse industry base and stronger population growth, remains resilient in the face of these headwinds. Because of the state's favorable economic attributes, Colorado's economy is expected to continue to post stronger levels of growth than the nation overall, but slower than the high growth experienced in 2014.



Historically, Colorado economic activity and in-migration have been interdependent. Net migration has averaged approximately 42,400 from 2010 to 2014. In 2014, a 10 year high of approximately 50,800 net migrations occurred. International immigration increased from approximately 8,800 (2011) to 13,300 (2015). Similarly, domestic migration from other states increased from 24,900 (2011) to 54,500 (2015). The information in the adjacent chart is based on current Colorado Sate Demographer estimates. The Demographer forecasts net population growth of 90,141 for 2015 and 94,968 for 2016, and OSPB forecasts net migration of 68,800 and 63,400, for those years respectively, which indicates persistent immigration.

The OSPB December 21, 2015 quarterly estimate predicts slower growth in Colorado's economy in 2015; however, sluggish global economic conditions continue to pose downside risks to the forecast. Further, recent weakness in areas of corporate credit markets is making it harder for some businesses to borrow money and could imply broader deteriorating economic conditions. In addition, oil prices have dropped further recently and another major contraction in the industry presents a downside risk to the forecast.

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

- Unemployment will average 4.1 percent for 2015 compared with 5.0 and 6.8 percent in 2014 and 2013, respectively, and it is expected to slightly decrease in 2016 to 3.8 percent.
- Wages and salary income will increase by 4.8 percent in 2015, by 5.5 percent in 2016, and by 5.6 percent in 2017.
- Total personal income will increase by 4.8 percent in 2015, and reach 5.3 percent by 2016.
- Net migration is expected to be 68,800 in 2015 and 63,400 in 2016 with total population growth of about 1.8 percent, in both years.
- Retail trade sales will increase by 4.3 percent in 2015 followed by an increase of 5.5 percent in 2016.
- Colorado inflation will be 1.5 percent in 2015, and will increase to 2.5 percent in 2016.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted, and the Governor signed, many bills during the 2015 Legislative Session. There were several areas of focus including education, social programs and services, disaster recovery, high ground water mitigation, and adjustments to the disbursement of funds received from the taxation of recreational marijuana. In addition, new programs were created or transferred from one department to another, and the structure of the Colorado Department of Transportation was changed to more accurately reflect operations. The following measures had a significant financial impact:

- To implement the Public School Finance Act of 1994, the General Assembly appropriated an additional $25.0 million in general fund moneys to the Department of Education (CDE), primarily for the state share of districts' total program funding. In addition, they appropriated for fiscal year 2015-16:
  - $5.0 million from the State Public School Fund to the department for at-risk per pupil additional funding.
  - $3.7 million to the department for the accelerating students through concurrent enrollment program (ASCENT). The program was increased by $3.7 million in order to assist small rural school districts and institute charter schools located in small rural districts.
  - $10.0 million was appropriated to be distributed on a per pupil basis and are to be used in accordance with the provisions that created the state education fund at Article IX of the Colorado State Constitution.
- The General Assembly appropriated a total of $1.3 million to the Department of Human Services for use by their regional centers for individuals with developmental disabilities. The bill contains an appropriation for both Fiscal Year 2014-15 ($0.6 million) and Fiscal Year 2015-16 ($0.7 million) both of which are from the newly created depreciation account within the capital construction fund.
- The General Assembly addressed the capital construction needs of the state for Fiscal Year 2015-16 with an appropriation of $396.2 million to fund 30 capital construction projects, 26 controlled maintenance projects, 1 lease purchase, and an additional 10 major information technology projects. The capital construction general purpose revenues portion of the appropriation is $248.5 million, $166.9 million is from cash funds, $13.9 million is from reappropriated funds, and the remaining $15.4 is from federal funds.
- For Fiscal Year 2015-16, an appropriation of $1.0 million was made to the Colorado Department of Health and Environment (CDPHE) from the marijuana cash tax fund. These monies were further reappropriated to the Office of Information Technology to assist with the implementation of the requirement that CDPHE establish guidelines for primary caregivers, the mandate that primary caregivers register with CDPHE, and the requirement that CDPHE convene a group to explore laboratory testing options for unlicensed medical marijuana.
- The General Assembly appropriated $5.2 million in a combination of general funds and cash funds from the autism treatment fund to the Department of Health Care Policy and Financing. The funds are to support administration, medical services premiums, and behavioral health capitation payments. Generally, the Department receives federal funds in addition to state funds for these same purposes.
- The General Assembly enacted legislation creating the cross-system response for behavioral health crises pilot program fund and making an appropriation thereto of $1.7 million. The funds are further reappropriated to the Department of Health Care Policy and Finance for use by the Division of Intellectual and Development Disabilities in providing crisis intervention, stabilization, and follow up services to their clients.
- With respect to collaborative management of multi-agency services program, the General Assembly made a general fund appropriation to the Department of Human Services in the amount of $1.9 million for use by the Division of Child Welfare for implementation of the program, administration, program incentives, and annual program evaluations.
- The Department of Human Services received an appropriation of $6.3 million that consists of over $5.0 million in general funds and a small amount from local cash funds. The act directs the Child Welfare Allocations Committee to develop a formula to allocate this additional funding to counties in addition to the child welfare block grant for the specific purpose of hiring new child welfare staff at the county level.

- The General Assembly appropriated $3.3 million from the general fund to the skilled worker outreach, recruitment, and key training grant program fund. This amount is further reapppropriated to the Department of Labor and Employment's Employment and Training Division for a mix of personal services, operating expenditures, and grant awards.

- The Colorado Water Conservation Board (CWCB) was appropriated $5.6 million by the General Assembly from the CWCB Construction Fund for a total of 10 projects. In addition, the General Assembly enacted legislation that created the Natural Hazard Mapping Fund which consists of gifts, grants and donations and revenues transferred from the general fund – all of which are continuously appropriated to the CWCB. The transfer from the general fund for Fiscal Year 2015-16 will be $3.8 million with an additional transfer of $2.4 million in Fiscal Year 2016-17.

- The General Assembly made two separate appropriations from the Marijuana Tax Cash Fund for Fiscal Year 2015-16. The first appropriation was a combination of $1.9 million to various agencies including funding for government retail marijuana impact grants, legal services, offender treatment services, jail based behavioral health services, and agricultural plant services. Additionally, the General Assembly appropriated an additional $15.1 million to fund various health and educational programs that became effective with voters approving Proposition AA in the November 2015 elections.

BUDGETARY AND OTHER CONTROL SYSTEMS

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

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

Encumbrances are recorded throughout the year and result in a reduction of the available spending authority. Encumbrances represent the estimated amount of expenditures that will be incurred when outstanding purchase orders, contracts, or other commitments are fulfilled. At fiscal year end, encumbrances lapse except those that represent appropriations that are approved for rollforward into the subsequent fiscal year, and legal or contractual obligations in the Capital Projects Fund and the Department of Transportation's portion of the Highway Users Tax Fund (see Note 40).

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

INDEPENDENT AUDIT

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

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Colorado for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the eighteenth 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

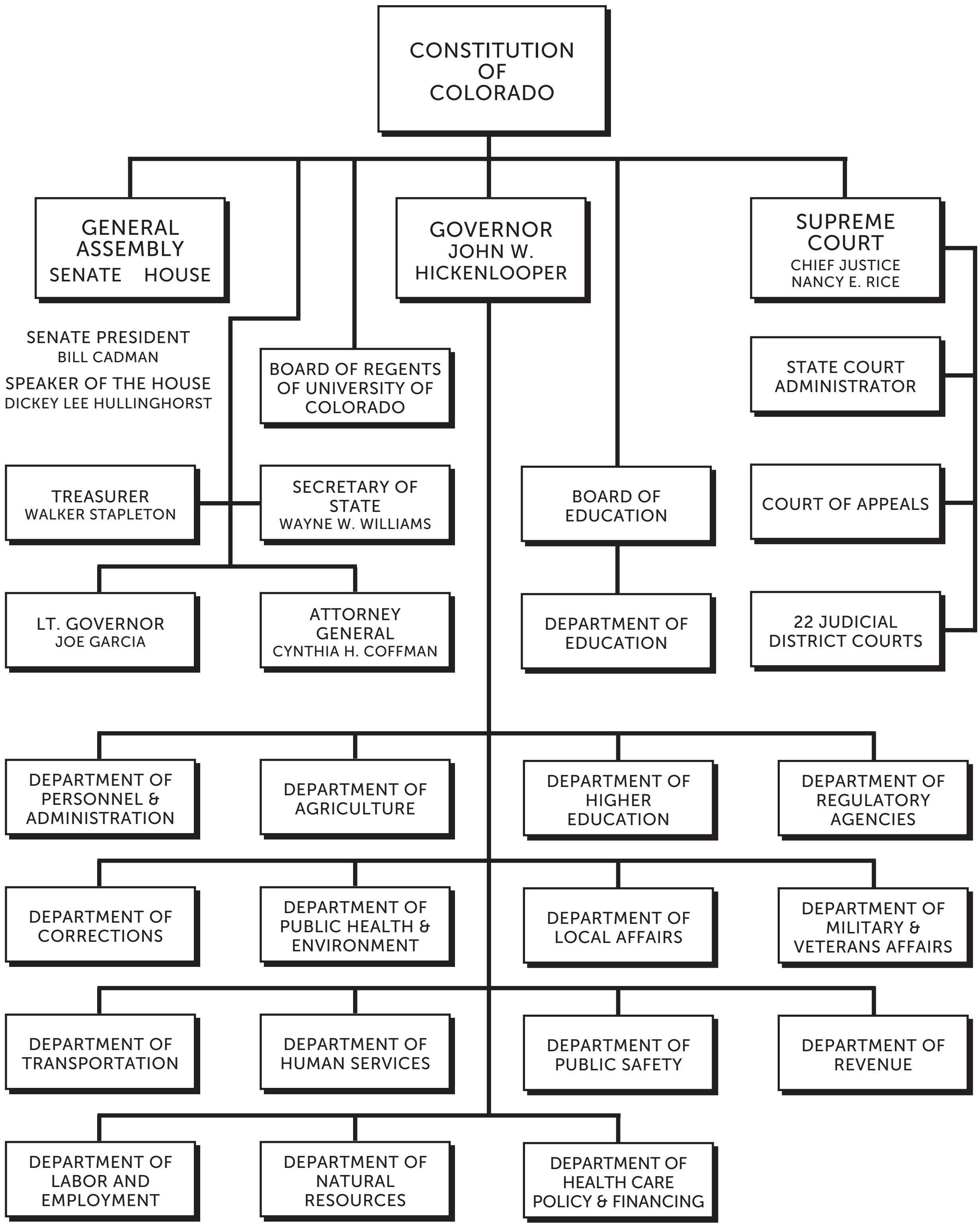
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

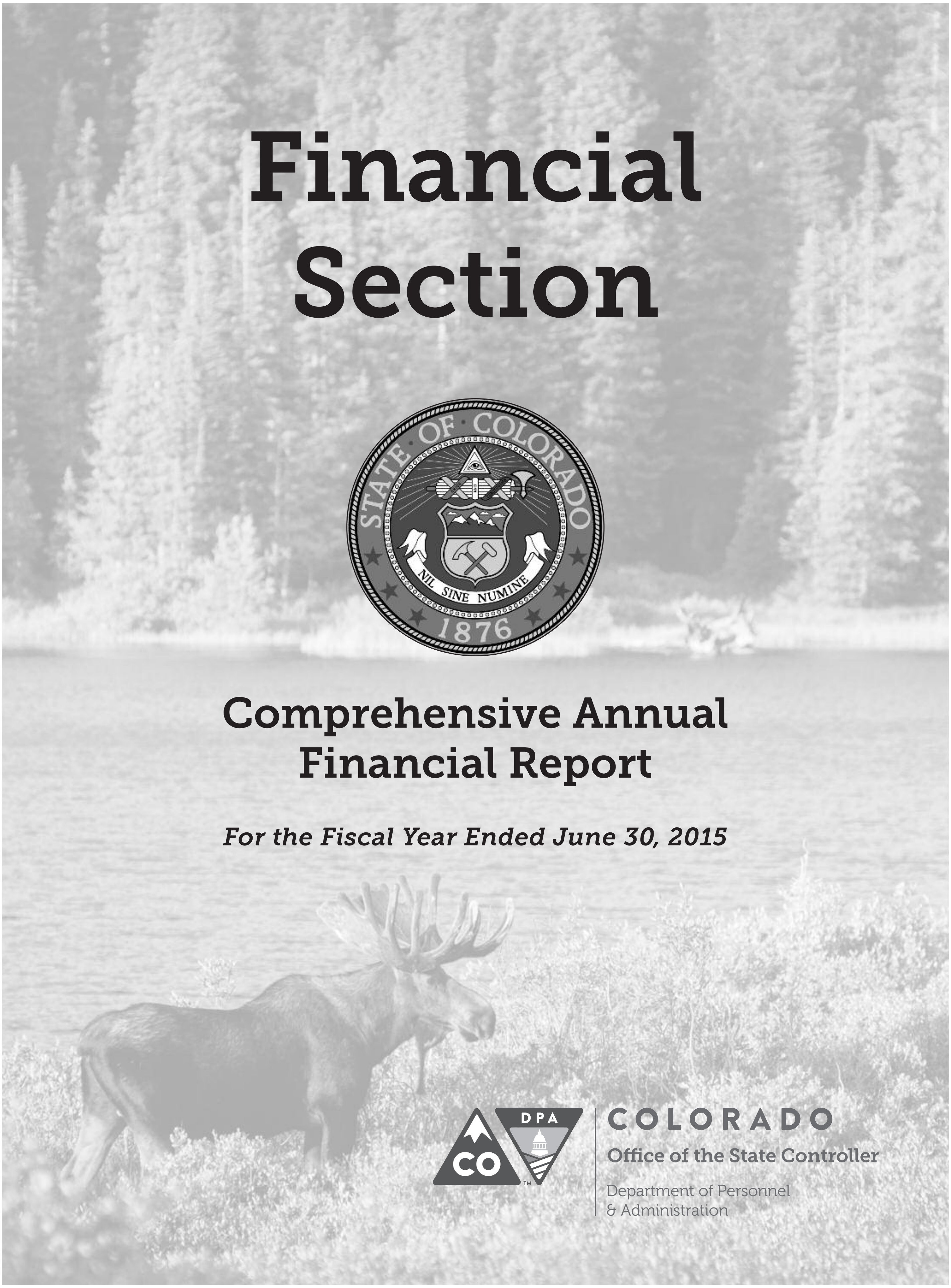
June 30, 2014

Jeffrey R. Emer

Executive Director/CEO

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS





Financial Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

COLORADO

Office of the State Controller

Department of Personnel & Administration

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, 2015, 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 aggregate 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, 13 percent of the net position, and 12 percent of the total revenues of Higher Education Institutions, a major proprietary fund, and approximately 3 percent of the total assets, 8 percent of the net position, and 9 percent of the total revenues of business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, Colorado School of Mines Foundation, 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*.

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

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

OPINIONS

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2015, 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.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note A to the financial statements, in Fiscal Year 2015 the State of Colorado adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27; GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date; and GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. 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 notes to the required supplementary information that include defined benefit pension plan and other postemployment benefit information listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The transmittal letter, introductory section, combining and individual nonmajor fund financial statements, schedule of capital assets, schedule of other funds, non-appropriated budget and actual schedule, statistical section, and graphical presentations are presented for purposes of additional analysis and are not a required part of the basic financial statements. The transmittal letter, introductory section, the non-appropriated budget and actual schedule, 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 them.

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

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we will issue a separate report 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.

Clifton Larson Allen

Denver, Colorado
April 26, 2016

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. It is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the attached financial statements and notes should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide:

Assets of the State's governmental activities exceeded liabilities by $10,796.8 million, an increase in net position of $234.7 million as compared to the restated prior year amount of $10,562.2 million. The prior year net position was reduced by $5,087.6 million due to the implementation of GASB Statement No. 68 that required the recording of an inception-to-date net pension liability as of the beginning of Fiscal Year 2014-15. Cash and restricted cash balances decreased by $19.6 million. Taxes Receivable, net of refunds payable, increased by $76.5 million while investments and restricted investments decreased by $53.3 million. Capital assets, net of accumulated depreciation, increased by $208.6 million, primarily due to increases in infrastructure construction and public school construction offset by depreciation charges of $578.2 million. Additionally, a TABOR refund of $173.3 million was triggered in Fiscal Year 2014-15, the first refund since Fiscal Year 2004-05.

Assets of the State's business-type activities exceeded liabilities by $4,497.8 million, an increase in net position of $550.3 million as compared to restated the prior year amount of $3,947.5 million. The overall increase was primarily the result of increases in current and noncurrent asset balances in Higher Education Institutions, Unemployment Insurance, and Other Enterprises (primarily Transportation) offset by slower growth in current and noncurrent liabilities. In total, net position of the State increased by $785.0 million to $15,294.6 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balance of $6,846.8 million (prior year $6,734.1 million). In total, governmental fund balances increased by $112.7 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 $240.4 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 six and half percent of General Purpose Revenue Fund appropriations on a legal basis; $523.8 million was available on a GAAP basis to partially fund the reserve for Fiscal Year 2014-15. The current statutory reserve is 6.5 percent in the Fiscal Year 2015-16, however, House Bill 16-1419 was introduced in the Colorado General Assembly on March 28, 2016 to reduce the reserve to 5.6 percent for fiscal year 2016-17. The bill has passed in the House and is expected to pass in the Senate. The Resource Extraction Fund increased by $163.9 million due to increased cash related to severance taxes, mineral leasing, and fee revenue. The HUTF decreased by $141.8 million with increases in expenditures outpacing increases in revenue. The Capital Projects Fund increased by $62.7 million due to additional funding from the General Purpose Revenue Fund. The State Education Fund decreased by $405.7 million primarily due to increased expenditures in Fiscal Year 2013-14 from one-time transfer of $1.1 billion from the Fiscal Year 2012-13 General Fund Surplus to the State Education Fund. The Other Governmental Funds increased by $193.4 million, largely due to activity in the Labor, Tobacco Impact Litigation, Resource Management, Unclaimed Property and Other Special Revenue funds and the State Lands permanent fund.

Enterprise Fund assets exceeded liabilities resulting in total net position of $4,497.8 million (restated prior year $3,947.5million), of which $5,914.3 million (restated prior year $4,901.4 million) was restricted or invested in capital assets, leaving a unrestricted deficit balance of $1,416.5 million (restated prior year $953.9 million deficit net position due to the recording of a net pension liability with the implementation of GASB Statement No. 68).

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and Certificates of Participation at June 30, 2015, were $1,532.9 million (prior year $1,729.1 million), which is 17.5 percent (prior year 21.0 percent) of financial assets (cash, receivables, and investments) and 7.2 percent (prior year 8.4 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 $4,670.3 million (prior year $4,375.6 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 exceeded the Referendum C Excess State Revenue Cap for Fiscal Year 2014-15 by $169.7 million. The $173.3 million TABOR Refund Liability, including unrefunded amounts from prior years, shown on the financial statements is expected to be refunded during Fiscal Year 2015-16. (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 69.

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.

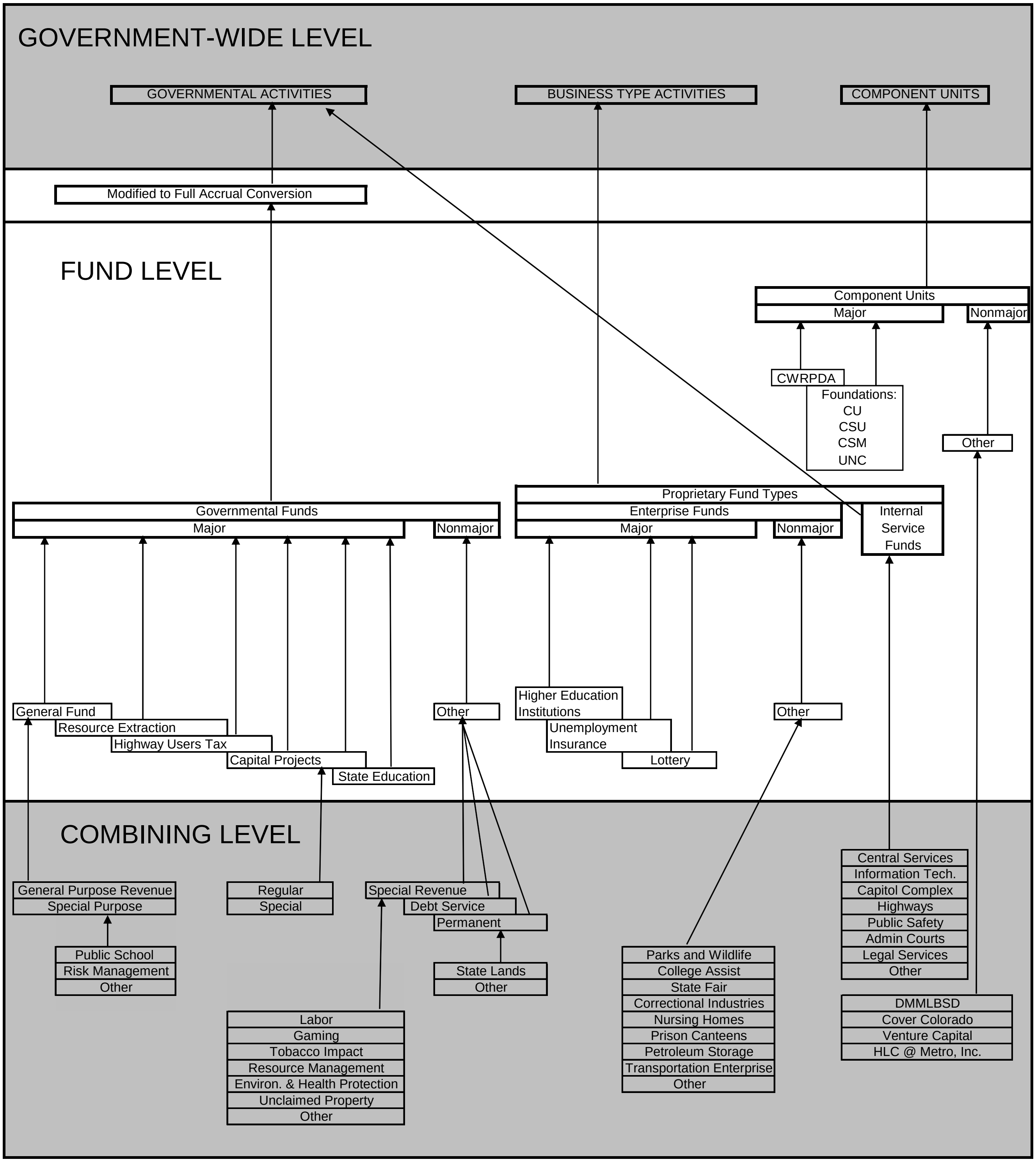
Notes to Basic Financial Statements

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, defined benefit pension plan schedules, and a schedule of funding progress for other post-employment benefits.

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


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

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	
	2014-15	Restated 2013-14	2014-15	Restated 2013-14	2014-15	Restated 2013-14
Noncapital Assets	$ 9,519,728	$ 9,047,255	$ 6,486,424	$ 6,066,266	$ 16,006,152	$ 15,113,521
Capital Assets	11,740,878	11,532,255	7,978,950	7,246,840	19,719,828	18,779,095
Total Assets	21,260,606	20,579,510	14,465,374	13,313,106	35,725,980	33,892,616
Deferred Outflow of Resources	350,796	144,847	348,635	203,633	699,431	348,480
Current Liabilities	2,851,809	2,407,790	1,587,527	1,446,884	4,439,336	3,854,674
Noncurrent Liabilities	7,915,537	7,754,067	8,690,274	8,122,357	16,605,811	15,876,424
Total Liabilities	10,767,346	10,161,857	10,277,801	9,569,241	21,045,147	19,731,098
Deferred Inflow of Resources	47,262	338	38,380	-	85,642	338
Net Investment in Capital Assets	10,654,690	10,125,644	4,417,947	3,653,265	15,072,637	13,778,909
Restricted	3,507,907	3,554,380	1,496,411	1,248,152	5,004,318	4,802,532
Unrestricted	(3,365,803)	(3,117,862)	(1,416,530)	(953,920)	(4,782,333)	(4,071,782)
Total Net Position	$ 10,796,794	$ 10,562,162	$ 4,497,828	$ 3,947,498	$ 15,294,622	$ 14,509,660

The amount of total net position is one measure of the health of the State's finances. However, this measure must be used with care because large portions of the balances related to capital assets or restricted assets may be unavailable to meet the day-to-day payments of the State.

Capital assets, net of related debt and deferred outflows, account for $15.1 billion or 98.5 percent of the State's total net position, which represents an increase of $1.3 billion from the prior year; capital assets increased in both business-type activities and governmental activities. The increase of $529.0 million in the net investment in governmental capital assets was attributable to transportation projects, public school construction, and purchases of vehicles and equipment, offset to a large degree by depreciation charges of $416.8 million on bridge and roadway infrastructure. The current year capital net investment increase of $764.7 million in business-type activities was primarily attributable to Higher Education Institutions and the Other Enterprise Funds. 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 $5.0 billion or 32.7 percent of net position, which represents an increase of $201.8 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 $46.5 million, while business-type activities increased by $248.3 million.

An analysis of the liabilities portion of the Statement of Net Position shows that current liabilities increased by $584.7 million and noncurrent liabilities increased by $729.4 million from the prior year's restated totals. Prior year's totals were restated to account for the Fiscal Year 2014-15 beginning balances related to the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions. This statement requires cost sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability and related deferred inflows and outflows. The State of Colorado reported a liability of $9.1 billion for its proportionate share of the net pension liability.

The Unrestricted Net Position of a negative $4.8 billion represents a decrease of about one third of total net position and is the amount by which total liabilities and deferred inflows exceed total assets, less excluded capital assets and deferred outflows, after all restrictions are considered. This represents a decrease of $710.6 million from the restated prior fiscal year. The governmental activities unrestricted net position decreased by $247.9 million and business-type activities decreased by $462.6 million. The reason for the large decline is the increase of liabilities brought on by the implementation of GASB No. 68 – Accounting and Financial Reporting for Pensions, addressed in the previous paragraph.

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 a net position increase of $241.3 million. Program revenue of the governmental activities increased by $1,063.4 million (11.3 percent), related to increasing charges for services. General-purpose revenues increased by $781.0 million (7.3 percent) primarily due to increased tax collections and accruals of taxes receivable. Expenses, without regard to prior period adjustments, increased by $2,219.4 million (11.5 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	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Program Revenues:		Restated		Restated		Restated
Charges for Services	$ 1,944,468	$ 1,913,770	$ 5,690,437	$ 5,437,170	$ 7,634,905	$ 7,350,940
Operating Grants and Contributions	7,726,668	6,782,914	2,281,931	2,569,038	10,008,599	9,351,952
Capital Grants and Contributions	817,469	728,544	78,304	56,899	895,773	785,443
General Revenues:						
Taxes	10,163,812	9,494,986	7	-	10,163,819	9,494,986
Restricted Taxes	1,186,515	1,052,692	-	-	1,186,515	1,052,692
Unrestricted Investment Earnings	11,992	17,312	-	-	11,992	17,312
Other General Revenues	96,613	112,958	-	-	96,613	112,958
Total Revenues	21,947,537	20,103,176	8,050,679	8,063,107	29,998,216	28,166,283
Expenses:						
General Government	449,261	447,359	-	-	449,261	447,359
Business, Community, and Consumer Affairs	711,558	641,182	-	-	711,558	641,182
Education	5,687,573	5,472,563	-	-	5,687,573	5,472,563
Health and Rehabilitation	822,556	720,997	-	-	822,556	720,997
Justice	2,075,534	1,840,989	-	-	2,075,534	1,840,989
Natural Resources	120,374	92,383	-	-	120,374	92,383
Social Assistance	9,627,104	8,089,560	-	-	9,627,104	8,089,560
Transportation	1,896,904	1,872,441	-	-	1,896,904	1,872,441
Interest on Debt	59,078	53,094	-	-	59,078	53,094
Higher Education Institutions	-	-	6,004,484	5,618,507	6,004,484	5,618,507
Unemployment Insurance	-	-	530,130	756,484	530,130	756,484
Lottery	-	-	474,578	477,434	474,578	477,434
Parks and Wildlife	-	-	191,426	170,898	191,426	170,898
College Assist	-	-	338,631	341,684	338,631	341,684
Other Business-Type Activities	-	-	217,838	209,871	217,838	209,871
Total Expenses	21,449,942	19,230,568	7,757,087	7,574,878	29,207,029	26,805,446
Excess (Deficiency) Before Contributions, Transfers, and Other Items	497,595	872,608	293,592	488,229	791,187	1,360,837
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(256,738)	(172,442)	256,738	172,442	-	-
Permanent Fund Additions	401	397	-	-	401	397
Special Item	-	-	-	(22,186)	-	(22,186)
Total Contributions, Transfers, and Other Items	(256,337)	(172,045)	256,738	150,256	401	(21,789)
Total Changes in Net Position	241,258	700,563	550,330	638,485	791,588	1,339,048
Net Position - Beginning	10,562,162	9,859,881	3,947,498	3,315,935	14,509,660	13,175,816
Prior Period Adjustment (See Note 29A)	(6,626)	1,718	-	(6,922)	(6,626)	(5,204)
Net Position - Ending	$10,796,794	$ 10,562,162	$ 4,497,828	$ 3,947,498	$15,294,622	$14,509,660

Business-type activities' revenues and net transfers-in, in the preceding table, exceeded expenses by $550.3 million resulting in an increase in net position. From the prior year to the current year, program revenue of the business-type activities decreased by $12.4 million and expenses increased by $182.2 million. The decrease in Operating Grants and Contribution was partially offset by an increase of $253.3 million in Charges for Service. For Fiscal Year 2014-15 the increase of $386.0 million in expenses for Higher Education Institution was offset partially by a decrease in expenses of $226.4 million for unemployment insurance.

When looking at the total change in net position from the prior year, including all prior period adjustments and the restatement of beginning net position for accounting changes for GASB Standard No. 68, the net position from the prior year represents a 5.4 percent increase in the State's financial health.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

Fiscal Year 2014-15 is the twenty second 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.

After the Referendum C five-year excess revenue retention period that encompassed Fiscal Year 2005-06 through Fiscal Year 2009-10, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11.

Calculation of the TABOR retention limit continues to apply, but the ESRC replaces it as the limit that triggers tax payer refunds.

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

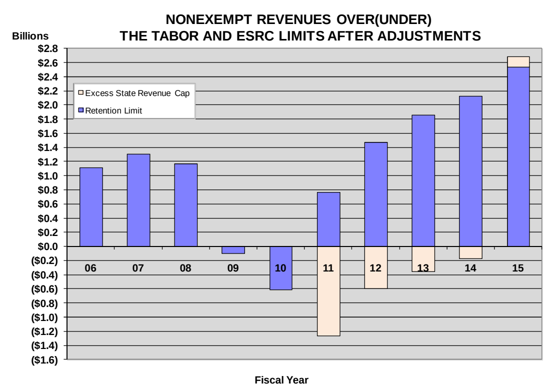
For Fiscal Year 2014-15, unaudited State revenues subject to TABOR were $12,530.8 million, which was $169.7 million over the ESRC, and $2,553.8 million over the retention limit. Absent Referendum C, the State would have been required to refund the amount exceeding the retention limit. At the end of Fiscal Year 2014-15 total refunds were $3,461.2 million since TABOR's inception.

At June 30, 2015 the State recorded total TABOR refunds payable of $173.3 million. The amount comprises $169.7 million of excess revenue over the ESRC in Fiscal Year 2014-15, $2.9 million of understated TABOR refunds due to prior year errors and $0.7 million payable of un-refunded amounts from the last refund year in Fiscal Year 2004-05.

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. During Fiscal Year 2014-15, there were no changes to the TABOR enterprise status of any State activity. There were no qualifications or disqualifications of enterprises to account for in the TABOR retention limit or the ESRC.

In Fiscal Year 2014-15, because TABOR revenue exceeded the estimate provided to voters in the Proposition AA Blue Book, the excess was refundable to citizens in Fiscal Year 2015-16 limited to the actual amount of Proposition AA marijuana taxes collected in Fiscal Year 2014-15 of $66.1 million. House Bill 15-1367 authorized Proposition BB to obtain voter approval to retain this amount in the November 2015 general election. The measure passed allowing the State to retain rather than refund this amount.

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 $8,609.8 million from Fiscal Year 2010-11 through 2014-15 due to the increasing ESRC as compared to TABOR limit, for a total of $12,203.4 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. The Legislative Council and the

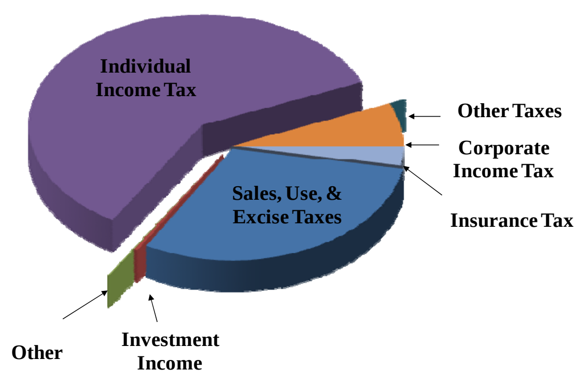
Governor's economic forecasts project nonexempt revenue to be below the ESRC in Fiscal Year 2015-16, but to exceed the ESRC in Fiscal Years 2016-17 and 2017-18.

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 $1,175.4 million, $653.6 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 $346.3 million from the prior year. In Fiscal Year 2014-15, the State was able to fund the General Fund Statutory Reserve of $576.5 million on a budget basis, but was only able to reserve $523.8 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 $52.6 million in meeting the reserve on a GAAP basis was less than the $111.6 million shortfall in the prior year; despite the reserve requirement increasing by $165.6 million. The General Purpose Revenue Fund's $197.8 million year-end unrestricted cash balance decreased by $66.8 million from the prior year.

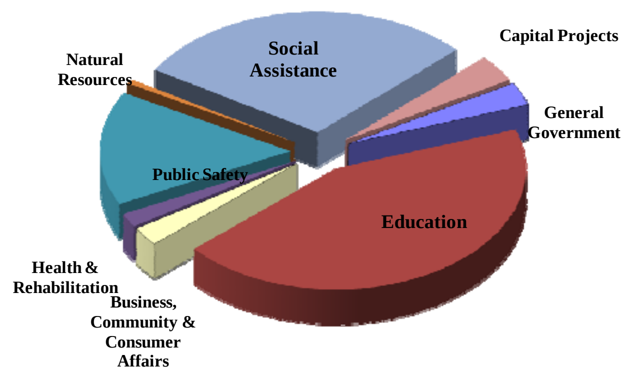
General-purpose revenues for Fiscal Years 2014-15 and 2013-14 were $9,641.1 million (see page 165) and $8,989.5 million, respectively – an increase of $651.6 million or 7.2 percent. The largest contributor to general-purpose revenue growth was in individual income taxes which increased by $615.4 million or 11.7 percent over the prior year primarily due to rising wages. Sales, use and excise tax also increased by $229.6 million or 8.3 percent over the prior year primarily due to improving economic conditions. These were all offset by a decrease in corporate income tax of $30.3 million and a decrease in investment income of $6.3 million, signs that the economic growth we have been experiencing is slowing down.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2014-15 and 2013-14 were $9,053.2 million (see page 165) and $8,463.7 million, respectively. For Fiscal Year 2014-15, the total annual increase in general-funded appropriations was limited to 6.5 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 $521.7 million in Fiscal Year 2014-15. This comprises Risk Management activities, the Public School Fund and Other Special Purpose Funds.

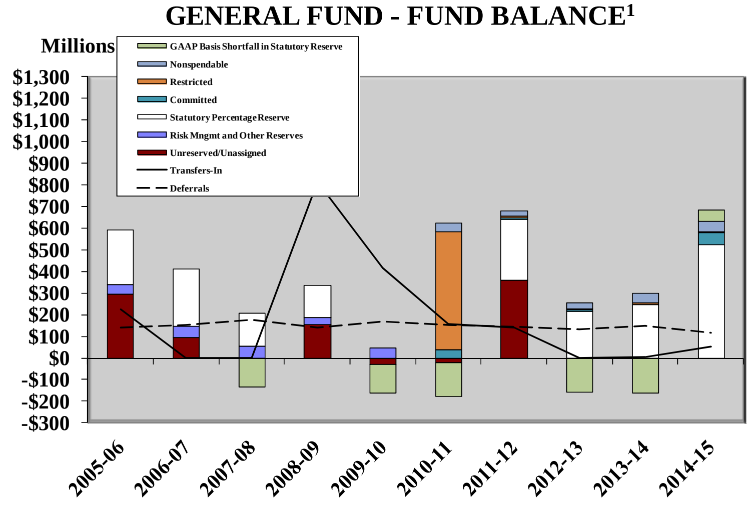
With expenditures measured using generally accepted accounting principles, the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 78.5 percent of all Fiscal Year 2014-15 general-funded expenditures, similar to the prior year. The largest increases were in the Departments of Health Care Policy and Financing, Education, Higher Education, Human Services, and Judicial. The Department of Health Care Policy and Financing's expenditures increased by $174.1 million, or 8.3 percent, due to eligibility and funding changes that occurred with the national Medicaid modernizations efforts. The Department of Education's expenditures increased by $203.7 million, or 6.5 percent, due to increased enrollment, required annual increases in funding, and provisions of the School Finance Act. The Department of Higher Education's expenditures increased by $102.4 million, or 15.5 percent, related to the restoration of state funding to public institutions of higher education as well as student financial aid. The Department of Human Services' expenditures increased by $64.6 million, or 7.9 percent, primarily due to increases in mental health programs, information technology projects, child welfare and abuse prevention, and children and youth programs. Finally, the Department of Judicial's expenditures increased by $54.8 million, or 14.2 percent, with the largest increases due to a $8.8 million increase in personal services and a $8.5 million increase in Probation Programs.. There were also three significant decreases in departmental expenditures. The State Treasury's expenditures decreased by $103.2 million, or 94.8 percent, due to a $101.0 million allocation to the Controlled Maintenance Trust Fund that occurred in Fiscal Year 2013-14 but not again in Fiscal Year 2014-15. The Department of Public Safety's expenditures decreased by $38.5 million, or 23.3 percent, due to $70.0 million in flood recovery expenditures in Fiscal Year 2013-14 that did not reoccur in Fiscal Year 2014-15; which was offset in part by $16.0 million for expenditures related to the Wild land Fire Aviation Program which was new in Fiscal Year 2014-15, an increase of $3.5 million for Colorado Bureau of Investigations operations, and several other smaller increases. Finally, the Department of Personnel & Administration's expenditures decreased by $23.8 million, or 75.8 percent, due to payments to claimants for outstanding claims arising from the Lower North Fork Fire, the majority of which were made in Fiscal Year 2013-14.

EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES



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 2014-15, the State met the statutory required reserve on a budgetary basis but not a GAAP basis. The statutorily required process of deferring expenditures moved $94.5 million of payroll, $111.6 million of Medicaid, and $0.8 million of OIT expenditures into Fiscal Year 2015-16. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $88.8 million. In total, $30.3 million less was deferred into Fiscal Year 2014-15 than into Fiscal Year 2013-14. Although Medicaid expenditures and caseloads continue to increase, the

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.

Medicaid related deferral declined due to increased drug rebate credits that offset Medicaid expenditures. Transfers-in increased by $49.0 million 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 2014-15 require a 6.5 percent fund balance reserve of $576.5 million. Statutory compliance was achieved on budgetary basis, but not on a GAAP basis by $52.6 million. On a budgetary basis there were deferrals of $118.1 million of payroll, Medicaid, and other costs into Fiscal Year 2015-16. The deferrals and transfers-in have prevented shortfalls on a GAAP basis in each year except Fiscal Years 2005-06, 2006-07, 2008-09, and 2011-12 when adequate resources were available for a positive statutory reserve.

Resource Extraction Fund

The Resource Extraction Fund fund balance increased by $163.9 million (13.6 percent) from the prior year. Cash collected from severance taxes, mineral leasing, and fees associated with regulation of mining activities increased by $162.1 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, $396.1 million, of the fund's fund balance of $1,367.2 million comprises long-term loans receivable related to the financing of local government water projects by the Water Projects Fund. The balance of the loans receivable increased by $11.7 million from the prior year.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance decreased by $141.8 million (12.5 percent) from the prior year largely due to expenditure 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 $988.6 million. This amount includes $1,335.7 million in encumbrances for multi-year construction projects. Encumbrances exceed fund balance as a result of the Department of Transportation's implementation of a Responsible Acceleration of Maintenance and Partnerships program to better coordinate project expenditures with available spending. The majority of the fund balance, $942.5 million, is constitutionally restricted for highway construction and maintenance.

Capital Projects Fund

The Capital Projects Fund fund balance increased by $62.7 million (22.9 percent) from the prior fiscal year due to increased funding from the General Purpose Revenue Fund. Transfers in from the General Fund increased from $187.7 million in Fiscal Year 2013-14 to $248.5 million in FY 2014-15 (32.4 percent). Expenditures were $55.5 million in FY 2014-15 primarily related to projects appropriated in previous years.

State Education Fund

The State Education Fund fund balance decreased by $405.7 million (37.2 percent) during Fiscal Year 2014-15. The majority of the revenues in the fund are generally derived from a fixed percentage of certain taxpayer tax liabilities, which totaled $519.8 million representing an increase of $41.0 million as compared to the prior year; an increase in income and fiduciary taxes of $38.6 million; and an increase in corporate taxes of $2.5 million. Additionally, $25.3 million was transferred from the General Fund, a decrease of $20.0 million as compared to the prior year. 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 $873.3 million and $714.2 million in Fiscal Year 2014-15 and 2013-14, respectively.

Higher Education Institutions

The net position of the Higher Education Institutions decreased by $2,709.8 million (48.5 percent). The primary reason for the decrease is related to the recording of net pension liability required by GASB Statement No. 68 of

$3,166.4 million (beginning net position reduced by $2,960.0 million). Otherwise, the fund has a wide variety of funding sources to which expenses are not specifically identifiable; therefore, it is not possible to cite the remaining source of the net position change. However, it can be noted that tuition and fees of the institutions increased by $151.1 million, sales of goods and services increased by $141.9 million, federal revenues decreased by $13.4 million, and Other Operating revenues increased by $11.5 million; while investment income (including an increase in fair value of investments) decreased by $200.4 million. Overall, revenues increased by 3.1 percent while expenses increased by 7.7 percent. Higher Education Institutions received capital contributions of $71.0 million and $90.6 million in Fiscal Years 2014-15 and 2013-14, respectively. Transfers to Higher Education Institutions increased to $343.9 million ($206.0 million in Fiscal Year 2013-14), primarily from the General Fund for student financial aid and vocational training and from the Capital Projects Fund for capital construction.

Unemployment Insurance

The net position of the Unemployment Insurance Fund (UI) increased by $219.3 million (54.4 percent). Unemployment benefits paid decreased by $230.4 million, or 30.8 percent, after decreasing $298.5 million in the prior year. The reduced benefits paid were caused by a reduction of $164.7 million in federal grants. Unemployment insurance premiums collected decreased by $38.4 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 $250.7 million of the fund's liabilities. The fund's cash balance was $734.5 million, as compared to $627.9 million in the prior year.

State Lottery

The net position of the State Lottery decreased by $23.0 million (748.8 percent). The primary reason for the decrease is related to the recording of net pension liability required by GASB Statement No. 68 of $23.6 million (beginning position reduced by $22.0 million). The Lottery produced operating income of $127.1 million ($129.3 million in Fiscal Year 2013-14) on sales of $538.0 million ($545.0 million in Fiscal Year 2013-14). The change represents a 1.7 percent decrease in operating income. The Lottery distributed $62.0 million ($60.3 million in Fiscal Year 2013-14) to the Great Outdoors Colorado program, a related organization, and transferred $66.5 million ($70.3 million in Fiscal Year 2013-14) to other State funds; $12.8 million primarily to fund operations of the State's Division of Parks and Recreation and $51.2 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, except the portion related to pension liabilities, is minimal and changes nominally from year to year.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 165. 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 $8.0 million and the significant amounts that impacted the change.

- Department of Health Care Policy and Financing's net increase was $43.7 million.
  - $65.6 million increase for Medical and Long Term Care Services for Medicaid Eligible Individuals, and
  - $11.7 million decrease for Children's Basic Health Plan Medical and Dental Costs, and
  - $6.9 million increase for the State's Contribution Payment related to the Medicare Modernization Act.

- Department of Human Services' net increase was $8.2 million
  - $49.7 million increase for personal services including heath, life, and dental costs, and

  - $11.7 million increase for Child Welfare Services.

- Department of Treasury's net increase was $20.0 million
  - $20.0 million increase in transfers to various cash funds.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $59.7 million for Fiscal Year 2014-15 including deficit fund balances that are considered overexpenditures. General-funded overexpenditures are discussed in detail in Note 8A on page 82 at the individual line item appropriation level. In total, State departments reported general-funded appropriations reversions of $37.0 million. Reversions include a $18.9 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 $6.7 million of revenue earned in excess of the amount that was needed to support specific cash-funded appropriations in the General Fund. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least $1.0 million.

- Department of Human Services – The department reverted $14.9 million (1.9 percent) primarily comprising:
  - $4.2 million in the line item for the Crisis Response System for Walk-in, Stabilization, Mobile, Residential, and Respite Services, and
  - $2.9 million in Community Transition Services, and
  - $1.6 million in the Home Care Allowance program, and
  - $1.5 million in Child Welfare Services and various smaller reductions in the Adult Protective Services Program, the operating expenses for the Colorado Benefits Management System, the Home Care Allowance Grant Program, and administration expenses.

- Department of Public Safety – The department reverted $8.3 million (6.2 percent) primarily comprising:
  - $4.5 million in Wild land Fire Management Services line, and
  - $2.0 million in Community Corrections Placements line.

- Judicial Department – The department reverted $5.7 million (1.3 percent) primarily comprising:
  - $2.5 million related to the District Attorney's Mandated costs line.

- Department of Corrections – The department reverted $3.6 million (0.5 percent) primarily comprising:
  - $0.7 million in the Payments To In-State Prisons line item, and
  - $0.7 million in the Purchase of Pharmaceuticals line item, and
  - $0.5 million in the Vehicle Lease Payments line item, and
  - $0.3 million in contract services for the Parole Subprogram line item.

- Department of Public Health and Environment – The department reverted $2.4 million (3.8 percent) primarily comprising:
  - $1.4 million in Oral Health Programs due to the lack of clients who qualified for reimbursable dental care, and
  - $0.6 million in the School-Based Health Centers line item.

- Governor's Office – The office reverted $1.1 million (3.7 percent) primarily comprising:
  - $0.6 million in administration costs, and
  - $0.4 million in the Global Business Development program.

- Department of Treasury – The department reverted $1.1 million (0.9 percent) primarily comprising:

- $1.1 million due to an overestimation of tax reimbursements for property destroyed by natural causes.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's net investment in capital assets at June 30, 2015, was $15.1 billion ($13.8 billion in Fiscal Year 2013-14). Included in this amount were $19.7 billion of depreciable capital assets after reduction for 9.8 billion of accumulated depreciation. Also included was $3.8 billion of land, construction in progress, and nondepreciable infrastructure and other assets. The State added $940.7 million and $1,719.6 million of capital assets in Fiscal Year 2014-15 and 2013-14, respectively. Of the Fiscal Year 2014-15 additions, $208.6 million was recorded by governmental funds and $732.1 million was recorded by business-type activities. General-purpose revenues funded $248.5 million of capital and controlled maintenance expenditures during Fiscal Year 2014-15 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, 2015 and 2014, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 112	$ 97	$ 542	$ 524	$ 654	$ 621
Collections	11	11	25	23	36	34
Other Capital Assets	1	7	15	-	16	7
Construction in Progress	898	882	1,180	809	2,078	1,691
Infrastructure	946	935	25	14	971	949
Total Capital Assets Not Being Depreciated	1,968	1,932	1,787	1,370	3,755	3,302
Capital Assets Being Depreciated						
Buildings and Related Improvements	2,903	2,700	8,331	7,943	11,234	10,643
Software	297	250	201	195	498	445
Vehicles and Equipment	870	791	1,046	977	1,916	1,768
Library Books, Collections, and Other Capital Assets	44	45	539	537	583	582
Infrastructure	11,041	10,676	446	389	11,487	11,065
Total Capital Assets Being Depreciated	15,155	14,462	10,563	10,041	25,718	24,503
Accumulated Depreciation	(5,381)	(4,862)	(4,374)	(4,164)	(9,755)	(9,026)
Total	$ 11,742	$ 11,532	$ 7,976	$ 7,247	$ 19,718	$ 18,779

The State's major commitments for capital expenditures are reported in the attached financial statements as restricted or committed fund balances. At June 30, 2015, the State had commitments of $27.6 million in the Capital Projects Fund ($60.1 million in Fiscal Year 2013-14), $113.7 million in the institutes of Higher Education funds(this number was not reported in prior fiscal years) and $1.3 billion in the Highway Users Tax Fund ($1,218.9 million in Fiscal Year 2013-14). 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 2014-15
(Amounts in Millions)

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

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

In Fiscal Year 2014-15, the total principal amount of capital leases, revenue bonds, and COPs was 39.9 percent of assets other than capital assets, as compared to 41.7 percent as restated in the prior year. This percentage declined because noncapital assets decreased 5.7 percent while the principal amount of capital leases, revenue bonds, and COPs increased 6.3 percent. The decrease in governmental activities of 12.0 percent was related to principal payments on the Department of Transportation's Transportation Revenue Anticipation Notes ($149.2 million) and the fact that there were not any significant new issuances of COPs. 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 $1,221, $1,200, $1,159, $1,180, and $1,000 per person in Fiscal Years 2014-15, 2013-14, 2012-13, 2011-12, and 2010-11, respectively.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the State that were included in the Fiscal Year 2013-14 Management Discussion and Analysis continue to affect the State at the end of Fiscal Year 2014-15, 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 will result in future refunds of TABOR revenues in excess of the new ESRC. As discussed earlier in this MD&A, in Fiscal Year 2014-15, the State exceeded the ESRC and will refund approximately $173.4 million in Fiscal Year 2015-16. Both the Legislative Council economist and the Governor's Office of State Planning and Budgeting economist project that under current law there will not be a TABOR refund in Fiscal Year 2015-16, although refunds are projected to resume in Fiscal Years 2016-17 and 2017-18 under current law.

- 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, 15.6 percent, and 5.7 percent in 2012, 2013, and 2014, 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 57.8 percent at December 31, 2014. 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.

- 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.

- For 2014, the actuarially determined contribution (ADC) rate was 20.45 percent. The deficiency of the statutory contribution rate compared to the ADC is expected to continue until all of the benefit and contribution reforms in statute are fully implemented. The amortization period of the unfunded actuarially accrued pension liability at December 31, 2014 is 45 years when future AED and SAED increases are considered.

- Senate Bill 10-001 made significant changes to the plan provisions that will affect the State over the long-term by improving the funded status of the plan. The most significant changes affecting the State Division of the plan include reducing the former 3.5 percent annual increase for retiree benefits to the lesser of the consumer price index or 2.0 percent, changing the timing of the annual increase, and making the annual increase contingent on the plan's funded status; extending the AED and SAED as discussed above; requiring future early retirement adjustments to be actuarially neutral; limiting annual increases in the highest average salary calculation for future retirees to 8.0 percent; removing the indexing of benefits for future retirees who become inactive with more than 25 years of service; changing the vesting period required for employer matching contributions; increasing the combined age and years of service requirement for current nonvested employees to 85, to 88 for new hires on or after January 1, 2011, to 90 for new hires on or after January 1, 2017, and increasing the related minimum retirement age; and requiring retirees returning to work for a PERA employer to pay member contributions that are not refundable and that do not increase service credits. Some of the changes authorized by Senate Bill 10-001 were the subject of a class action lawsuit naming the Governor and certain PERA Board members in claiming the changes are unconstitutional and seeking a mandatory injunction requiring payment of the annual increase in effect before the passage of Senate Bill 10-001. On October 20, 2014, after several proceedings, the Colorado Supreme Court ruled in favor of PERA.

- To provide budgetary relief for the State, Senate Bill 10-146 required that beginning July 1, 2010, members contribute an additional 2.5 percent of salary to their member accounts and the employer contribution rate be reduced to 11.35 percent. In the 2011 legislative session, Senate Bill 11-076 continued the 2.5 percent swap an additional year through June 30, 2012. This legislation sunset as of June 30, 2012.

- As of Fiscal Year 2014-15, with the implementation of Governmental Accounting Standards Board Statement No. 68, the State of Colorado reported a pension liability for the shortage between the statutorily required contribution and the actuarial unfunded liability. More information on the implementation of Governmental Accounting Standards Board Statement No. 68 can be found in the notes to the financial statements.

- 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 were not refunded in Fiscal Year 2014-15. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. For Fiscal Year 2014-15, $972.3 million was budgeted from the State Education Fund. Revenues included $25.3 million in direct transfers in from the General Fund in addition to the exempted portion of revenues collected under Amendment 23. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2010-11 and by inflation thereafter. This requirement will have 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 ($88.8 million net of related deferred revenue in Fiscal Year 2014-15) 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 $197.8 million at June 30, 2015, providing apparent liquidity. There were increased tax collections in Fiscal Year 2014-15, as the General Purpose Revenue Fund taxes receivable decreased by $13.4 million to $1,367.3 million, tax refunds payable decreased by $53.7 million to $652.1 million, and deferred inflows related to the tax receivables that not expected to be collected within the next year also decreased by $35.3 million to $178.3 million. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. If the State's economy 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 $289.8 million of Transportation Revenue Anticipation Notes issued by the Department of Transportation average $148.1 million per year over the next two 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 $85.9 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 $10,929.1 million (unaudited and including amounts in nonappropriated funds) in federal awards during Fiscal Year 2014-15 which represents 37.4 percent of the $29,207.0 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 reports show a one-year budget deficit of approximately $0.4 trillion for the 2015 federal Fiscal Year, and a $0.5 trillion deficit for federal Fiscal Year 2016 and increasing annual deficits through 2026 under current law. The increasing expenditures in both the Social Security and health care programs, residual stimulus spending, employee tax cuts, the interest costs to finance U.S. government borrowing, and other mandatory spending will take up an increasingly large amount of the federal revenue streams and outpace projected growth in revenues. Higher individual and corporate tax receipts are expected largely due to increased salaries and corporate profits, but 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, 2015

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,696,950	$ 2,454,684	$ 5,151,634	$ 193,149
Investments	-	378,115	378,115	-
Taxes Receivable, net	1,252,907	142,241	1,395,148	-
Contributions Receivable, net	-	-	-	50,308
Other Receivables, net	450,806	430,306	881,112	78,800
Due From Other Governments	787,268	134,455	921,723	4,104
Internal Balances	28,022	(28,022)	-	-
Due From Component Units	135	11,370	11,505	-
Inventories	54,194	57,950	112,144	-
Prepaids, Advances and Deposits	67,917	28,186	96,103	1,001
Total Current Assets	5,338,199	3,609,285	8,947,484	327,362
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,140,729	499,742	2,640,471	176,327
Restricted Investments	761,140	246,783	1,007,923	171,313
Restricted Receivables	363,300	31,609	394,909	2,726
Investments	280,100	1,969,155	2,249,255	2,395,205
Contributions Receivable, net	-	-	-	101,160
Other Long-Term Assets	636,260	129,850	766,110	972,440
Depreciable Capital Assets and Infrastructure, net	9,772,651	6,190,355	15,963,006	171,801
Land and Nondepreciable Capital Assets	1,968,227	1,788,595	3,756,822	24,744
Total Noncurrent Assets	15,922,407	10,856,089	26,778,496	4,015,716
TOTAL ASSETS	21,260,606	14,465,374	35,725,980	4,343,078
DEFERRED OUTFLOW OF RESOURCES:	350,796	348,635	699,431	4,145
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	669,992	-	669,992	-
Accounts Payable and Accrued Liabilities	1,367,263	751,169	2,118,432	26,470
TABOR Refund Liability (Note 8B)	173,346	-	173,346	-
Due To Other Governments	233,087	22,048	255,135	969
Due To Component Units		623	623	-
Unearned Revenue	100,467	407,108	507,575	-
Accrued Compensated Absences	12,185	20,960	33,145	-
Claims and Judgments Payable	47,682	-	47,682	-
Leases Payable	27,760	8,618	36,378	-
Notes, Bonds, and COPs Payable	200,975	251,947	452,922	45,650
Other Current Liabilities	19,052	125,054	144,106	134,997
Total Current Liabilities	2,851,809	1,587,527	4,439,336	208,086
Noncurrent Liabilities:				
Deposits Held In Custody For Others	139	-	139	395,892
Accrued Compensated Absences	149,817	268,600	418,417	-
Claims and Judgments Payable	299,785	41,460	341,245	-
Capital Lease Payable	144,569	45,663	190,232	-
Derivative Instrument Liability	-	9,515	9,515	-
Notes, Bonds, and COPs Payable	1,331,892	4,418,327	5,750,219	728,898
Due to Component Units	-	1,661	1,661	-
Net Pension Liability	5,565,526	3,579,748	9,145,274	
Other Postemployment Benefits	-	241,779	241,779	-
Other Long-Term Liabilities	423,809	83,521	507,330	76,966
Total Noncurrent Liabilities	7,915,537	8,690,274	16,605,811	1,201,756
TOTAL LIABILITIES	10,767,346	10,277,801	21,045,147	1,409,842
DEFERRED INFLOW OF RESOURCES:	47,262	38,380	85,642	537
NET POSITION:				
Net investment in Capital Assets:	10,654,690	4,417,947	15,072,637	196,545
Restricted for:				
Construction and Highway Maintenance	936,535	-	936,535	-
Education	766,688	439,535	1,206,223	-
Unemployment Insurance	-	620,575	620,575	-
Debt Service	56,534	75,666	132,200	-
Emergencies	217,328	34,000	251,328	-
Permanent Funds and Endowments:				
Expendable	7,301	150,270	157,571	1,072,592
Nonexpendable	896,872	87,679	984,551	867,679
Other Purposes	626,649	88,686	715,335	590,284
Unrestricted	(3,365,803)	(1,416,530)	(4,782,333)	209,744
TOTAL NET POSITION	$ 10,796,794	$ 4,497,828	$ 15,294,622	$ 2,936,844

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

(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	$ 470,619	$ (21,358)	$ 145,172	$ 173,100	$ 82
Business, Community, and Consumer Affairs	709,581	1,977	132,115	273,472	-
Education	5,686,187	1,386	30,955	612,458	75
Health and Rehabilitation	821,162	1,394	78,873	406,875	-
Justice	2,070,022	5,512	240,607	136,522	57
Natural Resources	119,245	1,129	204,487	53,523	1,100
Social Assistance	9,623,884	3,220	663,568	5,933,394	-
Transportation	1,894,709	2,195	448,691	137,324	816,155
Interest on Debt	59,078	-	-	-	-
Total Governmental Activities	21,454,487	(4,545)	1,944,468	7,726,668	817,469
Business-Type Activities:					
Higher Education	6,001,813	2,671	4,030,727	1,810,208	70,568
Unemployment Insurance	530,130	-	702,294	47,653	-
Lottery	473,942	636	539,033	442	-
Parks and Wildlife	190,762	664	143,826	37,615	7,309
College Assist	338,510	121	1,494	342,463	-
Other Business-Type Activities	217,385	453	273,063	43,550	427
Total Business-Type Activities	7,752,542	4,545	5,690,437	2,281,931	78,304
Total Primary Government	29,207,029	-	7,634,905	10,008,599	895,773
Component Units:					
Colorado Water Resources and Power Development Authority	61,330		38,696	34,510	
University of Colorado Foundation	132,224			149,999	
Colorado State University Foundation	54,998			71,473	
Colorado School of Mines Foundation	38,665		1,900	31,862	
University of Northern Colorado Foundation	12,288			15,087	
Other Component Units	16,747		15,119	219	3,153
Total Component Units	$ 316,252	$ -	$ 55,715	$ 303,150	$ 3,153

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 Items (See Note 41)
(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
$ (130,907)	$ -	$ (130,907)	
(305,971)	-	(305,971)	
(5,044,085)	-	(5,044,085)	
(336,808)	-	(336,808)	
(1,698,348)	-	(1,698,348)	
138,736	-	138,736	
(3,030,142)	-	(3,030,142)	
(494,734)	-	(494,734)	
(59,078)	-	(59,078)	
(10,961,337)	-	(10,961,337)	
-	(92,981)	(92,981)	
-	219,817	219,817	
-	64,897	64,897	
-	(2,676)	(2,676)	
-	5,326	5,326	
-	99,202	99,202	
-	293,585	293,585	
(10,961,337)	293,585	(10,667,752)	
-	-	-	11,876
-	-	-	17,775
-	-	-	16,475
-	-	-	(4,903)
-	-	-	2,799
-	-	-	1,744
-	-	-	45,766
2,762,222	-	2,762,222	-
267,858	-	267,858	-
5,847,141	-	5,847,141	-
613,316	-	613,316	-
673,275	7	673,282	-
460,192	-	460,192	-
59,610	-	59,610	-
599,386	-	599,386	-
67,327	-	67,327	-
11,992	-	11,992	51,260
96,613	-	96,613	-
-	-	-	4,150
-	-	-	(56,142)
(256,738)	256,738	-	-
401	-	401	-
11,202,595	256,745	11,459,340	(732)
241,258	550,330	791,588	45,034
15,649,715	7,289,798	22,939,513	2,891,810
(6,626)	-	(6,626)	-
(5,087,553)	(3,342,300)	(8,429,853)	-
$ 10,796,794	$ 4,497,828	$ 15,294,622	$ 2,936,844

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 313,023	$ 882,653	$ 49,427
Taxes Receivable, net	1,367,281	31,639	-
Other Receivables, net	294,504	34,134	2,940
Due From Other Governments	757,061	1,341	-
Due From Other Funds	86,785	10,535	4,074
Due From Component Units	135	-	-
Inventories	8,894	35,868	8,377
Prepaids, Advances and Deposits	41,623	19,467	1,908
Restricted Assets:			
Restricted Cash and Pooled Cash	342,506	66,000	842,169
Restricted Investments	-	-	-
Restricted Receivables	172	-	363,128
Investments	91,652	-	-
Other Long-Term Assets	-	396,087	7,258
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,303,636	$ 1,477,724	$ 1,279,281
LIABILITIES:			
Tax Refunds Payable	$ 652,110	14,369	$ 2,814
Accounts Payable and Accrued Liabilities	934,246	14,249	221,298
TABOR Refund Liability (Note 8B)	173,346	-	-
Due To Other Governments	97,754	79,154	36,628
Due To Other Funds	51,154	261	565
Unearned Revenue	24,209	715	28,278
Claims and Judgments Payable	398	-	-
Other Current Liabilities	11,062	-	26
Deposits Held In Custody For Others	4	-	-
TOTAL LIABILITIES	1,944,283	108,748	289,609
DEFERRED INFLOW OF RESOURCES:	183,965	1,770	1,112
FUND BALANCES:			
Nonspendable:			
Inventories	8,894	35,869	8,377
Permanent Fund Principal	-	-	-
Prepaids	40,971	19,467	1,908
Restricted	398,948	78,971	942,510
Committed	705,844	1,232,899	35,765
Assigned	20,731	-	-
TOTAL FUND BALANCES	1,175,388	1,367,206	988,560
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,303,636	$ 1,477,724	$ 1,279,281

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 340,603	$ -	$ 1,065,719	$ 2,651,425
-	-	40,977	1,439,897
18	-	112,608	444,204
189	-	28,349	786,940
6,284	-	13,192	120,870
-	-	-	135
-	-	190	53,329
-	-	4,474	67,472
-	696,588	193,466	2,140,729
-	-	761,140	761,140
-	-	-	363,300
3,808	-	184,640	280,100
60	-	44,964	448,369
-	-	82,922	82,922
$ 350,962	$ 696,588	$ 2,532,641	$ 9,640,832
$ -	$ -	$ 699	$ 669,992
11,107	10,330	133,412	1,324,642
-	-	-	173,346
-	-	19,551	233,087
3,175	-	38,205	93,360
-	-	42,401	95,603
-	-	89	487
-	-	3,995	15,083
-	-	135	139
14,282	10,330	238,487	2,605,739
-	-	1,456	188,303
-	-	190	53,330
-	-	971,676	971,676
-	-	4,474	66,820
5	686,258	235,229	2,341,921
336,675	-	1,081,129	3,392,312
-	-	-	20,731
336,680	686,258	2,292,698	6,846,790
$ 350,962	$ 696,588	$ 2,532,641	$ 9,640,832

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2015

		(A)	(B)	(C)	(D)	(E)	(F)	
(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	CAPITAL ASSET BALANCES	DEBT RELATED BALANCES	CENTRALIZED RISK MANAGEMENT LIABILITIES	OTHER MEASUREMENT FOCUS ADJUSTMENTS	INTERNAL BALANCES ELIMINATION	STATEMENT OF NET POSITION TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 2,651,425	$ 45,525	$ -	$ -	$ -	$ -	$ -	$ 2,696,950
Taxes Receivable, net	1,439,897	-	-	-	-	(186,990)	-	1,252,907
Other Receivables, net	444,204	6,602	-	-	-	-	-	450,806
Due From Other Governments	786,940	328	-	-	-	-	-	787,268
Due From Other Funds	120,870	1,046	-	-	-	-	(93,894)	28,022
Due From Component Units	135	-	-	-	-	-	-	135
Inventories	53,329	865	-	-	-	-	-	54,194
Prepaids, Advances and Deposits	67,472	445	-	-	-	-	-	67,917
Total Current Assets	5,564,272	54,811	-	-	-	(186,990)	(93,894)	5,338,199
Noncurrent Assets:								
Restricted Cash and Pooled Cash	2,140,729	-	-	-	-	-	-	2,140,729
Restricted Investments	761,140	-	-	-	-	-	-	761,140
Restricted Receivables	363,300	-	-	-	-	-	-	363,300
Investments	280,100	-	-	-	-	-	-	280,100
Other Long-Term Assets	448,369	-	-	-	-	187,891	-	636,260
Depreciable Capital Assets and Infrastructure, net	20,778	137,894	9,613,979	-	-	-	-	9,772,651
Land and Nondepreciable Capital Assets	62,144	1,122	1,904,961	-	-	-	-	1,968,227
Total Noncurrent Assets	4,076,560	139,016	11,518,940	-	-	187,891	-	15,922,407
TOTAL ASSETS	9,640,832	193,827	11,518,940	-	-	901	(93,894)	21,260,606
DEFERRED OUTFLOW OF RESOURCES:	-	35,741	-	315,055	-	-	-	350,796
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	669,992	-	-	-	-	-	-	669,992
Accounts Payable and Accrued Liabilities	1,324,642	35,175	-	7,446	-	-	-	1,367,263
TABOR Refund Liability (Note 8B)	173,346	-	-	-	-	-	-	173,346
Due To Other Governments	233,087	-	-	-	-	-	-	233,087
Due To Other Funds	93,360	534	-	-	-	-	(93,894)	-
Unearned Revenue	95,603	5,087	-	-	-	(223)	-	100,467
Compensated Absences Payable	-	445	-	-	-	11,740	-	12,185
Claims and Judgments Payable	487	-	-	-	38,193	9,002	-	47,682
Leases Payable	-	19,255	-	8,505	-	-	-	27,760
Notes, Bonds, and COPs Payable	-	-	-	200,975	-	-	-	200,975
Other Current Liabilities	15,083	74	-	-	-	3,895	-	19,052
Total Current Liabilities	2,605,600	60,570	-	216,926	38,193	24,414	(93,894)	2,851,809
Noncurrent Liabilities:								
Deposits Held In Custody For Others	139	-	-	-	-	-	-	139
Accrued Compensated Absences	-	9,630	-	-	-	140,187	-	149,817
Claims and Judgments Payable	-	-	-	-	119,592	180,193	-	299,785
Capital Lease Payable	-	88,684	-	55,885	-	-	-	144,569
Notes, Bonds, and COPs Payable	-	-	-	1,331,892	-	-	-	1,331,892
Net Pension Liability	-	318,488	-	-	-	5,247,038	-	5,565,526
Other Long-Term Liabilities	-	-	-	-	-	423,809	-	423,809
Total Noncurrent Liabilities	139	416,802	-	1,387,777	119,592	5,991,227	-	7,915,537
TOTAL LIABILITIES	2,605,739	477,372	-	1,604,703	157,785	6,015,641	(93,894)	10,767,346
DEFERRED INFLOW OF RESOURCES:	188,303	2,311	-	-	-	(143,352)	-	47,262
NET POSITION:								
Net investment in Capital Assets:	82,923	31,077	11,518,940	(978,250)	-	-	-	10,654,690
Restricted for:								
Construction and Highway Maintenance	935,268	-	-	1,267	-	-	-	936,535
Education	685,421	-	-	81,267	-	-	-	766,688
Debt Service	56,534	-	-	-	-	-	-	56,534
Emergencies	217,328	-	-	-	-	-	-	217,328
Permanent Funds and Endowments:								
Expendable	7,301	-	-	-	-	-	-	7,301
Nonexpendable	896,872	-	-	-	-	-	-	896,872
Other Purposes	626,649	-	-	-	-	-	-	626,649
Unrestricted	3,338,494	(281,192)	-	(393,931)	(157,785)	(5,871,389)	-	(3,365,803)
TOTAL NET POSITION	$ 6,846,790	$ (250,115)	$ 11,518,940	$ (1,289,647)	$ (157,785)	$ (5,871,389)	$ -	$ 10,796,794

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

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

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

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

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

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

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

(E) Other measurement focus adjustments include:

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 5,888,042	$ -	$ -
Corporate Income	635,115	-	-
Sales and Use	2,706,875	-	-
Excise	97,161	-	599,384
Other Taxes	273,670	271,492	388
Licenses, Permits, and Fines	15,904	1,993	363,345
Charges for Goods and Services	77,585	8,815	136,633
Rents	290	3	2,132
Investment Income (Loss)	15,841	20,825	10,540
Federal Grants and Contracts	7,090,845	152,429	837,065
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	167,131	4,311	116,744
TOTAL REVENUES	16,968,459	459,868	2,066,231
EXPENDITURES:			
Current:			
General Government	222,085	-	54,013
Business, Community, and Consumer Affairs	184,937	12,953	-
Education	708,553	-	-
Health and Rehabilitation	594,782	-	10,158
Justice	1,313,282	-	117,513
Natural Resources	35,485	52,657	-
Social Assistance	7,809,363	-	-
Transportation	-	-	1,279,622
Capital Outlay	200,385	270	81,431
Intergovernmental:			
Cities	67,540	54,469	232,371
Counties	1,246,303	58,108	229,420
School Districts	4,036,372	3,190	-
Special Districts	66,169	18,286	33,836
Federal	10	1,156	-
Other	25,447	3,828	254
Debt Service	50,863	8	-
TOTAL EXPENDITURES	16,561,576	204,925	2,038,618
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	406,883	254,943	27,613
OTHER FINANCING SOURCES (USES):			
Transfers-In	3,772,396	3,029	9,796
Transfers-Out	(3,940,873)	(94,058)	(182,761)
Face Amount of Bond/COP Issuance	68	-	-
Sale of Capital Assets	-	-	-
Insurance Recoveries	8,502	-	3,540
Bond/COP Premium Refunding Proceeds	11	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(159,896)	(91,029)	(169,425)
NET CHANGE IN FUND BALANCES	246,987	163,914	(141,812)
FUND BALANCE, FISCAL YEAR BEGINNING	935,027	1,203,292	1,130,372
Prior Period Adjustment (See Note 29A)	(6,626)	-	-
FUND BALANCE, FISCAL YEAR END	$ 1,175,388	$ 1,367,206	$ 988,560

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 462,046	$ -	$ 6,350,088
-	57,756	-	692,871
-	-	50,741	2,757,616
-	-	170,955	867,500
965	-	158,892	705,407
12	-	420,137	801,391
-	-	662,312	885,345
-	-	196,642	199,067
4,540	7,900	39,128	98,774
7,006	-	196,087	8,283,432
-	-	401	401
-	-	60,883	60,883
297	212	40,372	329,067
12,820	527,914	1,996,550	22,031,842
3,530	-	25,554	305,182
938	-	269,795	468,623
2,511	46,298	27,763	785,125
44	-	93,870	698,854
4,918	-	212,604	1,648,317
-	-	15,032	103,174
1,087	-	815,324	8,625,774
-	-	2,808	1,282,430
38,844	-	4,224	325,154
-	-	67,072	421,452
-	-	92,972	1,626,803
-	826,586	42,802	4,908,950
-	-	13,076	131,367
-	-	332	1,498
-	465	43,275	73,269
3,637	-	214,999	269,507
55,509	873,349	1,941,502	21,675,479
(42,689)	(345,435)	55,048	356,363
268,358	25,403	455,960	4,534,942
(163,585)	(85,708)	(321,051)	(4,788,036)
-	-	-	68
-	-	3,341	3,341
610	-	-	12,652
-	-	-	11
105,383	(60,305)	138,250	(237,022)
62,694	(405,740)	193,298	119,341
273,986	1,091,998	2,099,400	6,734,075
-	-	-	(6,626)
$ 336,680	$ 686,258	$ 2,292,698	$ 6,846,790

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 6,350,088	$ -	$ -	$ -	$ (40,926)	$ 6,309,162
Corporate Income	692,871	-	-	-	(21,799)	671,072
Sales and Use	2,757,616	-	-	-	4,608	2,762,224
Excise	867,500	-	-	-	(257)	867,243
Other Taxes	705,407	-	-	-	(2,332)	703,075
Licenses, Permits, and Fines	801,391	-	-	-	2	801,393
Charges for Goods and Services	885,345	-	-	-	1	885,346
Rents	199,067	-	-	-	-	199,067
Investment Income (Loss)	98,774	9	-	-	19	98,802
Federal Grants and Contracts	8,283,432	-	-	-	(7,925)	8,275,507
Additions to Permanent Funds	401	-	-	-	-	401
Unclaimed Property Receipts	60,883	-	-	-	-	60,883
Other	329,067	-	-	-	3,632	332,699
TOTAL REVENUES	22,031,842	9	-	-	(64,977)	21,966,874
EXPENDITURES:						
Current:						
General Government	305,182	570	37,926	-	13,695	357,373
Business, Community, and Consumer Affairs	468,623	2,435	11,792	-	(12,558)	470,292
Education	785,125	104	28,842	-	(41)	814,030
Health and Rehabilitation	698,854	709	26,859	-	515	726,937
Justice	1,648,317	1,366	130,057	-	4,415	1,784,155
Natural Resources	103,174	928	4,386	-	172	108,660
Social Assistance	8,625,774	3,817	21,256	-	82	8,650,929
Transportation	1,282,430	635	451,186	-	130	1,734,381
Capital Outlay	325,154	-	(745,408)	-	-	(420,254)
Intergovernmental:						
Cities	421,452	-	-	-	-	421,452
Counties	1,626,803	-	(60)	-	-	1,626,743
School Districts	4,908,950	-	-	-	-	4,908,950
Special Districts	131,367	-	-	-	-	131,367
Federal	1,498	-	-	-	-	1,498
Other	73,269	-	-	-	-	73,269
Debt Service	269,507	2,610	-	(193,395)	-	78,722
TOTAL EXPENDITURES	21,675,479	13,174	(33,164)	(193,395)	6,410	21,468,504
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	356,363	(13,165)	33,164	193,395	(71,387)	498,370
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,534,942	2,456	-	-	-	4,537,398
Transfers-Out	(4,788,036)	(8,398)	-	-	-	(4,796,434)
Face Amount of Bond/COP Issuance	68	-	-	-	-	68
Bond/COP Premium/Discount	-	-	-	1,382	-	1,382
Sale of Capital Assets	3,341	-	(15,499)	-	-	(12,158)
Insurance Recoveries	12,652	-	-	-	-	12,652
Bond/COP Premium Refunding Proceeds	11	-	-	-	-	11
TOTAL OTHER FINANCING SOURCES (USES)	(237,022)	(5,942)	(15,499)	1,382	-	(257,081)
Internal Service Fund Charges to BTAs	-	(31)	-	-	-	(31)
NET CHANGE FOR THE YEAR	119,341	(19,138)	17,665	194,777	(71,387)	241,258
Prior Period Adjustment (See Note 29A)	(6,626)	-	-	-	-	(6,626)
Accounting Changes (See Note 29B)	-	(265,388)	-	(4,822,166)	-	(5,087,554)
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ 112,715	$ (284,526)	$ 17,665	$ (4,627,389)	$ (71,387)	$ (4,852,922)

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

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

(A) Management uses Internal Services Funds to report charges for and the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on the cost reimbursement basis and should break even each period. If an Internal Service Fund makes a profit, the other funds of the State have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the State have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor training services provided by the Department of Personnel & Administration, and internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:

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

(B) The following adjustments relate to capital assets:

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

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

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

(D) Other measurement focus adjustments include:

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,148,885	$ 734,471
Investments	377,487	-
Premiums Receivable, net	-	142,241
Student and Other Receivables, net	365,100	5,046
Due From Other Governments	114,633	4,377
Due From Other Funds	4,380	-
Due From Component Units	11,370	-
Inventories	39,914	-
Prepaids, Advances and Deposits	18,167	-
Total Current Assets	2,079,936	886,135
Noncurrent Assets:		
Restricted Cash and Pooled Cash	452,758	-
Restricted Investments	246,783	-
Restricted Receivables	-	-
Investments	1,917,306	-
Other Long-Term Assets	128,071	-
Depreciable Capital Assets and Infrastructure, net	5,595,452	1,521
Land and Nondepreciable Capital Assets	1,028,769	163
Total Noncurrent Assets	9,369,139	1,684
TOTAL ASSETS	11,449,075	887,819
DEFERRED OUTFLOW OF RESOURCES:	320,500	4,283
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	631,398	2,141
Due To Other Governments	-	1
Due To Other Funds	4,549	-
Due To Component Units	623	-
Unearned Revenue	239,877	3
Compensated Absences Payable	19,971	-
Leases Payable	8,197	-
Notes, Bonds, and COPs Payable	126,013	124,960
Other Current Liabilities	83,778	9,986
Total Current Liabilities	1,114,406	137,091
Noncurrent Liabilities:		
Due to Other Funds	1,321	-
Accrued Compensated Absences	256,737	-
Claims and Judgments Payable	41,460	-
Capital Lease Payable	41,401	-
Derivative Instrument Liability	9,515	-
Notes, Bonds, and COPs Payable	3,961,735	125,763
Due to Component Units	1,661	-
Net Pension Liability	3,166,397	6,989
Other Postemployment Benefits	241,779	-
Other Long-Term Liabilities	29,482	-
Total Noncurrent Liabilities	7,751,488	132,752
TOTAL LIABILITIES	8,865,894	269,843
DEFERRED INFLOW OF RESOURCES:	28,867	1
NET POSITION:		
Net investment in Capital Assets:	3,374,653	1,683
Restricted for:		
Education	439,535	-
Unemployment Insurance	-	620,575
Debt Service	54,456	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	150,270	-
Nonexpendable	87,679	-
Other Purposes	-	-
Unrestricted	(1,231,779)	-
TOTAL NET POSITION	$ 2,874,814	$ 622,258

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
$ 38,456	$ 532,872	$ 2,454,684	$ 45,525
-	628	378,115	-
-	-	142,241	-
20,409	39,751	430,306	6,602
-	15,445	134,455	328
-	5,531	9,911	1,046
-	-	11,370	-
1,125	16,911	57,950	865
4,657	5,362	28,186	445
64,647	616,500	3,647,218	54,811
-	46,984	499,742	-
-	-	246,783	-
-	31,609	31,609	-
-	51,849	1,969,155	-
-	1,779	129,850	-
550	592,832	6,190,355	137,894
-	759,663	1,788,595	1,122
550	1,484,716	10,856,089	139,016
65,197	2,101,216	14,503,307	193,827
1,072	22,780	348,635	35,741
3,676	99,282	736,497	35,175
21	22,026	22,048	-
31,819	1,855	38,223	534
-	-	623	-
-	167,228	407,108	5,087
36	953	20,960	445
-	421	8,618	19,255
-	974	251,947	-
26,104	5,186	125,054	74
61,656	297,925	1,611,078	60,570
-	13,061	14,382	-
757	11,106	268,600	9,630
-	-	41,460	-
-	4,262	45,663	88,684
-	-	9,515	-
-	330,829	4,418,327	-
-	-	1,661	-
23,627	382,735	3,579,748	318,488
-	-	241,779	-
39	54,000	83,521	-
24,423	795,993	8,704,656	416,802
86,079	1,093,918	10,315,734	477,372
136	9,376	38,380	2,311
550	1,041,061	4,417,947	31,077
-	-	439,535	-
-	-	620,575	-
-	21,210	75,666	-
-	34,000	34,000	-
-	-	150,270	-
-	-	87,679	-
-	88,686	88,686	-
(20,496)	(164,255)	(1,416,530)	(281,192)
$ (19,946)	$ 1,020,702	$ 4,497,828	$ (250,115)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 698,609
License and Permits	-	107
Tuition and Fees	2,649,314	-
Scholarship Allowance for Tuition and Fees	(595,010)	-
Sales of Goods and Services	1,856,873	-
Scholarship Allowance for Sales of Goods & Services	(22,546)	-
Investment Income (Loss)	1,500	-
Rental Income	14,488	-
Gifts and Donations	37,979	-
Federal Grants and Contracts	971,879	30,670
Intergovernmental Revenue	7,944	-
Other	302,103	19
TOTAL OPERATING REVENUES	5,224,524	729,405
OPERATING EXPENSES:		
Salaries and Fringe Benefits	4,017,898	5,900
Operating and Travel	1,259,876	518,841
Cost of Goods Sold	146,479	-
Depreciation and Amortization	388,761	206
Intergovernmental Distributions	32,580	-
Debt Service	-	-
Prizes and Awards	344	-
TOTAL OPERATING EXPENSES	5,845,938	524,947
OPERATING INCOME (LOSS)	(621,414)	204,458
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	7
Fines and Settlements	21	3,558
Investment Income (Loss)	59,633	16,982
Rental Income	15,079	1
Gifts and Donations	242,994	-
Intergovernmental Distributions	(23,066)	-
Federal Grants and Contracts	287,255	-
Gain/(Loss) on Sale or Impairment of Capital Assets	19,274	-
Insurance Recoveries from Prior Year Impairments	36	-
Debt Service	(146,932)	(5,183)
Other Expenses	(5,940)	-
Other Revenues	11,630	-
TOTAL NONOPERATING REVENUES (EXPENSES)	459,984	15,365
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(161,430)	219,823
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	71,031	-
Additions to Permanent Endowments	656	-
Transfers-In	343,871	-
Transfers-Out	(3,971)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	411,587	-
CHANGE IN NET POSITION	250,157	219,823
NET POSITION - FISCAL YEAR BEGINNING	5,584,645	403,006
Accounting Changes (See Note 29B)	(2,959,988)	(571)
NET POSITION - FISCAL YEAR ENDING	$ 2,874,814	$ 622,258

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
$ -	$ -	$ 698,609	$ -
66	118,532	118,705	-
-	662	2,649,976	-
-	-	(595,010)	-
538,025	204,920	2,599,818	329,355
-	-	(22,546)	-
-	6,764	8,264	-
-	1,659	16,147	11,085
-	-	37,979	-
-	411,676	1,414,225	-
-	29,071	37,015	-
942	8,108	311,172	880
539,033	781,392	7,274,354	341,320
10,590	231,915	4,266,303	198,654
57,644	419,138	2,255,499	122,576
11,663	40,424	198,566	7,774
557	17,575	407,099	21,046
-	10,108	42,688	1,128
-	13,576	13,576	-
331,499	912	332,755	1
411,953	733,648	7,516,486	351,179
127,080	47,744	(242,132)	(9,859)
-	39,267	39,274	-
-	388	3,967	-
442	6,045	83,102	9
-	10,716	25,796	-
-	4,204	247,198	-
(61,993)	-	(85,059)	-
-	-	287,255	-
-	363	19,637	(1,057)
-	6,470	6,506	-
-	(12,992)	(165,107)	(2,610)
-	(411)	(6,351)	-
-	-	11,630	-
(61,551)	54,050	467,848	(3,658)
65,529	101,794	225,716	(13,517)
-	1,344	72,375	323
-	-	656	-
-	22,241	366,112	2,456
(66,518)	(44,039)	(114,528)	(8,400)
(66,518)	(20,454)	324,615	(5,621)
(989)	81,340	550,331	(19,138)
3,074	1,299,073	7,289,798	34,411
(22,031)	(359,711)	(3,342,301)	(265,388)
$ (19,946)	$ 1,020,702	$ 4,497,828	$ (250,115)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 2,072,891	$ -
Fees for Service	1,766,059	5,511
Sales of Products	73,686	-
Gifts, Grants, and Contracts	1,546,066	20,597
Loan and Note Repayments	415,345	-
Unemployment Insurance Premiums	-	695,250
Income from Property	29,568	-
Other Sources	135,082	-
Cash Payments to or for:		
Employees	(3,854,511)	(4,282)
Suppliers	(1,247,340)	(7,656)
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(487,484)
Scholarships	(100,562)	-
Others for Student Loans and Loan Losses	(447,215)	-
Other Governments	(32,580)	-
Other	(78,232)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	278,257	221,936
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	2,764,897	-
Transfers-Out	(2,523,647)	-
Receipt of Deposits Held in Custody	1,015,732	12
Release of Deposits Held in Custody	(1,018,471)	-
Gifts and Grants for Other Than Capital Purposes	187,410	-
Intergovernmental Distributions	(23,065)	-
NonCapital Debt Proceeds	67,360	-
NonCapital Debt Service Payments	-	(130,704)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	470,216	(130,692)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(816,933)	(1,666)
Capital Contributions	131,701	-
Capital Gifts, Grants, and Contracts	30,011	-
Proceeds from Sale of Capital Assets	63,847	-
Capital Debt Proceeds	737,021	-
Capital Debt Service Payments	(611,774)	-
Capital Lease Payments	(18,566)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(484,693)	(1,666)

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
$ -	$ 662	$ 2,073,553	$ -
-	233,258	2,004,828	317,241
538,052	59,169	670,907	1,247
-	430,597	1,997,260	-
-	331	415,676	-
-	-	695,250	-
-	12,357	41,925	11,088
1,008	149,542	285,632	5,979
(9,877)	(232,991)	(4,101,661)	(180,495)
(29,786)	(130,863)	(1,415,645)	(113,513)
(371,686)	(6,729)	(378,415)	(795)
-	-	(487,484)	-
-	-	(100,562)	-
-	(297,713)	(744,928)	-
-	(10,183)	(42,763)	(1,128)
(164)	(40,205)	(118,601)	(482)
127,547	167,232	794,972	39,142
530	47,669	2,813,096	3,411
(67,048)	(70,148)	(2,660,843)	(8,987)
-	468	1,016,212	229
-	(572)	(1,019,043)	(192)
-	1,062	188,472	-
(61,993)	-	(85,058)	-
-	25,000	92,360	-
-	(465)	(131,169)	-
(128,511)	3,014	214,027	(5,539)
(150)	(215,650)	(1,034,399)	(16,093)
-	-	131,701	-
-	-	30,011	-
-	1,926	65,773	4,437
-	-	737,021	-
-	(11,028)	(622,802)	(8,406)
-	(573)	(19,139)	(25,848)
(150)	(225,325)	(711,834)	(45,910)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	84,808	16,983
Proceeds from Sale/Maturity of Investments	3,702,708	-
Purchases of Investments	(3,856,078)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(26,192)	-
NET CASH FROM INVESTING ACTIVITIES	(94,754)	16,983
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	169,026	106,561
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,432,617	627,910
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,601,643	$ 734,471
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (621,415)	$ 204,458
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	388,761	206
Investment/Rental Income and Other Revenue in Operating Income	-	(19)
Rents, Fines, Donations, and Grants and Contracts in NonOperating	315,665	3,567
(Gain)/Loss on Disposal of Capital and Other Assets	(26)	-
Compensated Absences	20,986	-
Interest and Other Expense in Operating Income	(5,472)	12
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	55,365	(3,698)
(Increase) Decrease in Inventories	(3,376)	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	(182,853)	8,349
Increase (Decrease) in Accounts Payable	48,149	522
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	262,473	8,539
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 278,257	$ 221,936
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	498	-
Capital Assets Acquired by Grants or Donations and Payable Increases	102,749	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	45,135	-
Loss on Disposal of Capital and Other Assets	3,977	-
Disposal of Capital Assets	9,576	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	31,333	489
Assumption of Capital Lease Obligation or Mortgage	24,743	-
Financed Debt Issuance Costs	2,745	-
Fair Value Change in Derivative Instrument	948	-

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
493	13,457	115,741	73
-	45,960	3,748,668	-
-	(235)	(3,856,313)	-
(51)	(672)	(26,915)	(64)
442	58,510	(18,819)	9
(672)	3,431	278,346	(12,298)
39,128	576,425	2,676,080	57,823
$ 38,456	$ 579,856	$ 2,954,426	$ 45,525
$ 127,080	47,742	$ (242,135)	$ (9,859)
557	17,575	407,099	21,046
-	(6,764)	(6,783)	-
-	59,962	379,194	-
-	-	(26)	5
58	541	21,585	1,514
-	(22,867)	(28,327)	6,667
(1,330)	(2,389)	47,948	(5,914)
131	(691)	(3,936)	(142)
(592)	(23,034)	(198,130)	(31,054)
12,802	37,584	99,057	1,941
(11,159)	59,573	319,426	54,938
$ 127,547	$ 167,232	$ 794,972	$ 39,142
-	79	577	254
-	1,265	104,014	-
-	64	45,199	-
-	229	4,206	313
-	-	9,576	-
-	4,279	36,101	-
-	-	24,743	24,543
-	-	2,745	-
-	-	948	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 76,975	$ 185,062	$ 561,837
Investments	-	643	-
Taxes Receivable, net	-	-	162,494
Other Receivables, net	1,201	16,939	544
Due From Other Funds	760	-	13,912
Inventories	-	-	5
Noncurrent Assets:			
Investments:			
Government Securities	-	11,843	-
Repurchase Agreements	-	499	-
Asset Backed Securities	-	15,313	-
Mutual Funds	-	6,176,335	-
Other Investments	-	101,731	-
Other Long-Term Assets	-	-	12,047
TOTAL ASSETS	78,936	6,508,365	$ 750,839
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	1,965
Accounts Payable and Accrued Liabilities	17,938	15,111	1,894
Due To Other Governments	-	-	284,179
Unearned Revenue	-	7,406	-
Claims and Judgments Payable	14,717	-	125
Other Current Liabilities	-	-	430,299
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	3,298	31,706
Accrued Compensated Absences	62	-	-
Other Long-Term Liabilities	-	-	671
TOTAL LIABILITIES	32,717	25,815	$ 750,839
NET POSITION:			
Held in Trust for:			
Pension/Benefit Plan Participants	46,219	-	
Individuals, Organizations, and Other Entities	-	6,482,550	
TOTAL NET POSITION	$ 46,219	$ 6,482,550	

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, 2015

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,092,226
Member Contributions	83,038	-
Employer Contributions	257,444	-
Investment Income/(Loss)	(17)	202,520
Employee Participation Fees	667	-
Unclaimed Property Receipts	-	38,748
Other Additions	2,724	3,551
Transfers-In	1,274	6,500
TOTAL ADDITIONS	345,130	1,343,545
DEDUCTIONS:		
Distributions to Participants	-	291,313
Health Insurance Premiums Paid	156,942	-
Health Insurance Claims Paid	168,424	-
Other Benefits Plan Expense	19,232	-
Payments in Accordance with Trust Agreements	-	619,988
Other Deductions	19,221	-
Transfers-Out	247	74
TOTAL DEDUCTIONS	364,066	911,375
CHANGE IN NET POSITION	(18,936)	432,170
NET POSITION - FISCAL YEAR BEGINNING	65,155	6,050,380
NET POSITION - FISCAL YEAR ENDING	$ 46,219	$ 6,482,550

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 146,715	$ 18,493
Contributions Receivable, net	-	34,036
Other Receivables, net	76,019	3
Due From Other Governments	3,741	-
Prepaids, Advances and Deposits	-	505
Total Current Assets	226,475	53,037
Noncurrent Assets:		
Restricted Cash and Pooled Cash	160,272	-
Restricted Investments	171,313	-
Restricted Receivables	2,726	-
Investments	-	1,524,867
Contributions Receivable, net	-	51,749
Other Long-Term Assets	970,008	-
Depreciable Capital Assets and Infrastructure, net	18	341
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,304,337	1,576,957
TOTAL ASSETS	1,530,812	1,629,994
DEFERRED OUTFLOW OF RESOURCES:	4,145	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	14,446	6,581
Due To Other Governments	969	-
Notes, Bonds, and COPs Payable	45,650	-
Other Current Liabilities	120,926	13,711
Total Current Liabilities	181,991	20,292
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	346,507
Notes, Bonds, and COPs Payable	674,735	-
Net Pension Liability		
Other Long-Term Liabilities	47,145	18,485
Total Noncurrent Liabilities	721,880	364,992
TOTAL LIABILITIES	903,871	385,284
DEFERRED INFLOW OF RESOURCES:	537	-
NET POSITION:		
Net investment in Capital Assets:	18	341
Restricted for:		
Expendable	-	723,887
Nonexpendable	-	451,210
Other Purposes	582,613	-
Unrestricted	47,918	69,272
TOTAL NET POSITION	$ 630,549	$ 1,244,710

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
$ 1,047	$ 9,303	$ 1,362	$ 16,229	$ 193,149
8,680	4,996	2,596	-	50,308
-	1,661	173	944	78,800
-	-	-	363	4,104
246	-	-	250	1,001
9,973	15,960	4,131	17,786	327,362
-	64	-	15,991	176,327
-	-	-	-	171,313
-	-	-	-	2,726
398,727	309,374	111,749	50,488	2,395,205
15,564	29,224	4,623	-	101,160
604	234	91	1,503	972,440
14	4	1,003	170,421	171,801
-	-	-	24,744	24,744
414,909	338,900	117,466	263,147	4,015,716
424,882	354,860	121,597	280,933	4,343,078
-	-	-	-	4,145
1,066	2,159	932	1,286	26,470
-	-	-	-	969
-	-	-	-	45,650
-	-	-	360	134,997
1,066	2,159	932	1,646	208,086
14,241	34,530	614	-	395,892
-	-	-	54,163	728,898
798	10,401	137	-	76,966
15,039	44,931	751	54,163	1,201,756
16,105	47,090	1,683	55,809	1,409,842
-	-	-	-	537
14	4	1,003	195,165	196,545
210,007	116,766	21,932	-	1,072,592
165,763	166,814	83,892	-	867,679
-	-	-	7,671	590,284
32,993	24,186	13,087	22,288	209,744
$ 408,777	$ 307,770	$ 119,914	$ 225,124	$ 2,936,844

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:		
Fees	$ 37,069	$ -
Sales of Goods and Services	-	-
Investment Income (Loss)	7,431	-
Rental Income	-	-
Gifts and Donations	-	131,646
Federal Grants and Contracts	7,155	-
Other	1,626	89
TOTAL OPERATING REVENUES	53,281	131,735
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,333	-
Operating and Travel	25,783	22,792
Depreciation and Amortization	15	228
Debt Service	34,199	-
Foundation Program Distributions	-	109,204
TOTAL OPERATING EXPENSES	61,330	132,224
OPERATING INCOME (LOSS)	(8,049)	(489)
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	-	41,943
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)	-	41,943
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(8,049)	41,454
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	27,356	-
Special Items (See Note 41)	-	-
TOTAL CONTRIBUTIONS AND TRANSFERS	27,356	-
CHANGE IN NET POSITION	19,307	41,454
NET POSITION - FISCAL YEAR BEGINNING	611,242	1,203,256
NET POSITION - FISCAL YEAR ENDING	$ 630,549	$ 1,244,710

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ 1,900	$ -	$ 4,393	$ 43,362
-	-	-	9,366	9,366
-	-	-	12,689	20,120
-	-	-	1,360	1,360
70,717	33,235	11,783	-	247,381
-	-	-	-	7,155
293	526	530	-	3,064
71,010	35,661	12,313	27,808	331,808
-	-	-	-	1,333
3,178	5,515	941	7,253	65,462
5	3	57	6,105	6,413
-	-	-	-	34,199
51,815	33,146	11,290	-	205,455
54,998	38,664	12,288	13,358	312,862
16,012	(3,003)	25	14,450	18,946
7,084	(1,981)	3,545	150	50,741
-	-	-	4,369	4,369
-	-	-	987	987
-	-	-	(147)	(147)
-	-	-	(3,375)	(3,375)
-	-	-	(13)	(13)
-	-	-	2,312	2,312
7,084	(1,981)	3,545	4,283	54,874
23,096	(4,984)	3,570	18,733	73,820
-	-	-	-	27,356
-	-	-	(56,142)	(56,142)
-	-	-	(56,142)	(28,786)
23,096	(4,984)	3,570	(37,409)	45,034
385,681	312,754	116,344	262,533	2,891,810
$ 408,777	$ 307,770	$ 119,914	$ 225,124	$ 2,936,844

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 43,362			
Sales of Goods and Services	9,366			
Investment Income (Loss)	20,120	(20,120)		
Rental Income	1,360			
Gifts and Donations	247,381	(247,381)		
Federal Grants and Contracts	7,155	(7,155)		
Other	3,064	(1,437)		
TOTAL OPERATING REVENUES	331,808	(276,093)	55,715	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,333			
Operating and Travel	65,462			
Depreciation and Amortization	6,413			
Debt Service	34,199			
Foundation Program Distributions	205,455			
Other Expenses	-	3,390		
TOTAL OPERATING EXPENSES	312,862	3,390	316,252	EXPENSES
OPERATING INCOME (LOSS)	18,946			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	50,741	(50,741)		
Gifts and Donations	4,369	(4,369)		
Federal Grants and Contracts	987	(987)		
Gain/(Loss) on Sale or Impairment of Capital Assets	(147)	147		
Debt Service	(3,375)	3,375		
Other Expenses	(13)	13		
Other Revenues	2,312	(2,312)		
TOTAL NONOPERATING REVENUES (EXPENSES)	54,874	(54,874)		
		303,150	303,150	OPERATING GRANTS & CONTRIBUTIONS
		3,153	3,153	CAPITAL GRANTS & CONTRIBUTIONS
		51,260	51,260	UNRESTRICTED INVESTMENT EARNINGS
		4,150	4,150	PAYMENTS FROM THE STATE
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	73,820			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	27,356	(27,356)		
Special Items (See Note 41)	(56,142)		(56,142)	SPECIAL AND/OR EXTRAORDINARY ITEM
TOTAL CONTRIBUTIONS AND TRANSFERS	(28,786)	(27,356)		
CHANGE IN NET POSITION	45,034		45,034	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	2,891,810		2,891,810	NET POSITION - FISCAL YEAR BEGINNING
NET POSITION - FISCAL YEAR ENDING	$ 2,936,844		$ 2,936,844	NET POSITION - FISCAL YEAR ENDING

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. NEW ACCOUNTING STANDARDS

During Fiscal Year 2014-15, the State implemented GASB Statement No. 68 - Accounting and Financial Reporting for Pensions, as amended by Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, and Statement No. 69 – Government Combinations and Disposals of Government Operations.

Statement No. 68 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 requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability and related deferred inflows and outflows. Statement No. 71 addresses amounts associated with contributions made to defined benefit pension plans after the measurement date of the beginning net pension liability. These statements were implemented for the primary government, and since the Colorado Water Resources and Power Development Authority's year end was December 31, 2014, and GASB 68 and 71 are not effective until December 31, 2015, their statements do not reflect the reporting requirements for GASB 68 and 71.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

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

Component Unit (Non Foundation)	Board Appointment	Ability to Impose Will	Financial Benefit/Burden Relationship
Colorado Water Resources and Power Development Authority	Appointment by the Governor, with consent of the Senate.	Water projects are subject to General Assembly authorization.	The Authority can enter into agreements in name of the State, while the State is required to develop project use plans for the Authority at no cost. The State may also appropriate funds in order for the Authority to meet its debt service requirements.
Denver Metropolitan Major League Stadium District	Appointment by the Governor, with consent of the Senate.	Board members serve at the pleasure of the Governor.	None.
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
1800 Grant Street, Suite 725
Denver, Colorado 80203

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
1620 Reservoir Road
Greeley, CO 80631

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:

<u>General Fund</u>

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

<u>Resource Extraction</u>

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

<u>Highway Users Tax Fund</u>

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

<u>Capital Projects Fund</u>

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

<u>State Education Fund</u>

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

PROPRIETARY FUND TYPE:

Higher Education Institutions

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

Unemployment Insurance

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

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

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

Capital Projects

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

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPE:

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

Pension and Benefit Trust Funds

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

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources

Social Assistance

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

Transportation

Department of Transportation

Component Units

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2014.

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 the Denver Metropolitan Major League Baseball Stadium District and the Venture Capital Authority is presented as of December 31, 2014 and March 31, 2015 for CoverColorado (see Note 41).

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, 2015.

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

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

E. CAPITAL ASSETS

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

The following table lists the range of capitalization thresholds established by the State as well as lower thresholds adopted by some State agencies. State agencies are allowed to capitalize assets below established thresholds. The University of Colorado has adopted a $75,000 threshold for land and leasehold improvements as well as buildings and software.

(Amounts in Dollars)

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

All depreciable capital assets are depreciated using the straight-line method. State agencies are required to use actual experience in setting useful lives for depreciating capital assets. The following table lists the range of lives that State agencies normally use in depreciating capital assets. Certain historical and Department of Transportation buildings 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	1	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 and the Unclaimed Property Trust Fund included as part of the required reserve are not represented in this amount. (See Note 8B for more

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

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

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

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

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

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

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

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

Spendable fund balance classifications include:

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

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

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

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

In the General Purpose Revenue Fund the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(1) (d) to reserve six and one-half 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 $523.8 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.

<u>Assigned</u> – This classification represents the portion of the General Purpose Revenue Fund fund balance related to certain Fiscal Year 2014-15 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

<u>Unassigned</u> – This classification is the residual classification in the General Fund, and is not shown in other governmental funds unless the fund balance is a deficit. For Fiscal Year 2014-15, 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 2014-15. 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 2011-12 that were incorporated in State agency budgets in Fiscal Year 14-15. 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 159. 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, 2015, were $59,732,077 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- <u>Medical Services Premiums</u> – The Department of Health Care Policy and Financing overexpended this line item by $21,509,588 of general funds. This appropriation pays for the majority of Medicaid services rendered for clients. Restrictions related to the prior year's overexpenditure in the amount of $27,130,236 were not lifted for the current fiscal year spending authority. This was the sole contributing factor to the General Fund overexpenditure this fiscal year.
- <u>Medicare Modernization Act (MMA) State Contribution Payment</u> – This line item overexpended general funds in the amount of $1,126,778. The reason for the overexpenditure is the same as the Medical Services Premium above. Restrictions were placed on this line due to the prior year's overexpenditure in the amount of $1,285,961. The restrictions were not lifted for the current year spending authority
- <u>Behavioral Health Capitation</u> – The Department of Health Care Policy and Financing overexpended this line item by a total of $30,669,714, of which $454,308 was an overexpenditure of general funds, $2,298,290 was overexpended in cash funds and $27,917,116 from federal funds. The overexpenditure in this line is related to under estimating caseload for populations funded by general funds and significantly under estimating the caseload for the Modified Adjusted Gross Income (MAGI) adults population, the population group under the Affordable Care Act that receive Medicaid depending on what the percentage of their MAGI is. This population is funded by cash and federal funds. Because Medicaid and is an entitlement program, there is always the risk an overexpenditure will occur.
- <u>Behavioral Health Fee-for-service</u> – This appropriation line pays for Medicaid covered Behavioral Health services that are paid on a fee-for-service basis to providers. An unexpected increase in utilization is the cause of the general fund overexpenditure of this line in the amount of $489,536.

Approved State department Subject to the $3.0 Million Limit:

- <u>Worker's Compensation, TPA Fees and Loss Control</u> The Department of Personnel and Administration overexpended this line item by $21,367 reappropriated cash funds. The overexpenditure in this line is due to a prior year accounting error that was corrected in the current fiscal year.

- Worker's Compensation, Legal Services – The Department of Personnel and Administration overexpended this reappropriated cash line in the amount of $250,368. The cause of the overexpenditure was that legal costs related to Worker's Compensation claims were higher than the amount appropriated for this line.

- IDS Operating Expenses – Reprographics – The Department of Personnel and Administration's overexpenditure of this line is $134,643. The factors causing this overexpenditure were one-time expenses incurred on Xerox contract extensions required until a new contract was executed, additional expenditures on the Department of Revenue pipeline project, and a high demand of outsourced printing job requests.

- COFRS Modernization – The Department of Education overexpended their reappropriated cash line by $47,897. The overexpenditure occurred because the department paid for the Federal portion of costs related to the implementation of a new Statewide accounting system from their reappropriated line item. The Department does not have a basis for assigning the costs to their Federal programs in proportion to the benefit provided as required by Federal regulations.

- Colorado Office of Film, Television and Media – The Office of Economic Development and International Trade has an overexpenditure of general funds in the amount of $515,982. Projects completed in prior years were not properly encumbered in the financial system at the time the projects started or carried forward into the current fiscal year. When payment was made in the current fiscal year for prior year projects and current year projects, it caused the overexpenditure.

- COFRS Modernization – The Department of Natural Resources overexpended their cash line related to this appropriation by $26,961 to pay their Federal portion of costs related to the implementation of a new Statewide accounting system. The amount overexpended was The Department does not have any Federal partners to provide funding for this cost.

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

- Home and Community Survey Cash Fund – This cash fund resides at the Department of Public Health and Environment, the Department stated that actual revenue received was about $50,000 less than expected and expenses were slightly higher than anticipated causing a deficit fund balance in the amount of $69,055 at year end.

- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $3,294,462. 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 $2,283,235.

- Aviation Fund – The Department of Transportation had a deficit fund balance in this fund in the amount of $158,719 related to lower than anticipated tax revenues resulting from low fuel prices.

- State Share of Districts' Total Program – The Department of Education had a deficit fund balance related to this fund of $836,508. When setting the appropriation amount for fiscal year 2015, it was estimated that mineral leasing revenue would be about $6.5 million higher than the amount actually collected. The fund balance from previous years was not sufficient to absorb the decrease in revenue from mineral leasing.

- Personal Services Line of the Fixed Utilities Fund – The Department of Regulatory Agencies reported a deficit fund balance in this fund in the amount of $390,337. After managing to a structural revenue issue first identified in January, an unexpected further drop in fixed utility revenue (collected by the Department of Revenue) created a revenue shortfall for Fiscal Year 2014-15. June revenue historically hits in the final days of the fiscal year, which is past potential consideration of a supplemental appropriation.

- Real Estate Cash Fund – The Department of Regulatory Agencies had a deficit fund balance in this fund of $81,141 due to an administrative oversight within the division when an invoice was not recorded timely.

- Registration Number Fund – The Governor's Office had a deficit fund balance related to this fund of $105,098. Pursuant to CRS 42-1-407, the Department of Personnel and Administration loaned $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.

- Various – With the implementation of the new statewide financial system, CORE, there were 11 small dollar over expenditures of less than two thousand dollars individually totaling $3,923 due to timing mismatches.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2015-16 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, 2015:

- Department of Health Care Policy and Financing

  Health Care Expansion Fund - $2,477,857

  Medicaid Buy-In Cash Fund - $96,134

  Local Government Fund - $1,497

The General Fund Surplus Schedule (page 165) includes an appropriation reversion from the Department of Revenue in the amount of $2.978 million, included in that reversion is an overexpenditure of $18.9 million in 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 approve 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 2014-15 ESRC of $12,361.0 million.

Revenue in Fiscal Year 2014-15 subject to the ESRC was $12,530.8 million, which is $169.7 million over the $12,361.0 million ERSC, and $2,553.8 million over the original TABOR limit. As a result of the ESRC, $169.7 million of Fiscal Year 2014-15 revenue is due back to taxpayers. Combined with un-refunded revenue over the original TABOR limit in Fiscal Year 2004-05 of $0.7 million, and the understatement of prior years' refunds through Fiscal Year 2005-06 of $2.9 million, total taxpayer refunds payable in Fiscal Year 2015-16 are $173.3 million.

Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $12,376.6 million of excess amounts over the original TABOR limit. $3,593.6 million during the initial five year revenue retention period, and an additional $8,783.0 million as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2014-15.

In the November 2015 general election, voters in Colorado approved Proposition BB, allowing the State to retain $66.1 million of retail marijuana sales and excise taxes that would otherwise have been refunded due to a 2013 Blue Book underestimate of the revenue impact from these taxes.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2014-15 that amount was $375.9 million.

At June 30, 2015, the financial net positions, or fund balance of the following funds, were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $83,000,000.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund, – $33,000,000.

- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund – $33,000,000.
- Controlled Maintenance Trust Fund, a portion of the major General Fund - $68,328,000.
- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund – $5,000,000.
- The 2014 legislative session Long Appropriations Act designated up to $105,172,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2014 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 $14,423,166 less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

NOTE 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 $7,482.5 million ($7,489.8 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2015, the treasurer had invested $7,661.8 million (fair value) of the pool and held $5.5 million of certificates of deposit.

The State had an accounting system cash deposit balance of $1,169.7 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions $41.6 million of the State's total bank balance of $1,173.2 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 $91,802 with a bank balance of $98,352 at December 31, 2014. Of the booked amount, $250,000 was federally insured. The authority also reported as cash and cash equivalents $21.0 million held by the State Treasurer, $239.1 million held in COLOTRUST and CSAFE, and $46.8 million held in a third party, short-term, prime investment fund. COLOTRUST (Colorado Local Government Liquid Asset Trust) and CSAFE (Colorado Surplus Asset Fund Trust) are local government investment vehicles that qualifies as 2a7-like investment pools, where the value of each share is maintained at $1.00. COLOTRUST, CSAFE and the third party investment fund have credit quality ratings of AAA, while cash held by the State Treasurer is not rated for credit quality.

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

- Capital Assets Funded by the Capital Projects Fund - Most capital construction projects funded by general-purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Higher Education Institutions and certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*

- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.

- Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses.

- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the Statement of Net Position, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.

- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, and gain/(loss) on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Position.* Since no cash is received or disbursed in these transactions, they are reported as noncash.

- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and related liability balances reported on the *Statement of Net* Position. Therefore, these transactions are reported as noncash.

- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.

- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Position* also includes a real account, either asset or liability, that is measured at fair value but does not represent a current cash transaction.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,395.1 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- $1,367.3 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount includes $187.0 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*.
- $142.2 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- $31.6 million recorded in the Resource Extraction Fund as severance taxes receivable.
- $41.0 million recorded in nonmajor special revenue funds, of which, approximately $11.6 million is from gaming tax, $14.8 million is insurance premium tax, and $11.7 million is tobacco tax.

In addition, $61.0 million of Taxes Receivable, $79.1 million of Other Receivables, and $223.0 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 $881.1 million shown on the government-wide *Statement of Net Position* are net of $169.9 million in allowance for doubtful accounts and primarily comprise the following:

- $365.1 million of student and other receivables of Higher Education Institutions.
- $294.5 million of receivables recorded in the General Fund, of which $15.7 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $239.7 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $4.2 million of patient receivables.
- $112.6 million recorded by Other Governmental Funds including $45.4 million of tobacco settlement revenues expected within the following year, $11.8 million of rent and royalty receivables recorded by the State Lands Funds and $8.6 million from the Great Outdoors Colorado program recorded by Parks and Wildlife.
- $34.1 million recorded by the Resource Extraction Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $1.0 billion at December 31, 2014. During 2014, the authority made new loans of $120.7 million and canceled or received repayments for existing loans of $109.5 million.

University of Colorado Foundation contributions receivable of $34.0 million and $51.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2015, the amount reported as contributions receivable includes $97.2 million of unconditional promises to give which were offset by a $9.1 million allowance for uncollectible contributions and a $2.4 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2015, Contributions Receivable for the Colorado State University Foundation included contributions of $25.8 million, which were offset by $0.9 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, 2015, contributions from two donors represented approximately 41 percent of net contributions receivable for the foundation.

At June 30, 2015, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $34.2 million was offset by $3.9 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 48 percent of the foundation's contributions receivable at June 30, 2015, consists of a pledge from one donor and approximately $5.0 million is due from trusts held by others.

At June 30, 2015, combined current and noncurrent Contributions Receivable for the University of Northern Colorado Foundation was $7.5 million. It was offset by $0.3 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 82 percent of the foundation's contributions receivable at June 30, 2015 consists of a pledge from two donors.

NOTE 12 – INVENTORY

Inventories of $112.1 million shown on the government-wide *Statement of Net Position* at June 30, 2015, primarily comprise:

- $69.2 million of resale inventories, of which, Resource Extraction recorded $35.9 million, and Higher Education Institutions recorded $29.6 million, and
- $22.3 million of consumable supplies inventories, of which, $10.3 million was recorded by the Higher Education Institutions, $8.1 million was recorded by the Highway Users Tax Fund, $2.5 million by the General Purpose Revenue Fund, and $1.0 million by Parks and Wildlife, a nonmajor enterprise fund, and
- $14.7 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS AND ADVANCES

Prepaids and Advances of $96.1 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $17.3 million advanced to Colorado counties by the General Purpose Revenue Fund primarily related to social assistance programs.
- $16.2 million in advances to Colorado cities and special districts by the Division of Homeland Security and Emergency Management.
- $15.7 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $10.7 million in Higher Educational Institutions, of which $6.9 million was at Colorado State University that primarily related to library subscriptions.
- $4.7 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.

NOTE 14 – INVESTMENTS

Primary Government

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

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

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

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

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2014-15, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $143,767, for the Unclaimed Property Tourism Trust Fund of $9,393, for the Major Medical Fund of $149,728, and for the Treasurer's pooled cash of $243,773.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2015 and 2014, the treasurer had $59.2 million and $41.5 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 $7.7 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 $5.8 million as of June 30, 2015. See Note 38 for additional details.

Colorado State University and the Colorado School of Mines, both reported in the Higher Education Institutions Fund, held $891,791 and $7,229,617 respectively, of hedge funds that were valued based on the net asset value reported by their respective hedge fund managers. 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 $978,107 of net realized gains from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2014-15.

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)	$ 1,169,668
Investments:	
Governmental Activities	8,703,027
Business-Type Activities	2,594,053
Fiduciary Activities	6,306,364
Total	$ 18,773,112
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 5,975,508
Add: Warrants Payable Included in Cash	215,476
Total Cash and Pooled Cash	6,190,984
Add: Restricted Cash	2,640,471
Add: Restricted Investments	1,007,923
Add: Investments	8,933,734
Total	$ 18,773,112

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 $83.9 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The *Other* category of the Other Governmental funds comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for BEST issuances ($56.0 million reported in the Debt Service Fund, an Other Governmental Fund), $0.1 million related to the Ralph L. Carr Justice Center (reported in a Special Capital Projects Fund), $3.2 million related to investments in the Public School Fund and $0.5 million related to investments in a State Lands Trust (Nonexependable Public School Fund). None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
INVESTMENT TYPE				
U.S. Government Securities	$ 3,636,259	$ -	$ 263,052	$ 3,899,311
Commercial Paper	484,971	-	-	484,971
Corporate Bonds	1,754,592	-	231,714	1,986,306
Asset Backed Securities	1,406,349	-	227,346	1,633,695
Mortgages Securities	9,616	7,722	163,951	181,289
Mutual Funds	370,000	-	3,696	373,696
Other	-	83,930	59,829	143,759
TOTAL INVESTMENTS	$ 7,661,787	$ 91,652	$ 949,588	$ 8,703,027

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 ($60.0 million), Absolute Return Funds ($39.5 million), Real Estate ($32.9 million), Venture Capital ($15.5 million), Miscellaneous investments ($17.2 million), International Equities ($11.2 million), Hedge Funds (8.1 million), Taxable Municipal Bonds ($8.5 million), Certificates of Deposit ($2.9 million) and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction ($2.2 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 comprises the Bridge Enterprise trustee's holdings that include unexpended proceeds from the prior years of $34.8 million of bond issuances. The Other Category of the other Fiduciary funds primarily comprises $101.7 million.

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	$ 326,655	$ -	$ 326,655	$ 12,486
Commercial Paper	2,002	-	2,002	-
Corporate Bonds	234,544	-	234,544	-
Corporate Securities	20,382	-	20,382	-
Repurchase Agreements	218,871	-	218,871	499
Asset Backed Securities	84,791	-	84,791	15,313
Mortgages Securities	87,089	-	87,089	-
Mutual Funds	1,369,404	15,401	1,384,805	6,176,335
Other	197,838	37,076	234,914	101,731
TOTAL INVESTMENTS	$ 2,541,576	$ 52,477	$ 2,594,053	$ 6,306,364

	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 257	$ -	$ 257	$ -
Corporate Bonds	3,737	-	3,737	-
Corporate Securities	10,810	-	10,810	-
Repurchase Agreements	-	-	-	499
Asset Backed Securities	-	-	-	15,313
Mortgages Securities	71	-	71	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 14,875	$ -	$ 14,875	$ 15,812

Credit Quality Risk

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

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

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

In addition, to the amounts shown in the following table:

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

(Amounts In Thousands)

	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	$ -	$ -	$ 107,642	$ -	$ 1,406,349	$ 370,000	$ -	$ -	$ -	$ 1,883,991
High Grade	973,652	-	647,509	-	9,616	-	-	-	-	1,630,777
Upper Medium	33,484	-	887,026	-	-	-	-	-	-	920,510
Lower Medium	-	-	87,396	-	-	-	-	-	-	87,396
Speculative	-	-	25,019	-	-	-	-	-	-	25,019
Short-term Ratings										
Highest	1,709,933	484,971	-	-	-	-	-	-	-	2,194,904
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ 6,248	$ -	$ 26,240	$ -	$ 46,522	$ 325,326	$ 185	$ -	$ -	$ 404,521
High Grade	148,289	-	37,806	-	27,872	-	111	-	3,284	217,362
Upper Medium	121	-	99,786	-	2,557	-	154	-	567	103,185
Lower Medium	-	-	55,272	-	3,293	-	123	-	-	58,688
Speculative	-	-	1,707	-	285	-	31	-	-	2,023
Very Speculative	-	-	105	-	593	-	6	-	-	704
High Default Risk	-	-	-	-	3,340	-	6	-	-	3,346
Default	-	-	319	-	1,568	-	-	-	-	1,887
Short-term Ratings										
High	-	2,002	-	-	-	-	-	-	-	2,002
Unrated	-	-	13,309	218,871	85,049	106	174,621	-	7,518	499,474
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ 2,839	$ -	$ -	$ 499	$ 15,313	$ -	$ -	$ -	$ -	$ 18,651
High Grade	-	-	-	-	-	-	-	-	-	-
Upper Medium	-	-	-	-	-	-	-	-	-	-
Lower Medium	-	-	-	-	-	-	-	-	-	-
Speculative	-	-	-	-	-	-	-	-	-	-
Very Speculative	-	-	-	-	-	-	-	-	-	-
High Default Risk	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-
Short-term Ratings										
Highest	-	-	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-	-	-
Good	-	-	-	-	-	-	-	-	-	-
Speculative	-	-	-	-	-	-	-	-	-	-
Default Risk	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-
Unrated	9,004	-	-	-	-	6,176,335	101,731	-	-	6,287,070
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ 23,853	$ -	$ 227,346	$ 3,269	$ -	$ -	$ -	$ 254,468
High Grade	202,166	-	139,913	-	158,105	991	-	-	3,252	504,427
Upper Medium	25,640	-	56,071	-	-	-	-	-	-	81,711
Lower Medium	-	-	11,776	-	-	-	-	-	-	11,776
Short-term Ratings										
Unrated	-	-	-	-	13,568	8,165	6,673	-	-	28,406

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 an inflation protected bond mutual funds in the amount of $235.9 million with a duration of 7.9 years and a short-term inflation protected securities index fund in the amount of $50.0 million with a duration of 2.4 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the funds.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 12.092 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	$ 3,636,259	1.339	$ 72,845	4.104	$ 11,843	12.092	$ 263,052	4.774
Commercial Paper	484,971	0.063	2,002	0.500	-	-	-	-
Corporate Bonds	1,754,592	2.196	97,516	3.150	-	-	231,714	5.853
Asset Backed Securities	1,415,965	2.528	52,768	3.572	-	-	406,611	6.191
Money Market Mutual Funds	370,000	0.010	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-	3,252	9.460
Total Investments	$ 7,661,787		$ 225,131		$ 11,843		$ 904,629	

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

The University of Colorado holds repurchase agreements of $218.9 million to provide temporary investment of funds restricted for capital construction projects. The repurchase agreements are over-collateralized and the counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the University does not have interest rate risk associated with these agreements. The $218.9 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.39 years.

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

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 156,822,373	4.270
U.S. Government Agency Notes	92,246,046	6.440
Municipal Bonds	8,043,765	7.260
Corporate Bonds	132,480,426	7.840
Certificates of Deposit	2,911,788	3.100
Asset Backed Securities	118,311,057	14.570
Bond Mutual Funds	174,366,532	2.680
Colorado State University:		
Bond Mutual Funds	$ 617,248	1.100
Colorado School of Mines:		
Bond Mutual Funds-1	$ 1,031,259	6.400
Bond Mutual Funds-2	953,628	3.100
Bond Mutual Funds-3	725,866	0.800
Bond Mutual Funds-4	747,107	6.500
Colorado Mesa University:		
U.S. Government Securities	$ 814,884	2.730
Corporate Bonds	1,054,408	4.373
Bond Mutual Funds	254,185	3.700
Taxable Municipal Bonds	$ 413,655	2.454
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$ 671,850,334	6.500
Bond Mutual Fund-2	644,189,471	5.700
Bond Mutual Fund-3	394,554,568	0.121
Bond Mutual Fund-4	379,175,344	1.400
Bond Mutual Fund-5	235,938,672	7.900
Bond Mutual Fund-6	173,667,374	7.300
Bond Mutual Fund-7	100,760,990	4.100
Bond Mutual Fund-8	38,292,293	5.700
Bond Mutual Fund -9	2,363,931	6.600

Foreign Currency Risk

Approximately 9% or $2.2 million of Colorado State University's investments are exposed to foreign currency risk in five international equity funds. By policy, fund managers are to be invested in diversified portfolios consisting primarily of equities from countries with developed markets.

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

Concentration of Credit Risk

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

Unrealized Gains and Losses

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

(Amounts in Thousands)

	Fiscal Year 2014-15	Fiscal Year 2013-14
Governmental Activities:		
Major Funds		
General-General Purpose	$ (1,911)	$ 1,184
General-Special Purpose	(116)	1,174
Resource Extraction	(252)	2,468
Highway Users Tax	(1,852)	2,787
Capital Projects-Regular	571	471
Capital Projects-Special	(4)	11
State Education	(2,156)	4,116
NonMajor Funds:		
State Lands	328	(655)
Other Permanent Trusts	(9)	34
Labor	(1,654)	(1,432)
Gaming	(111)	335
Tobacco Impact Mitigation	(24)	259
Resource Management	(34)	64
Environment Health Protection	(125)	279
Other Special Revenue	76	597
Unclaimed Property	502	966
Information Technology	(72)	131
Highways (Internal Service)	-	-
Administrative Courts	(2)	3
Legal Services	9	13
Other Internal Service	1	-
Business-Type Activities:		
Major Funds		
Higher Education Institutions	(26,192)	138,831
Lottery	(51)	103
NonMajor Funds:		
CollegeInvest	(243)	217
Wildlife	(77)	331
College Assist	(88)	259
State Fair Authority	-	-
Correctional Industries	(10)	15
State Nursing Homes	(5)	48
Prison Canteens	1	11
Petroleum Storage Tank	(16)	20
Transportation Enterprise	(219)	972
Other Enterprise Activities	(15)	16
Fiduciary:		
Pension/Benefits Trust	(20)	159
Private Purpose Trust	(184,464)	525,314
	$(218,234)	$ 679,102

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, 2014, were:

(Amounts in Thousands)

		Total
INVESTMENT TYPE		
U.S. Government Securities	$	93,447
Repurchase Agreements		77,866
TOTAL INVESTMENTS	$	171,313

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.

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 $171.3 million of investments subject to interest rate risk with the following maturities; one year or less – 7 percent, two to five years – 27 percent, six to ten years – 31 percent, eleven to fifteen years – 25 percent, and sixteen years or more – 10 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.

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, 2015, the University of Colorado Foundation held $336.2 million of domestic equity securities, $415.0 million of international equity securities, $162.7 million of fixed income securities and $546.9 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, commodities and other investments. The foundation has adopted FASB guidance in valuing its investments. All but $38.8 million of the $546.9 million alternative investments value falls under FASB's level three fair value hierarchy, meaning that there is little if any market activity for the investments and without pricing information, determination of fair value requires significant judgment or estimation. Estimated 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 $38.7 million is net of $9.8 million of investment fees and comprises $18.2 million of interest, dividends and other income, $50.6 million of realized gains, and $20.3 million of unrealized losses.

At June 30, 2015, the Colorado State University Foundation held $197.2 million of equity securities, $161.8 million of alternative investments (comprising hedged equities, absolute return, private equity and alternative fixed income investments), $17.2 million of standard fixed income securities, and $22.5 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, 2015 the CSMF held $308.7 million of investments, which consisted of $280.7 million held as a long-term investment pool, $9.7 million in beneficial interests in endowments, $12.1 million in split-interest agreements, $4.7 million in gift annuity agreements and $1.5 million in long-term trusts. Of the $280.7 million held as a long-term investment pool, $29.3 million was held in fixed income securities and mutual funds, $130.7 million in domestic and international equities, $106.5 million in hedge funds and venture capital, and $14.2 million in cash equivalents.

Thirty-eight 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, 2015, the University of Northern Colorado Foundation held $44.2 million of equity securities, $25.5 million of fixed income securities, $29.6 million of alternative investments, $3.9 million of cash and other investments and $7.6 million in beneficial interest in trusts held by others. The foundation's investment income of $3.5 million is net of $0.3 million of management fees and comprises $1.9 million of interest and dividends and $1.9 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 $766.1 million shown as Other Long-Term Assets on the government-wide Statement of Net Position is primarily long-term taxes receivable, and long-term loans. Long-term taxes receivable of $187.0 million and $61.0 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 $448.4 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($7.3 million), a major special revenue fund, and the Resource Extraction Fund ($396.1 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

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

The $129.9 million shown as Other Long-term Assets on the Statement of Net Position – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes livestock.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2014-2015 the State capitalized $39.2 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 $30.8 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

In Fiscal Year 2013-14 the Colorado General Assembly authorized the Department of Local Affairs (DOLA) to prepare and operate the decommissioned Fort Lyons Correctional Facility as a supportive residential community for the homeless, for the purpose of providing substance abuse support services, medical care, job training, and skill development for residents. The Department of Corrections and the Department of Personnel and Administration, on behalf of DOLA, executed a quit claim deed in January 2015 to transfer the land, structures and associated water rights. The facility has remained idle, and on June 30, 2015 it had a carrying value of $16.9 million.

The schedule on the following page shows the capital asset activity for Fiscal Year 2014-15.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 89,608	$ 15,588	$ -	$ (591)	$ 104,605
Land Improvements	7,276	-	-	-	7,276
Collections	10,996	-	-	-	10,996
Other Capital Assets	6,948	7,615	-	(13,500)	1,063
Construction in Progress (CIP)	881,596	651,642	(622,600)	(12,665)	897,973
Infrastructure	935,408	6	10,900	-	946,314
Total Capital Assets Not Being Depreciated	1,931,832	674,851	(611,700)	(26,756)	1,968,227
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	46,556	3,865	1,173	(3,678)	47,916
Buildings	2,653,639	52,239	197,001	(48,268)	2,854,611
Software	250,022	19,091	36,313	(8,490)	296,936
Vehicles and Equipment	791,025	120,195	2,591	(44,235)	869,576
Library Materials and Collections	6,033	241	-	(71)	6,203
Other Capital Assets	38,839	167	-	(1,002)	38,004
Infrastructure	10,676,158	1,808	374,622	(11,726)	11,040,862
Total Capital Assets Being Depreciated	14,462,272	197,606	611,700	(117,470)	15,154,108
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(28,526)	(2,734)	-	953	(30,307)
Buildings	(811,459)	(81,378)	-	15,660	(877,177)
Software	(170,662)	(22,843)	-	7,800	(185,705)
Vehicles and Equipment	(493,443)	(51,817)	-	28,675	(516,585)
Library Materials and Collections	(3,967)	(417)	-	71	(4,313)
Other Capital Assets	(31,273)	(2,301)	-	258	(33,316)
Infrastructure	(3,322,519)	(416,708)	-	5,173	(3,734,054)
Total Accumulated Depreciation	(4,861,849)	(578,198)	-	58,590	(5,381,457)
Total Capital Assets Being Depreciated, net	9,600,423	(380,592)	611,700	(58,880)	9,772,651
TOTAL GOVERNMENTAL ACTIVITIES	11,532,255	294,259	-	(85,636)	11,740,878
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	507,159	13,034	5,524	(592)	525,125
Land Improvements	16,882	-	-	-	16,882
Collections	23,449	1,772	90	(32)	25,279
Construction in Progress (CIP)	808,507	959,180	(576,430)	(10,823)	1,180,434
Other Capital Assets	-	-	-	15,461	15,461
Infrastructure	14,144	-	11,270	-	25,414
Total Capital Assets Not Being Depreciated	1,370,141	973,986	(559,546)	4,014	1,788,595
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	585,039	4,532	52,175	(5,045)	636,701
Buildings	7,357,475	73,178	436,955	(172,860)	7,694,748
Software	194,920	7,511	2,088	(3,129)	201,390
Vehicles and Equipment	976,878	86,047	13,912	(30,559)	1,046,278
Library Materials and Collections	517,707	22,012	-	(4,830)	534,889
Other Capital Assets	19,595	25	-	(15,474)	4,146
Infrastructure	389,145	2,886	54,416	-	446,447
Total Capital Assets Being Depreciated	10,040,759	196,191	559,546	(231,897)	10,564,599
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(315,025)	(26,557)	-	4,668	(336,914)
Buildings	(2,606,262)	(245,098)	-	159,032	(2,692,328)
Software	(119,172)	(28,922)	-	2,311	(145,783)
Vehicles and Equipment	(700,674)	(79,793)	-	27,106	(753,361)
Library Materials and Collections	(387,213)	(20,598)	-	3,798	(404,013)
Other Capital Assets	(1,277)	(152)	-	-	(1,429)
Infrastructure	(34,436)	(5,980)	-	-	(40,416)
Total Accumulated Depreciation	(4,164,059)	(407,100)	-	196,915	(4,374,244)
Total Capital Assets Being Depreciated, net	5,876,700	(210,909)	559,546	(34,982)	6,190,355
TOTAL BUSINESS-TYPE ACTIVITIES	7,246,841	763,077	-	(30,968)	7,978,950
TOTAL CAPITAL ASSETS, NET	$ 18,779,096	$ 1,057,336	$ -	$ (116,604)	$ 19,719,828

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	$ 28,641
Business, Community and Consumer Affairs	2,017
Education	21,885
Health and Rehabilitation	9,767
Justice	43,896
Natural Resources	653
Social Assistance	12,582
Transportation	437,710
Internal Service Funds (Charged to programs and BTAs based on usage)	21,047
Total Depreciation Expense - Governmental Activities	578,198
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	388,761
State Lottery	557
Unemployment Insurance	206
Other Enterprise Funds	17,575
Total Depreciation Expense - Business-Type Activities	407,100
Total Depreciation Expense Primary Government	$ 985,298

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 $149.5 million, net of accumulated depreciation of $82.7 million, at December 31, 2014. 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 $40.7 million of depreciable capital assets net of depreciation. A nondepreciable capital asset for the use of land at below market rent, under an agreement with Metropolitan State University of Denver, carries a value of $5.0 million.

NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

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

Administration of the Plan

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

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

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available (see Note 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, except as discussed below, are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). Monthly benefits in the Judicial Division for retirements on or after July 1, 1999 for members hired on or before July 1, 1973 are calculated as 4 percent for the years 0-10, 1.66 percent for years 11-16, 1.5 percent for years 17-20, and 2.5 percent for years 21 and greater.

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

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

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

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

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

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

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in 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, 2015.

Disability and Survivor Benefits

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

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

B. FUNDING POLICY

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

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

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

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

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

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

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

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2014, the State Division of PERA had a funded ratio of 57.8 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 59.6 percent. The Judicial Division had a funded ratio of 73.0 percent based on current contribution rates and 75.1 percent based on market rates.

Employer contributions are recognized by the State Division in the period in which the compensation becomes payable to the member and the State of Colorado is statutorily committed to pay the contributions to the State Division. In Fiscal Year 2014-15 the State made retirement contributions of $447.2 million excluding the Heath Care Trust Fund contribution.

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

C. PENSION RELATED BALANCES

At fiscal year ended 2015, the State of Colorado reported a liability of $9.1 billion for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The proportion of the net pension liability was based on contributions to the State and Judicial Divisions for the calendar year 2014 relative to the total contributions of participating employers to the State and Judicial Divisions.

At December 31, 2014, the State of Colorado's proportion of the State Division was 95.85 percent, which was a decrease of 0.01 percent from its proportion measured as of December 31, 2013 (93.60 percent for the Judicial Division, which is an increase of 0.17 percent).

For the Fiscal Year 2014-15, the State of Colorado recognized pension expense for the State and Judicial Divisions of $753.7 million. For the State Division the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Amounts In Thousands)

	Deferred Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	-	668
Net difference between projected and actual earnings on pension plan investments	183,833	-
differences between contributions recognized and proportionate share of contributions	81,603	82,413
Contributions subsequent to the measurement date	234,451	-
Total	$ 499,887	$ 83,081

For the Judicial Division the state reported deferred outflows of resources for $0.1 million for changes in proportionate share, $3.6 million in the net difference between projected and actual earnings on pension plan investments, and $15.4 million in changes of assumptions or other inputs. Additionally, the Judicial Division had deferred inflows of four thousand from the difference between expected and actual experience.

Deferred outflows of resources totaling $234.5 million for the State Division and Judicial Division) related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the Fiscal Year ended 2016. For the State Division other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Amounts In Thousands)

Fiscal Year Ended	
2016	45,167
2017	45,270
2018	45,958
2019	45,958
2020	-
Thereafter	-

For the Judicial Division other amounts reported as deferred outflows of resources and deferred inflows of resources will result in pension expense of $5.5 million in Fiscal Years 2015-16, 2016-17, and 2017-18; $2.5 million in Fiscal Year 2018-19; and $0 in Fiscal Year 2019-20 and thereafter.

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

	State Division	Judicial Division
Price inflation	2.80%	2.80%
Real wage growth	1.10%	1.10%
Wage inflation	3.90%	3.90%
Salary increases, including wage inflation	3.90 to 9.57%	4.40 to 5.40%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%	7.50%
Muncipal bond index rate 12/31/14	None	3.70%
Beginning period of application	None	2041
Discount rate	7.50%	6.14%
Future post-retirement benefit increases:		
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

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

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

The State Division's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation; ultimately support a long-term expected rate of return assumption of 7.50 percent.

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

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

The discount rate used to measure the total pension liability was 7.50 percent for the State Division and 6.14 percent for the Judicial Division. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, for the State Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the

Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date. For the Judicial Division the fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.50 percent on plan investments was applied to all periods before 2041 and the Bond Buyer Obligation 10-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System, was applied on and after 2041 to develop the discount rate.

The following table shows the sensitivity of Colorado's proportionate share of the net pension liability to changes in the discount rate for the State Division and Judicial Division from 7.50 percent and 6.14 percent respectively to what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent and 5.14 percent respectively) or 1-percentage-point higher (8.50 percent and 7.14 percent respectively):

State Division

(Amount in Thousands)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 11,560,402	$ 9,015,773	$ 6,875,400

Judicial Division

(Amount in Thousands)

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
Proportionate share of the net pension liability	$ 172,910	$ 129,500	$ 92,422

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 2014-15 and 2013-14, the Department of Local Affairs transferred $4.2 million and $4.1 million, respectively, to the association for pension contributions and premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

Employees of the Colorado Water Resources and Power Development Authority are covered under the State Division of PERA discussed above. Since the Colorado Water Resources and Power Development Authority's year end was December 31, 2014, GASB 68 and 71 are not effective until December 31, 2015.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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

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

Primary Government

PERA Health Care Trust Fund

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

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

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2014, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.24 billion, a funded ratio of 19.4 percent, and a 30-year amortization period.

The apportionment of the contribution to the Health Care Trust Fund is established under Title 24, Article 51, Section 208(1)(f) of the Colorado Revised Statutes. Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of $27.0 million, $25.9, million, $24.9 million, $24.1 million, and $24.3 million, in Fiscal Years 2014-15, 2013-14, 2012-13, 2011-12, 2010-11 respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered health care plans in 2014. As of December 31, 2014, there were 54,076 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, 2014, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included a 7.50 percent investment rate of return and discount rate, and an aggregate 3.90 percent projection of salary increases, both assuming a 2.80 percent inflation rate and real wage growth of 1.10 percent. Medical claims are projected to increase annually at various rates up to 5.45 percent based on different subsidy and premium options. The UAAL is being amortized as a level dollar amount on a level percent open basis over 30 years. Except for the discount rate these assumptions primarily affect plan assets available rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

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

University of Colorado – Other Postemployment Benefits Plan

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

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

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2014-15, the University contributed $16.3 million to the plan. Plan members contributed 0.33 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 1.24 percent of covered payroll.

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

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

(Amounts In Thousands)

Annual required contribution	$	65,667
Interest on net OPEB obligation		8,801
Adjustment to annual required contribution		(12,007)
Annual OPEB cost (expense)		62,461
Contributions made		(16,269)
Increase/(Decrease) in net OPEB obligation		46,192
Net OPEB obligation - beginning of year		195,587
Net OPEB obligation - beginning of year		241,779

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

(Amounts In Thousands)

Fiscal Year		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2014-15	$	62,461	26.1%	$	241,779
2013-14	$	46,842	35.5%	$	195,587
2012-13	$	47,398	28.50%	$	165,393

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $523.4 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $523.4 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $1.3 billion, and the ratio of UAAL to covered payroll was 39.2 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a 4.5 percent investment rate of return, and health care trend rates ranging from 5.5 to 10.0 percent in 2015, down to 5.0 percent in 2030. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare qualifying trust plans. The Retiree Medical Premium Refund Plan (RMPR) is open to new members and provides a monthly subsidy for medical premiums of up to $200 per month for employees who retire from the University and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) is closed to new members and provides a monthly subsidy for medical premiums of up to $394 (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 2014-15, the University contributed $1.4 million to the RMPR at a contribution rate of 0.45 percent of covered earnings, $3.0 million to the RMPS at a 10.87 percent contribution rate, and $0.2

million to the URX at a 0.63 percent contribution rate. Employees contributed $1.3 million at a 0.40 percent contribution rate to the LTD plan and there was a one-time adjustment of $1.8 million to the employer contribution of the LTD plan. Members of the RMPS, RMPR, or URX plans are not required to make contributions, however members of the LTD plan are required to contribute. As of June 30, 2015, RMPR had 4,614 active members and 365 retired members or beneficiaries receiving benefits; the RMPS had 664 active members, 182 terminated but eligible members, and 505 retired members or beneficiaries receiving benefits; the URX had 664 active members, 515 terminated but eligible members, and 357 retired members or beneficiaries receiving benefits; and LTD had 4,908 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, 2015, The RMPR was 102.0 percent funded, the RMPS was 41.9 percent funded, the URX 21.1 percent funded, and the LTD 62.5 percent funded with net assets of $37.0 million, $21.6 million, $0.6 million, and $7.5 million, respectively. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $36.3 million, $51.5 million, $2.7 million, and $12.0 million respectively, resulting in unfunded actuarial accrued liabilities of -$0.7 million, $29.9 million, $2.2 million and $4.5 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $305.3 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was -0.2 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 4 percent investment rate of return, and used a 3 percent inflation adjustment. The LTD plan also assumed a 4 percent salary increase, while the RMPR, RMPS and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR and URX assumed no health care cost trend adjustment, and RMPS assumed an annual healthcare cost trend initial rate of 7 percent declining to an ultimate rate of 5 percent. The LTD does not use a healthcare trend rate because it provides income replacement not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years. The amortization period for the RMPR was reduced to a one-year open period with the transfer to a qualified trust, while 23 years remain on the closed period for the RMPS and URX and 30 years remains for the LTD open period

Other Programs

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

Component Units

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

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

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

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's flexible spending account benefits plan. Effective July 1, 2013, premiums also included a fee to implement a statewide wellness program. During Fiscal Year 2014-15, 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 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had net position of $689.5 million and 17,738 participants.

C. Other Retirement Plans

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. Title 24, Article 51, Part 14 of the Colorado Revised Statutes, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. In calendar year 2014, 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 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. On December 31, 2014, the plan had net position of $2,682 million and 68,270 accounts.

PERA Defined Contribution Retirement Plan

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

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

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Amortization Equalization Disbursement (AED)	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED)	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the State Division	5.50%	6.40%	6.40%	7.30%	7.30%	8.20%

Participating employees of the PERA defined contribution plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA defined contribution plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the Colorado Revised Statutes. As a result, forfeitures do not reduce pension expense. At December 31, 2014, the plan had a net position of $131.5 million and 5,046 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's pension expense to other retirement plans were primarily made to the PERA Defined Contributions Retirement Plan in the amount of $142.0 million and $125.4 million during Fiscal Years 2014-15 and 2013-14, respectively. In addition, the State paid $101.4 million and $89.0 million in FICA and Medicare taxes on employee wages during Fiscal Years 2014-15 and 2013-14, 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 2014-15 77 faculty members participated in the program at a present value accrued cost of $9.1 million, with an assumed discount rate of 5 percent.

Component Units

Employees of the Colorado Water Resources and Power Development Authority may voluntarily contribute to the PERA 401k Defined Contribution Pension Plan discussed above.

NOTE 21 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. Per statute, individual Department property claims have a $5,000 deductible per occurrence. Claims brought under state law are limited to $350,000 per person and $990,000 per accident pursuant to the Colorado Governmental Immunity Act, CRS 24-10-101. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Workers compensation losses are self-insured per the Risk Management Act (CRS 24-30-1501); the State has purchased $50.0 million of excess insurance per occurrence ($10.0 million deductible). Property claims are self insured as well; $450.0 million of property loss insurance ($500,000 deductible). Flood insurance is also purchased for properties in flood zones designated by FEMA that may carry a higher deductible. The State has also purchased excess liability coverage for automotive liability outside Colorado for $5.0 million per occurrence ($2.0 million deductible), and $10.0 million of employee dishonesty loss coverage ($250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the State, except for the University of Colorado, Colorado State University (not including CSU-Pueblo), the University of Northern Colorado, Fort Lewis College, Colorado Mesa University, Western State Colorado University, Adams State University, and component units participate in the State Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for nonincremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate.

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

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

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $375,000 per individual. In Fiscal Year 2014-15, the State recovered approximately $1.9 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 $22.6 million of insurance recoveries during Fiscal Year 2014-15. Of that amount approximately $9.9 was related to asset impairments that occurred in prior years. The remaining $12.7 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $1.9 million, as noted above), a Pension and Other Employee Benefits Fund, and $1.6 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, $1.25 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 2014-15 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 2014-15, 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 $10.8 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2014-15 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $193,745 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2012-13 through 2014-15. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity and over $500,000 per claimant. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than $1.5 million per occurrence and $8.0 million in aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Years 2014-15, however, the University collected $512,375 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2012-13 through 2014-15.

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 2014-15 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 2014-15, 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 2014-15, 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 2014-15, 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 $408.3 million ($10,000 deductible), $2.0 million of general liability ($0 deductible), $5.0 million of fine arts insurance ($2,500 deductible). The College has also purchased $1.0 million of employee dishonesty insurance ($10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2014-15 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2014-15, 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 2014-15 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 2014-15 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance of $2,000,000 ($1,000 deductible). 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 2014-15, and the amount of settlements has not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of $500,000 per occurrence ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2014-15 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 2014-15 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

(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				
2014-15	23,395	10,599	6,565	27,429
2013-14	29,194	(2,094)	3,705	23,395
2012-13	29,883	4,715	5,404	29,194
Workers' Compensation				
2014-15	120,600	43,642	33,885	130,357
2013-14	119,689	32,911	32,000	120,600
2012-13	109,609	50,525	40,445	119,689
Group Benefit Plans:				
2014-15	14,248	183,548	183,079	14,717
2013-14	12,647	162,025	160,424	14,248
2012-13	13,695	138,851	139,899	12,647

(Amounts in Thousands)

(Continued) Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2014-15	14,445	8,684	9,271	13,858
2013-14	10,962	11,715	8,232	14,445
2012-13	10,015	7,694	6,747	10,962
University of Colorado Denver:				
Medical Malpractice				
2014-15	7,139	4,060	1,701	9,498
2013-14	5,448	3,798	2,107	7,139
2012-13	5,655	1,196	1,403	5,448
Graduate Medical Education Health Benefits Program				
2014-15	1,711	7,644	7,556	1,799
2013-14	1,386	8,595	8,270	1,711
2012-13	1,408	6,806	6,828	1,386
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2014-15	33,555	40,237	45,132	28,660
2013-14	32,540	40,337	39,322	33,555
2012-13	28,948	36,300	32,708	32,540
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2014-15	81	32	57	56
2013-14	101	69	89	81
2012-13	57	133	89	101
Fort Lewis College:				
Worker's Compensation				
2014-15	21	24	32	13
2013-14	3	18	-	21
2012-13	301	(298)	-	3
General Liability				
2014-15	-	-	-	-
2013-14	-	-	-	-
2012-13	167	(167)	-	-
Adams State University				
General Liability				
2014-15	-	-	-	-
2013-14	-	-	-	-
2012-13	11	(11)	-	-
Colorado Mesa University:				
Workers' Compensation				
2014-15	17	50	39	28
2013-14	67	26	76	17
2012-13	67	56	56	67
General Liability				
2014-15	-	548	548	-
2013-14	118	(30)	88	-
2012-13	118	259	259	118
Western State Colorado University:				
Workers' Compensation				
2014-15	14	(11)	3	-
2013-14	110	-	96	14
2012-13	208	(70)	28	110
General Liability				
2014-15	-	-	-	-
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. There were no significant reductions in insurance coverage and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

NOTE 22 – LEASE COMMITMENTS

Primary Government

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as noncancellable for financial reporting purposes.

At June 30, 2015, 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	$ 69,514	$ 247,762
Business-Type Activities	-	42,738	43,940
Total	$ 735	$ 112,252	$ 291,702

At June 30, 2015, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 103	$ 373	$ 476
Business-Type Activities	-	735	735
Total	$ 103	$ 1,108	$ 1,211

During the year ended June 30, 2015, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 28	$ 28
Total	$ -	$ 28	$ 28

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 $959,474 in Fiscal Year 2014-15 for leased space, and at June 30, 2015 had total future lease obligations for leased space of $6.9 million. It also paid CSURF $2.7 million during the fiscal year for equipment and vehicles and had total future lease obligations for leased equipment and vehicles of $24.1 million.

In Fiscal Year 2014-15, the Community College of Aurora made operating lease payments of approximately $2.1 million to the Community College of Aurora Foundation, which is the landlord for the Community College's main campus.

For Fiscal Year 2014-15, the State recorded building and land rent of $53.7 million for governmental-type activities and $27.8 million for business-type activities. The State also recorded equipment and vehicle rental expenditures of $10.8 million and $40.5 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 capital lease interest costs for governmental activities and $1.5 million for business-type activities.

The State entered into approximately $23.2 million of capital leases related to the State's fleet management program, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2015, for existing leases were as follows:

(Amounts in Thousands)

Fiscal Year(s)	Operating Leases Governmental Activities	Operating Leases Business-Type Activities	Capital Leases Governmental Activities Principal	Capital Leases Governmental Activities Interest	Capital Leases Business-Type Activities Principal	Capital Leases Business-Type Activities Interest
2016	$ 46,395	$ 21,544	$ 27,759	$ 4,609	$ 8,618	$ 1,537
2017	36,798	18,072	25,701	3,987	8,361	1,371
2018	32,990	16,329	20,573	3,353	6,003	1,178
2019	28,001	12,916	17,998	2,882	4,169	1,033
2020	21,246	11,079	15,456	2,467	3,801	941
2021 to 2025	75,557	20,293	47,831	7,161	18,575	2,996
2026 to 2030	9,732	4,147	14,091	2,050	4,422	398
2031 to 2035	1,793	656	2,920	272	332	11
2036 to 2040	873	613	-	-	-	-
2041 to 2045	733	443	-	-	-	-
2046 to 2050	677	266	-	-	-	-
2051 to 2055	661	-	-	-	-	-
Present Value of Minimum Lease Payments And Imputed Interest	$ 255,456	$ 106,358	$ 172,329	$ 26,781	$ 54,281	$ 9,465

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, 2014 was $128,862. The total minimum rental commitment as of December 31, 2014 is $474,956.

Effective October 1, 1999, the University of Colorado Foundation entered into an agreement to lease the building in which it operates. According to the lease terms, payments were to be paid through September 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 pledge was fulfilled and the Foundation accounted for the gift as a $3,323,000 permanently restricted endowment and a $177,000 temporarily restricted asset.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2018. The total rental expense for the year ended June 30, 2015 was $166,253. The total minimum rental commitment under the leases was $195,566 at June 30, 2015.

NOTE 23 – SHORT-TERM DEBT

On July 22, 2014 the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2014A. The notes were due and payable on June 26, 2015, at a coupon rate of 1.8 percent. The total interest related to this issuance was $8.4 million; however, the notes were issued at a premium of $7.8 million resulting in net interest costs (including the cost of issuance) of $645,905 and a yield of 0.112 percent. The notes were issued for cash management purposes and were repaid by June 26, 2015, 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 15, 2014, the State Treasurer issued $165.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2014A. The notes were due and payable on June 29, 2015, at a coupon rate of 1.0 percent. The total interest related to this issuance was $1.6 million; however, the notes were issued at a premium of $1.4 million, resulting in net interest costs (including cost of issuance) of $411,190 or 0.105 percent. The notes matured on June 29, 2015 and were repaid.

On January 5, 2015, the State Treasurer issued $245.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2014B. The notes were due and payable on June 29, 2015, at a coupon rate of 1.75 percent. The total interest related to this issuance was $2.1 million; however, the notes were issued at a premium of $2.0 million, resulting in net interest costs (including cost of issuance) of $265,085 or 0.097 percent. The notes matured on June 29, 2015, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2015:

(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	-	410,000	(410,000)	-
Total Governmental Activities Short-Term Financing	-	910,000	(910,000)	-
Total Short-Term Financing	$ -	$ 910,000	$ (910,000)	$ -

NOTE 24 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Primary Government

Various institutions of higher education, the State Nursing Homes, History Colorado, the Judicial Branch, and the Departments of Corrections, Transportation, Agriculture, Treasury, Labor and Employment, 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 2014-15 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 $1035.1 million in available net revenue after operating expenses to meet the $535.6 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 35.)

During Fiscal Year 2014-15 the State recorded $251.3 million of interest costs, of which $75.8 million was recorded by governmental activities and $175.4 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $20.5 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $17.6 million of interest on Certificates of Participation issued by the Judicial Branch, and $29.0 million 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 $146.4 million of interest on revenue bonds issued by institutions of higher education, $13.6 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $9.9 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $5.2 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, 2015, 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
2016	$ 157,220	$ 10,268	$ 2,045	$ 317	$ 41,710	$ 48,223	$ 200,975	$ 58,808
2017	126,099	2,680	2,090	275	42,805	47,143	170,994	50,098
2018	-	-	2,135	231	43,990	45,956	46,125	46,187
2019	-	-	2,175	187	45,280	44,627	47,455	44,814
2020	-	-	2,220	142	26,465	43,284	28,685	43,426
2021 to 2025	-	-	4,585	144	238,440	198,004	243,025	198,148
2026 to 2030	-	-	-	-	320,985	153,792	320,985	153,792
2031 to 2035	-	-	-	-	250,765	90,771	250,765	90,771
2036 to 2040	-	-	-	-	104,665	42,652	104,665	42,652
2041 to 2045	-	-	-	-	83,980	16,022	83,980	16,022
2046 to 2050	-	-	-	-	4,745	158	4,745	158
Subtotals	283,319	12,948	15,250	1,296	1,203,830	730,632	1,502,399	744,876
Unamortized Prem/Discount	6,470	-	-	-	23,998	-	30,468	-
Totals	$ 289,789	$ 12,948	$ 15,250	$ 1,296	$ 1,227,828	$ 730,632	$ 1,532,867	$ 744,876

(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
2016	$ 229,276	$ 177,633	$ 1,192	$ 795	$ 20,854	$ 16,626	$ 251,322	$ 195,054
2017	236,759	173,772	1,170	784	21,774	15,671	259,703	190,227
2018	114,423	167,355	664	728	22,829	14,623	137,916	182,706
2019	120,404	162,899	126	711	23,779	13,474	144,309	177,084
2020	125,889	160,819	109	704	24,684	12,315	150,682	173,838
2021 to 2025	665,490	708,698	25,065	5,169	139,855	42,366	830,410	756,233
2026 to 2030	735,087	547,171	7	-	91,140	11,888	826,234	559,059
2031 to 2035	748,033	362,833	-	-	12,675	254	760,708	363,087
2036 to 2040	632,805	180,954	-	-	-	-	632,805	180,954
2041 to 2045	256,595	51,017	-	-	-	-	256,595	51,017
2046 to 2050	50,340	16,866	-	-	-	-	50,340	16,866
2051 to 2055	54,020	6,865	-	-	-	-	54,020	6,865
Subtotals	3,969,121	2,716,882	28,333	8,891	357,590	127,217	4,355,044	2,852,990
Unamortized Prem/Discount	242,776	-	(16)	-	41,641	-	284,401	-
Unaccreted Interest	(9,331)	-	-	-	-	-	(9,331)	-
Totals	$ 4,202,566	$ 2,716,882	$ 28,317	$ 8,891	$ 399,231	$ 127,217	$ 4,630,114	$ 2,852,990

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, 2015, 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
2016	$ 625	$ 50	$ 1,379	$ 2,054
2017	675	49	1,356	2,080
2018	975	48	1,327	2,350
2019	550	47	1,302	1,899
2020	575	46	1,282	1,903
2021 to 2025	4,325	217	6,015	10,557
2026 to 2030	9,675	177	4,909	14,761
2031 to 2035	14,125	98	2,715	16,938
2036 to 2040	8,635	16	440	9,091
Totals	$ 40,160	$ 748	$ 20,725	$ 61,633

The original principal amount of the State's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,488,500	$ 21,075	$ 1,351,736	$ 2,861,311
Business Type Activities	5,371,698	34,011	466,203	$ 5,871,912
Total	$ 6,860,198	$ 55,086	$ 1,817,939	$ 8,733,223

Component Units

In April 2014 the University of Colorado Foundation set up a one-year, committed, unsecured line of credit for $10 million with a bank. The credit line contains annual loan covenants and carries an interest rate tied to the Daily One Month LIBOR plus 150 basis points. No amounts were outstanding at June 30, 2015.

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2014, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2015	$ 45,650	$ 32,368	$ 78,018
2016	46,870	30,458	77,328
2017	46,445	28,303	74,748
2018	44,470	26,134	70,604
2019	42,970	24,083	67,053
2020 to 2024	185,575	93,306	278,881
2025 to 2029	135,170	57,358	192,528
2030 to 2034	127,970	29,883	157,853
2035 to 2039	38,825	4,350	43,175
2040 to 2044	6,440	779	7,219
Total Future Payments	$ 720,385	$ 327,022	$ 1,047,407

The original principal amount for the outstanding bonds was $1,368.8 million. Total interest paid during 2014 was $34.2 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, 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 Water Resources Revenue Bonds Series 2014A are insured as to payment of principal and interest by Build America Mutual Assurance Company. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2014, it had $10.9 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, 2015, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
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	1,300	3,038	4,338
2021 to 2025	7,165	14,198	21,363
2026 to 2030	8,535	11,965	20,500
2031 to 2035	10,390	8,980	19,370
2036 to 2040	12,750	5,227	17,977
2041 to 2043	10,475	899	11,374
Total Future Payments	$ 54,475	$ 56,915	$ 111,390

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2014-15:

(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	$ 3,117	$ 2,922	$ (2,985)	$ 3,054	$ 2,915
Accrued Compensated Absences	156,462	17,881	(12,341)	162,002	12,185
Claims and Judgments Payable	363,214	9,150	(24,897)	347,467	47,682
Capital Lease Obligations	174,996	24,605	(27,272)	172,329	27,760
Bonds Payable	443,880	-	(154,091)	289,789	157,220
Certificates of Participation	1,267,870	68	(40,110)	1,227,828	41,710
Notes, Anticipation Warrants, Mortgages	17,385	-	(2,135)	15,250	2,045
Net Pension Liability	5,214,111	351,415	-	5,565,526	-
Other Long-Term Liabilities	402,954	264,417	(243,562)	423,809	-
Total Governmental Activities Long-Term Liabilities	8,043,989	670,458	(507,393)	8,207,054	291,517
Business-Type Activities					
Accrued Compensated Absences	268,265	46,213	(24,918)	289,560	20,960
Claims and Judgments Payable	40,982	5,800	(5,322)	41,460	-
Capital Lease Obligations	42,192	24,743	(12,654)	54,281	8,618
Derivative Instrument Liabilities	8,566	1,617	(668)	9,515	-
Bonds Payable	3,967,022	1,116,723	(841,019)	4,242,726	229,902
Certificates of Participation	403,761	146,451	(150,981)	399,231	20,853
Notes, Anticipation Warrants, Mortgages	4,810	25,253	(1,746)	28,317	1,192
Net Pension Liability	3,427,830	151,918	-	3,579,748	-
Other Postemployment Benefits	181,511	60,268	-	241,779	-
Other Long-Term Liabilities	46,511	45,447	(6,776)	85,182	-
Total Business-Type Activities Long-Term Liabilities	8,391,450	1,624,433	(1,044,084)	8,971,799	281,525
Fiduciary Activities					
Deposits Held In Custody For Others	604,678	459,063	(599,326)	464,415	429,412
Accrued Compensated Absences	55	7	-	62	-
Other Long-Term Liabilities	4,708	671	(4,708)	671	-
Total Fiduciary Activities Long-Term Liabilities	609,441	459,741	(604,034)	465,148	429,412
Total Primary Government Long-Term Liabilities	$ 17,044,880	$ 2,754,632	$ (2,155,511)	$ 17,644,001	$ 1,002,454

The beginning balance was restated to include $5,214.1 million in governmental activities and $3,427.8 million in business type activities in net pension liabilities with the implementation of GASB Statement No. 68 - Accounting and Financial Reporting for Pensions. The changes in the net pension liability are netted as increases for the governmental and business type activities since that information is not readily available. See Note 18 for additional pension information.

Accrued compensated absences and net pension liabilities of both governmental activities and the business-type activities are normally liquidated using resources of the fund that are responsible for paying the employee's salary. As a result, the resources of nearly all of the State's funds are used to liquidate the compensated absence and net pension liabilities.

The amounts shown in the schedule above for 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, 2015, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $423.8 million shown for governmental activities primarily comprises:

- $264.2 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $156.8 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $2.8 million of unclaimed property liabilities estimated to be due to claimants.

The $85.2 million (including $1.7 million Due to Component Units) shown for business-type activities primarily comprises $29.5 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($8.5 million and $18.6, respectively). The High Performance Transportation Enterprise in the Department of Transportation includes $54.0 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	$ 768,410	$ 37,115	$ (85,140)	$ 720,385	$ 45,650
Other Long-Term Liabilities	$ 152,655	$ 121,753	$ (83,731)	$ 190,677	$ 121,063

Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Drinking Water and Water Pollution Control Funds, accounting for $35.0 million of the $47.1 million total. Other long-term liabilities of the Water Operations Fund were $12.1 million. Fifty-nine percent of total, other long-term liabilities ($28.0 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 pooled life income fund, charitable remainder trusts held by others, and perpetual trusts. Charitable gift annuity assets are immediately available to the foundation. After termination of charitable remainder trust agreements, the related assets revert to the foundation to create an endowment to support university activities. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Position – Component Units.* Actuarially determined life expectancies and applicable rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift.

Changes in the value of investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. At June 30, 2015, the foundation held $44.1 million of split interest agreement investments with $20.6 million of related liabilities and reported $6.3 million of net beneficial interest in charitable trusts held by others.

At June 30, 2015, the University of Colorado Foundation held $354.8 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, 2015, the Colorado State University Foundation held $14.2 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units,* this liability is reported as Deposits Held in Custody.

At June 30, 2015, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $16.8 million; related liabilities of $10.1 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 $10.1 million mentioned above and total $4.9 million. At June 30, 2015, CSMF reported $34.5 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

NOTE 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 2014-15, debt was defeased in both governmental and business-type activities.

At June 30, 2015, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Treasury	$ 133,435
Department of Corrections	89,510
Business-Type Activities:	
University of Colorado	451,410
Colorado State University	280,265
Colorado School of Mines	8,040
Western State College	10,130
University of Northern Colorado	33
Colorado Mesa University	61,830
Community College System	2,130
Adams State College	16,415
Auraria Higher Education Center	19,185
Total	$ 1,072,383

The Board of Trustees of the University of Colorado issued $100,440,000 of its Tax-Exempt University Enterprise Refunding Revenue Bonds, Series 2014B-1 to partially defease its 2005B Enterprise Revenue Bonds, 2006A Enterprise Revenue Bonds, 2006B Enterprise Revenue Bonds, 2007A Enterprise Revenue Bonds, and 2009 Enterprise Revenue Bonds. The defeased debt had an interest rate of 5.1 percent, and the new debt had an interest rate of 3.0 percent. The remaining term of the debt was 19.0 years and the estimated debt service cash flows decreased by $9,578,659. The defeasance resulted in an economic gain of $7,690,178 and a book loss of $10,999,673 that will be amortized as an adjustment of interest expense over the remaining 19.0 years of the new debt.

The Board of Trustees of the University of Colorado issued $102,450,000 of its University Enterprise Refunding Revenue Bonds, Series 2015A to partially defease its 2006A Enterprise Revenue Bonds, 2007 Enterprise Revenue Bonds, and 2009 Enterprise Revenue Bonds. The defeased debt had an interest rate of 5.09 percent, and the new debt had an interest rate of 3.18 percent. The remaining term of the debt was 24.0 years and the estimated debt service cash flows decreased by $13,517,795. The defeasance resulted in an economic gain of $9,854,772 and a book loss of $13,554,685 that will be amortized as an adjustment of interest expense over the remaining 24.0 years of the new debt.

The Board of Trustees of the University of Colorado issued $3,925,000 of its University Enterprise Refunding Revenue Bonds, Series 2015B to partially defease its 2005A Enterprise Revenue Bonds, and 2005B Enterprise Revenue Bonds. The defeased debt had an interest rate of 4.61 percent, and the new debt had an interest rate of 3.05 percent. The remaining term of the debt was 20.0 years and the estimated debt service cash flows decreased by $744,936. The defeasance resulted in an economic gain of $586,797 and a book loss of $25,629 that will be amortized as an adjustment of interest expense over the remaining 20.0 years of the new debt.

The Board of Trustees of the University of Colorado issued $71,325,000 of its Taxable University Enterprise Refunding Revenue Bonds, Series 2015C to partially defease its 2007 Enterprise Revenue Bonds. The defeased debt had an interest rate of 4.94 percent, and the new debt had an interest rate of 2.63 percent. The remaining term of the debt was 12.0 years and the estimated debt service cash flows decreased by $5,375,800. The defeasance resulted in an economic gain of $3,795,178 and a book loss of $4,728,644 that will be amortized as an adjustment of interest expense over the remaining 12.0 years of the new debt.

The Board of Trustees of the Colorado State University issued $67,675,000 of its Colorado State University System Enterprise Revenue Refunding Bonds, Series 2015C to defease its 2007B Colorado State University

System Enterprise Revenue Bonds, 2008A Colorado State University System Enterprise Revenue Bonds, and 2009A Colorado State University System Enterprise Revenue Bonds. The defeased debt had an interest rate of 4.925 percent, and the new debt had an interest rate of 4.265 percent. The remaining term of the debt was 23.0 years and the estimated debt service cash flows decreased by $8,314,719. The defeasance resulted in an economic gain of $5,094,336 and a book loss of $7,487,618 that will be amortized as an adjustment of interest expense over the remaining 23.0 years of the new debt.

The Board of Trustees of the University of Northern Colorado issued $21,510,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2015A to defease its 2005 Auxiliary Revenue Refunding and Improvement Bonds. The defeased debt had an interest of 5 percent, and the new debt had an interest rate of 4.129 percent. The remaining term of the debt was 25.0 years and the estimated debt service cash flows decreased by $3,453,708. The defeasance resulted in an economic gain of $2,248,062 and a book gain of $938,023 that will be amortized as an adjustment of interest expense over the remaining 25.0 years of the new debt.

The Board of Trustees of the Auraria Higher Education Center issued $13,060,000 of its Auraria Higher Education Center Certificates of Participation (Administrative Office Facility Refunding Project), Series 2015 to defease its 2005 Auraria Higher Education Center Certificates of Participation (Administrative Office Facility Project), The defeased debt had an interest rate of 4.32 percent, and the new debt had an interest rate of 2.2 percent. The remaining term of the debt was 7.0 years and the estimated debt service cash flows decreased by $1,767,125. The defeasance resulted in an economic gain of $1,531,999 and a book loss of $732,655 that will be amortized as an adjustment of interest expense over the remaining 7.0 years of the new debt.

The Board of Trustees of the Auraria Higher Education Center issued $6,030,000 of its Auraria Parking Enterprise Revenue Refunding Bonds, Series 2015 to defease its 2004A Auraria Parking Enterprise Revenue Bonds. The defeased debt had an interest rate of 4.4 percent, and the new debt had an interest rate of 4.306 percent. The remaining term of the debt was 14.0 years and the estimated debt service cash flows decreased by $1,092,180 The defeasance resulted in an economic gain of $819,439 and a book loss of $52,722 that will be amortized as an adjustment of interest expense over the remaining 14.0 years of the new debt.

The Board of Trustees of the Adams State University issued $19,330,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2015 to defease its 2009A Auxiliary Facilities Revenue Improvement Bonds, The defeased debt had an interest rate of 5.379 percent, and the new debt had an interest rate of 2.85 percent. The remaining term of the debt was 24.0 years and the estimated debt service cash flows decreased by $3,499,990. The defeasance resulted in an economic gain of $2,513,202 and a book loss of $2,312,583 that will be amortized as an adjustment of interest expense over the remaining 24.0 years of the new debt.

The Board of Trustees of the Colorado Mesa University issued $19,005,000 of its Board of Trustees for Colorado Mesa University Enterprise Revenue Refunding Note, Series 2014B to defease its 2007 Board of Trustees for Mesa State College Enterprise Revenue Bonds, The defeased debt had an interest rate of 4.96 percent, and the new debt had an interest rate of 2.96 percent. The remaining term of the debt was 22.0 years and the estimated debt service cash flows decreased by $3,766,764 The defeasance resulted in an economic gain of $2,891,395 and a book loss of $1,839,805 that will be amortized as an adjustment of interest expense over the remaining 22.0 years of the new debt.

The State of Colorado issued $110,485,000 of its State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation , Series 2014A to defease its 2008 State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, The defeased debt had an interest rate of 5.38 percent, and the new debt had an interest rate of 2.35 percent. The remaining term of the debt was 12.0 years and the estimated debt service cash flows decreased by $11,771,740 The defeasance resulted in an economic gain of $10,786,985 and a book loss of $18,370,173 that will be amortized as an adjustment of interest expense over the remaining 12.0 years of the new debt.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

Various State agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund-level *Statement of Net 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, 2015 was $161.6 million ($4.8 million of which was a current liability). Superfund sites account for approximately $160.4 million ($3.6 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 $70.5 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant, estimated at $2.8 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, 2015, the State has received $6.0 million in recoveries from other responsible parties.
- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $57.0 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction commenced in 2013. Current operating and maintenance costs are borne 100 percent by the State. The State's share of the costs to complete the remaining remediation projects is estimated to total $2.7 million through 2017. 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 $5.8 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. Two remedial design projects on surface and subsurface water have been completed. The cost-sharing ratio of 10 percent State, 90 percent EPA, is expected to end in 2018 at which time the State assumes 100 percent of the cost. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.
- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $18.1 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plant from 2014 to 2016. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-

sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 28 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of assets by the entity that is applicable to a future reporting period, and deferred inflows of resources represent an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2015.

(Amounts in Thousands)

	Governmental Activities	Business-Type Activites
Deferred Outflow of Resources:		
Derivative Instruments	-	2,167
Refunding Losses	8,963	169,310
Pensions:		
Investment Earnings	114,460	72,992
Decreases in Proportionate Share	69,502	12,236
Changes in Assumptions	15,350	-
Contributions After the Measurement Date	142,521	91,930
	350,796	**348,635**
Deferred Inflow of Resouces		
Nonexchange Transactions	338	309
Refunding Gains	-	935
Unavailable Governmental Revenue	973	-
Pensions:		
Experience Losses	407	265
Increases in Proportionate Share	45,544	36,871
	47,262	**38,380**

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 $2.2 million as of June 30, 2015.

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 $40.2 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 0.13 percent at June 30, 2015. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2015 was $9.5 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

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

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the swap agreement counterparty's (Morgan Stanley) credit quality rating and the ability of the counterparty to withstand credit market turmoil. As of June 30, 2015, Morgan Stanley's credit rating is A3 by Moody's and A- by Standards & Poor's.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices.

B. REFUNDING GAINS AND LOSSES

Refunding gains and losses on debt refunding transactions are recorded as deferred inflows or deferred outflows, respectively, and generally amortized over the life of the new debt. On June 30, 2015, deferred outflows in governmental activities related to unamortized refunding losses included $5.0 million in the Department of Transportation and $4.0 million in the Department of Corrections. All of the unamortized refunding gains and losses in business-type activities were in Higher Education Institutions.

UNAVAILABLE GOVERNMENTAL REVENUE

Deferred Inflows are recorded for unavailable revenue in governmental funds that result from long-term receivables. The majority of the deferred inflow balance is recognized as revenue over time in the government-wide Statement of Activities. The deferred inflow balance represents residual timing differences in recognizing the related revenue, primarily related to long-term taxes receivable.

C. 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, 2015, the Department of Health Care Policy and Financing, a governmental activity, held $0.3 million and Colorado State University, a business-type activity, held $0.3 million in receipts awaiting the passage of time.

D. PENSIONS

Primary Government

Changes in Assumptions include differences between assumed and actual economic and demographic conditions. Related deferred inflow or outflow balances are amortized over the remaining service life of active and inactive employees.

Investment Earnings include the difference between expected and actual earnings and include differences between assumed and actual rates of return. Balances are amortized over a five year period.

Experience Losses includes the differences between items such as assumed and actual salaries, benefits, and mortality, disability, and retirement rates. The related balances are amortized over the remaining service life of active and inactive employees.

Increases/Decreases in Proportionate Share represent the difference between the employer share of a cost-sharing multiple-employer defined benefit plan in the current versus prior year. This is assessed at the pension plan employer level, which generally represents State Agencies or divisions thereof. The related balances are amortized over the remaining service life of active and inactive employees.

Contributions After the Measurement Date represent contributions after the pension plan's fiscal year end and the State's fiscal year end. The expenses related to these deferred outflows are recognized in full in the subsequent fiscal year.

Additional information about the State's pension plans can be found in Note 18.

Component Unit

The Colorado Water Resources and Power Development Authority recorded $4.1 million as a deferred outflow of resources for costs and losses of issuing current and advance refunding bonds. The Authority also recorded $0.5 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.

Governmental activities increased by $6,625,696 in the General Fund due to the Department of Health Care Policy and Finance incorrectly calculating the Home Clinical Pastoral Education receivable due from the federal government. The Colorado Gaming Fund decreased and the Other Special Revenue Fund increased by $1,125,016 due to revenue received for Agritourism which was recorded in the Travel and Tourism Additional Sources Fund when it should have been recorded in the Travel and Tourism Promotion Fund.

	Adjustment Related to Prior Year Errors
Governnent-Wide Statements	
Governmental Activities	$ 6,625,696
Total	$ 6,625,696
Fund-Level Statements	
Governmental Funds	
General Fund	$ 6,625,696
Colorado Gaming Fund	(1,125,016)
Other Special Revenue Funds	1,125,016
Total	$ 6,625,696

B. ACCOUNTING CHANGES

During Fiscal Year 2014-15, the State implemented GASB Statement No. 68 - Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. As a result of this implementation, the state, as a cost-sharing employer participating in a defined benefit plan, is required to record their proportionate share of the unfunded pension liability, related deferred inflows and outflows and expenses/expenditures in the government-wide and fund financial statements.

Fiscal Year 2014-15 beginning fund balance or beginning net position was adjusted by PERA's calendar year 2014 net pension liability and contributions to PERA from January 1, 2014 to June 30, 2014. The table below shows 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.

(Amounts in Thousands)

	Adjustment Related to Accounting Change
Governnent-Wide Statements	
Governmental Activities	$ 5,087,553
Business-Type Activities	3,342,300
Total	$ 8,429,853
Fund-Level Statements	
Major Proprietary Funds	
Higher Education Institutions	$ 2,959,988
Unemployment Insurance	571
State Lottery	22,031
Other Entperprises	359,710
Internal Service Funds	265,388
Total	$ 3,607,688

Amounts shown in this note are actual balances and may not agree to the amounts shown on financial statements due to rounding on the statements.

NOTE 30 – FUND BALANCE

On the *Balance Sheet – Governmental Funds,* the fund balance comprises the following (See Note 6I for additional details.):

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$152,257	$ 672,673	$ 20,731
Business, Community and Consumer Affairs	-	25,323	-
Education	245,424	7,568	-
Justice	1,267	-	-
Natural Resources	-	280	-
TOTAL	$398,948	$ 705,844	$ 20,731
RESOURCE EXTRACTION:			
General Government	$ 66,000	$ -	$ -
Business, Community and Consumer Affairs	-	304,601	-
Education	-	16,000	-
Natural Resources	12,971	912,298	-
TOTAL	$ 78,971	$ 1,232,899	$ -
HIGHWAY USERS TAX:			
General Government	$ 63,820	$ 15,216	$ -
Health and Rehabilitation	3,132	-	-
Justice	947	4,210	-
Transportation	874,611	16,339	-
TOTAL	$942,510	$ 35,765	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 326,230	$ -
Education	-	6,082	-
Justice	5	3,776	-
Natural Resources	-	142	-
Social Assistance	-	445	-
TOTAL	$ 5	$ 336,675	$ -
STATE EDUCATION:			
Education	$686,258	$ -	$ -
TOTAL	$686,258	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$149,277	$ 319,601	$ -
Business, Community and Consumer Affairs	65,663	284,975	-
Education	-	84,706	-
Health and Rehabilitation	17,186	141,903	-
Justice	-	181,373	-
Natural Resources	3,103	18,666	-
Social Assistance	-	49,126	-
Transportation	-	779	-
TOTAL	$235,229	$ 1,081,129	$ -

The significant fund balances held for restricted purposes as of June 30, 2015, include:

- $246.3 million in the General Fund in the Education function includes $244.9 million related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $874.6 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.
- $686.3 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.

The significant fund balances held for committed purposes as of June 30, 2015, include:

- $672.7 million in the General Fund in the General Government function includes $523.8 million that represents the portion of the $576.5 million representing the six and one-half percent statutory reserve available on a GAAP basis (see Note 6I). Additionally, the legislature set aside $58.0 million in the Proposition AA Refund Restricted Account pending the results of the November 2015 for a potential TABOR refund (see Note 8B).
- $304.6 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function includes $299.0 million - $72.6 million from severance tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments and $226.5 from severance tax receipts by the Department of Local Affairs.
- $912.3 million in the Resource Extraction Fund in the Natural Resources function includes $493.5 million that represents cash balances and loans receivable for loans issued to local governments by the Colorado Water Conservation Board and $389.1 million represents long term severance tax loans receivables.
- $323.0 million primarily in the Capital Projects funds in the General Government function represents cash and receivables related to appropriated multi-year capital projects.
- $319.6 million in the Other Governmental Funds in the General Government function primarily represents $224.3 million in the Unclaimed Property Funds and $73.0 million in Tobacco Litigation Settlement Funds.
- $285.0 million in Other Governmental Funds in the Business, Community and Consumer Affairs function primarily represents $88.7 million in the Major Medical Fund, $49.9 million in the Limited Gaming Fund, $28.3 million in the Workmen's Compensation Fund, $25.2 million in the Clean and Renewable Energy Fund, and $19.8 million in the Employment Support Fund.
- $142.0 million in the Other Governmental Funds in the Health and Rehabilitation function primarily represents $31.3 million in the Natural Resources Damage Recovery Fund, $19.3 million in the Small Communities Water and Wastewater Grant Fund, $15.4 million from the Hazardous Substances Response Fund, and $15.1 million the Natural Disaster Cash Fund.
- The $181.4 million in Other Governmental Funds in the Justice function primarily represents $23.6 million in the Disaster Emergency Fund in the Department of Public Safety, $13.3 million in the Supreme Court Committee Fund, $10.6 million in the Victims Assistance Fund, and $10.2 million in the Victims Compensation Fund.

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1 1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as six and one-half 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 2014-15 there was no use of the reserve. As of June 30, 2015, on a legal budgetary basis the reserve was $576.5 million. On a GAAP basis only $523.8 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 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2015, 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	$ 13,231	$ -	$ 187	$ -
Special Purpose	27,584	-	-	-
Resource Extraction	-	-	-	-
Highway Users	66	-	-	-
Capital Projects				
Regular Capital Projects	4,677	-	-	1,607
Higher Education Institutions	1,092	261	140	643
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Gaming	-	-	-	-
Environment and Health Protection	4,150	-	-	-
Other Special Revenue	-	-	238	-
ENTERPRISE FUNDS:				
Wildlife	-	-	-	-
State Fair Authority	238	-	-	-
Correctional Industries	-	-	-	-
INTERNAL SERVICE FUNDS:				
Information Technology	116	-	-	925
Highways	-	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	-	-	-	-
Other Fiduciary	-	-	-	-
TOTAL	$ 51,154	$ 261	$ 565	$ 3,175

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	State Lottery	All Other Funds	Total
$ 2,999	$ -	$ 28,059	$ 44,476
-	14,725	-	42,309
-	-	10,535	10,535
-	-	4,008	4,074
-	-	-	6,284
-	-	2,242	4,378
-	-	1,583	1,583
-	-	-	4,150
-	-	7,221	7,459
-	3,182	-	3,182
-	-	-	238
2,111	-	-	2,111
-	-	-	1,041
-	-	5	5
760	-	-	760
-	13,912	-	13,912
$ 5,870	$ 31,819	$ 53,653	$ 146,497

All of the material receivables and related payables shown in the schedule on the previous two pages are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The General Purpose Revenue Fund receivable of $28.1 million from All Other Funds primarily includes $13.6 million of receivables from the Limited Gaming Fund, $6.2 million from various cash funds to support incurred Medicaid expenditures.

The Special Purpose General Fund receivable of $27.6 million from the General Purpose Revenue Fund primarily includes $26.1 million in personal services and operating line item reversions, payable to the State Employee Reserves Fund.

The Special Purpose General Fund receivable of $14.7 million from the State Lottery primarily consists of a payable recorded by the Conservation Trust Fund for $12.7 million, and to the Building Excellent Schools Today Grant Program in the amount of $2.0 million.

The Resource Extraction Fund receivable of $10.5 million from All Other Funds primarily includes $9.1 million of loans from the Division of Parks and Wildlife Fund.

The Other Fiduciary Fund receivable of $13.9 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. This is a statutory distribution of the Lottery net proceeds.

NOTE 33 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2015, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund:			
General Purpose	$ 3,253,258	$ -	$ 5,570
Special Purpose	108,168	-	6
Resource Extraction	72,935	-	-
Highway Users Tax	9,732	-	-
Capital Projects:			
Regular Capital Projects	-	-	500
Special Capital Projects	765	-	-
State Education	37,887	-	-
Higher Education Institutions	3,971	-	-
Lottery	53,190	-	530
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	355	3,029	-
Gaming	13,797	-	683
Tobacco Impact Mitigation	4,210	-	334
Resource Management	116	-	-
Environment and Health Protection	5,056	-	3
Unclaimed Property	197	-	-
Other Special Revenue	83,518	-	2,170
PERMANENT FUNDS:			
State Lands Trust	108,725	-	-
Other Permanent Trust	-	-	-
ENTERPRISE FUNDS:			
Wildlife	5,026	-	-
College Assist	66	-	-
State Fair	113	-	-
Correctional Industries	691	-	-
State Nursing Homes	1,857	-	-
Prison Canteens	77	-	-
Other Enterprise	182	-	-
INTERNAL SERVICE FUNDS:			
Central Services	1,367	-	-
Information Technology	317	-	-
Capitol Complex	1,806	-	-
Administrative Courts	230	-	-
Legal Services	3,211	-	-
Other Internal Service	1,272	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	247	-	-
Other Fiduciary	54	-	-
TOTAL	$ 3,772,396	$ 3,029	$ 9,796

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 253,348	$ 25,321	$ 181,088	$ 101,611	$ 3,820,196
1,000	82	-	11,421	120,677
-	-	3,697	17,426	94,058
640	-	-	172,389	182,761
1,607	-	131,812	21,450	155,369
-	-	-	7,451	8,216
-	-	7,296	40,525	85,708
-	-	-	-	3,971
-	-	-	12,798	66,518
-	-	-	30	3,414
4,517	-	5,874	25,512	50,383
7,124	-	13,008	1,524	26,200
-	-	-	-	116
-	-	-	167	5,226
-	-	-	21,771	21,968
118	-	-	16,524	102,330
-	-	1,096	1,311	111,132
-	-	-	282	282
-	-	-	1,830	6,856
-	-	-	-	66
-	-	-	-	113
-	-	-	-	691
-	-	-	-	1,857
-	-	-	-	77
4	-	-	34,192	34,378
-	-	-	-	1,367
-	-	-	-	317
-	-	-	134	1,940
-	-	-	-	230
-	-	-	63	3,274
-	-	-	-	1,272
-	-	-	-	247
-	-	-	20	74
$ 268,358	$ 25,403	$ 343,871	$ 488,431	$ 4,911,284

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 $3,184.0 million, to the Capital Projects Fund of $248.5 million for controlled maintenance and capital projects, and into the Higher Education Institutions of $181.1 million (primarily for student financial aid, occupational education, and job training).

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

Additional transfers-out of the General Purpose Revenue Fund includes $25.3 million to the State Education Fund. Transfers-out of the General Purpose Revenue Fund to All Other Funds includes $35.5 million to the Marijuana Tax Cash Fund from additional sales tax on retail marijuana collected in the General Purpose Revenue Fund and $20.9 million to the Department of Public Health primarily for recycling resources ($1.5 million), the nutrients grant program ($2.0 million), and for natural disasters ($17.0 million). The Judicial Department also transferred $15.2 million to the Correctional Treatment Cash Fund, the Department of Revenue $6.7 million to the Advanced Industries Acceleration Fund, and the Department of Regulatory Agencies $4.1 million to the Department of Public Safety.

Transfers-out from the special-purpose funds within the General Fund primarily comprises $84.5 million in transfers from the Public School Fund to the Charter School Institute Fund. Other transfers include $10.0 million from the Older Coloradoans Cash Fund and $6.4 million from the State Employee Reserve Fund in the Department of Public Safety's account to the General Purpose Revenue Fund.

Transfers-out from the special-purpose funds within the General Fund primarily comprise $11.3 million from the School Capital Construction Assistance Fund to the Debt Service Fund for payment on outstanding certificates of participation issued by the Building Excellent Schools Today program.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $69.5 million transfer from the Mineral Leasing Fund to the State Public School Fund. Transfers to All Other Funds includes $10.0 million from the Severance Tax Perpetual Base Fund for the Small Communities Water and Wastewater Grant Fund and $4.0 million from the Severance Tax Operating Fund for various parks and wildlife programs in the Department of Natural Resources.

The Highway Users Tax Fund transfer-out to All Other Funds includes $169.7 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Capital Construction Fund transfers-out include $131.8 million to Institutions of Higher Education representing spending on state-funded capital projects managed by the institutions and $18.4 million to the Department of Correction's Debt Service Fund for payment towards outstanding certificates of participation related to some of its prisons.

The State Education Fund transfers-out includes $27.0 million to the special-purpose Professional Development and Student Support Fund in the General Fund and $34 million to the Early Literacy Fund in All Other Funds.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises $51.2 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds. Additionally, $12.8 million was transferred to the Division of Parks and Wildlife in All Other Funds.

The Gaming transfers-out includes a distribution of limited gaming revenues to the General Purpose Revenue Fund of $13.6 million and $23.0 million to the Creative Industries Cash Fund in the Governor's Office of Economic Development and International Trade.

The Tobacco Impact Mitigation Fund transfers-out to Higher Education Institutions of $13.0 million represents funding from the Tobacco Litigation Settlement Moneys Health Education Fund for the University of Colorado.

The Unclaimed Property transfers out include a transfer of $21.0 million to the Adult Dental Fund in the Department of Health Care Policy and Financing in All Other Funds.

The Other Special Revenue Fund transfers-out primarily includes transfers of $32.8 million from the Marijuana Tax Cash Fund to the General Fund, $23.9 million from the Retail Marijuana Excise Tax Fund to the School Capital Construction Assistance Fund, $9.5 million from the Correctional Treatment Cash Fund to the General Purpose Revenue Fund to support programs in the Departments of Human Services and Public Safety, and various indirect cost transfers with the largest occurring in the Department of Regulatory Agencies ($4.1 million) and in the Judicial Department ($1.9 million) Additionally, the transfers-out to All Other Funds includes transfers of $15.8 million from the Justice Center Cash Fund to the Debt Service Fund for payment on the outstanding certificates of participation related to the Ralph L. Carr Justice Center.

The State Lands Trust transfer-out to the special-purpose General Funds includes $92.5 million to the School Capital Construction Assistance fund and $16.0 million for the State Public School Fund related to distributions to school districts and charter schools.

The Other Enterprise Fund transfers-out to All Other Funds represents a transfer of $34.1 million from CollegeInvest to the Colorado Opportunity Scholarship Initiative Fund.

NOTE 34 – DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Net donor restricted endowment appreciation totaled $12.8 million, which includes depreciation of investment value for some institutions of higher education.

The University of Colorado reported net appreciation on endowment investments of $13.3 million that was available for spending. The university reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

NOTE 35 – PLEDGED REVENUE

Various institutions of higher education, the Department of Labor and Employment, and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2014-15, the following pledges were in place:

The Department of Transportation pledged $167.5 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 12.0 percent of the total revenue stream, and $296.3 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $113.7 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 $643.4 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged $249.9 million of Unemployment Insurance (UI) Premium collections to secure $256.5 million of principal and interest on debt issued to stabilize unemployment insurance rates. The debt was issued in Fiscal Year 2013-14, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and $256.5 million of the pledge commitment (principal and interest) remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 2002-03 and furthest maturity date of Fiscal Year 2054-55. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $766.9 million. Individually significant Higher Education Institution pledges include:

- $338.0 million pledged by the University of Colorado to secure $129.2 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 2015-16 and has a final maturity date of Fiscal Year 2045-46. The pledged revenue represents approximately 50.5 percent of the revenue stream, and $2.5 billion of the pledge (principal and interest) remains outstanding.
- $223.4 million pledged by Colorado State University to secure $49.0 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2054-55. The pledged revenue represents 100 percent of the total revenue stream, and $1.6 billion of the pledge (principal and interest) remains outstanding.
- $45.9 million pledged by the Colorado School of Mines to secure $20.6 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 55.2 percent of the total student fee and auxiliary revenue streams and 100% of the tuition

and facilities fee revenues. $198.1 million of the pledge (principal and interest) remains outstanding.

- $26.8 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 $115.1 million of the pledge (principal and interest) remains outstanding.
- $23.5 million pledged by Colorado Mesa University to secure $13.4 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 56.8 percent of the revenue stream and $321.5 million of the pledge (principal and interest) remains outstanding.
- $26.7 million pledged by the University of Northern Colorado to secure $10.0 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 30.3 percent of the total auxiliary and student fee revenue streams and also represents 100.0 percent of gross tuition revenues. $209.9 million of the pledge (principal and interest) remains outstanding.
- $17.6 million pledged by Colorado State University – Pueblo to secure $5.3 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the revenue stream, and $171.1 million of the pledge (principal and interest) remains outstanding.
- $8.7 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 39.3 percent of the revenue stream, and $81.5 million of the pledge (principal and interest) remains outstanding.
- $8.1 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 42.5 percent of the revenue stream, and $188.3 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	$ 1,358,950	$ (1,191,461)	$ 167,488	$ 157,220	$ 10,268	$ 167,488
Higher Education Institutions	1,250,735	(579,200)	671,536	107,878	152,923	260,801
Labor - Unemployment Insurance	249,925	-	249,925	249,925	6,623	256,548
Statewide Bridge Enterprise	113,687	-	113,687	-	18,234	18,234
	$ 2,973,297	$ (1,770,661)	$ 1,202,636	$ 515,023	$ 188,048	$ 703,071

NOTE 36 – 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, 2015

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 219,146	$ 6,021	$ 9,240
Other Assets	182,406	5,065	348
Capital Assets	44,112	48,593	22,990
Total Assets	445,664	59,679	32,578
DEFERRED OUTFLOW OF RESOURCES	-	110	322
LIABILITIES:			
Current Liabilities	57,589	3,169	4,229
Noncurrent Liabilities	10,194	42,146	31,317
Total Liabilities	67,783	45,315	35,546
DEFERRED INFLOW OF RESOURCES	-	8	22
NET POSITION:			
Net Investment in Capital Assets	32,549	4,654	(2,662)
Restricted for Permanent Endowments:			
Restricted Net Position	-	4,505	2,231
Unrestricted	345,332	5,307	(2,237)
Total Net Position	$ 377,881	$ 14,466	$ (2,668)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,220
Sales of Goods and Services	680,035	9,611	17,890
Other	-	-	50
Total Operating Revenues	680,035	9,611	23,160
OPERATING EXPENSES:			
Depreciation	4,125	2,396	1,941
Other	625,251	5,579	20,319
Total Operating Expenses	629,376	7,975	22,260
OPERATING INCOME (LOSS)	50,659	1,636	900
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	4,612	164	15
Gifts and Donations	(15,029)	-	-
Other Nonoperating Revenues	(6)	-	-
Debt Service	(203)	(1,233)	(897)
Other Nonoperating Expenses	-	(2,375)	(6,963)
Total Nonoperating Revenues(Expenses)	(10,626)	(3,444)	(7,845)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-Out	-	(1,195)	(1,448)
Total Contributions, Transfers, and Other	-	(1,195)	(1,448)
CHANGE IN NET POSITION	40,033	(3,003)	(8,393)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	337,848	17,469	5,725
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 377,881	$ 14,466	$ (2,668)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 67,273	$ (1,159)	$ 2,889
Noncapital Financing Activities	(15,029)	(1,195)	(103)
Capital and Related Financing Activities	(7,664)	(2,378)	(2,114)
Investing Activities	(12,814)	(35)	27
NET INCREASE (DECR.) IN CASH AND POOLED CASH	31,766	(4,767)	699
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	67,125	10,482	4,536
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 98,891	$ 5,715	$ 5,235

NOTE 37 – 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 incurred $2.1 million in expenses for the State during 2014 for two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. During Fiscal Year 2014-15, 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 2014-15, the foundation transferred $51.6 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income. During Fiscal Year 2014-15 , the foundation transferred, $33.1 million to the University, $14.0 million for capital projects.

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 2014-15, the foundation granted $9.4 million to the University and paid $1.7 million to the University for contract expenses. At June 30, 2015 the Foundation owed the University $0.9 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 was a not-for-profit public entity created to provide access to health insurance for those Colorado residents who were unable to obtain health insurance, or who were unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. 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 paid remaining health claim liabilities through December 2014 and ceased operations on March 31, 2015 (see Note 41).

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 the sale, and recognizes it as insurance companies apply the credits over a ten-year period. The related revenue is reported as Gifts and Donations on the *Statement of Revenues, Expenses, and Changes in Net Position - Component Units* to reflect the contribution of capital by the State.

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund I LP, originally thru June 2015 and extended to June 2016 (unless otherwise terminated), for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agri-technology and medical device industries, and retail. As of December 31, 2014, the VCA has contributed approximately $21.8 million or 100 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to $25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2014, the VCA has contributed approximately $19.5 million or 77 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 38 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

University of Colorado Denver Anschutz Medical Campus enters into related-party transactions with University of Colorado Health (UCHealth) under contracts that support the University's medical education mission. During Fiscal Year 2014-15, under these contracts, UCHealth paid the University $46.6 million and the University paid UCHealth $12.5 million. Not included in these amounts are $0.7 million in reimbursements during the fiscal year made by UCHealth to the University for salaries and benefits of state classified employees who work at UCHealth, and for whom the University is responsible. At June 30, 2015 the University had accounts receivable from UCHealth for $5.9 million, and had accounts payable to UCHealth for $20,000.

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, UCHealth and University Physicians, Inc. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2014-15 the Trust paid medical claims on behalf of the University of $137.5 million. The University contributed $153.4 million to the Trust and its employees contributed $17.5 million. At June 30, 2015 the University had accounts receivable from the Trust for $567,000 and accounts payable to the Trust for $1.3 million.

The Colorado State University – Pueblo Foundation was established to benefit Colorado State University Pueblo. The Foundation transferred $3.1 million in cash and $18,892 in in-kind assets to the University in Fiscal Year 2014-15. At June 30, 2015 the University had an account receivable from the Foundation for $2.1 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 $1.3 million in scholarships, grants and operating expense reimbursements during Fiscal Year 2014-15.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2014-15, the Foundation awarded $976,423 in scholarship funds directly to students. Also in Fiscal Year 2014-15, the Colorado Mesa University Real Estate Foundation donated $1.6 million in property to the University. The University made operating transfers to the Foundation for $571,437 and transferred $1.6 million to the Colorado Mesa University Real Estate Foundation.

The Fort Lewis College Foundation exists to support Fort Lewis College. During Fiscal Year 2014-15 the Foundation funded $0.7 million for scholarships and passed through $1.3 million in grants for program support.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided $2.4 million of funding to the University in Fiscal Year 2014-15. The foundation also reimbursed the University $236,505 for services provided by University employees. At June 30, 2015 the Foundation owed the University $747,900.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The Foundation transferred $4.0 million to the University in Fiscal Year 2014-15.

The Auraria Foundation provided $3.8 million to the Auraria Higher Education Center in Fiscal Year 2014-15. Of this amount, a grant for $100,000 was given for the

Campus Signage Project and grant for $3.6 million was given for the Tivoli Project. At June 30, 2015 the Auraria Higher Education Center had an account receivable from the Foundation of $1.7 million.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Front Range Community College, Northeastern Junior College, Pikes Peak Community College, Pueblo Community College and Red Rocks Community College, none of these foundations made annual transfers to their related community colleges in excess of $500,000.

In Fiscal Year 2014-15 the Northeastern Junior College Foundation funded $482,340 in student scholarships and instructional grants to Northeastern Junior College. It also passed through $4,587 in other funding and reimbursed the Junior College $13,775 for administration expenses.

The Front Range Community College provided scholarship funds totaling $514,418 to Front Range Community College. The College provided personnel and operating expense support to the Foundation totaling $314,151.

Pikes Peak Community College Foundation provided $573,726 to Pikes Peak Community College in the form of reimbursements for direct expenditures, financial aid support and grant funds. The College in turn reimbursed the Foundation $210,136 for operating expenditures. At June, 30, 2015, Pikes Peak Community College has an account receivable from the Foundation for $304,804.

The Pueblo Community College Foundation provided Pueblo Community College $1.4 million in the form of scholarships, grants, construction funds, program funding and discretionary funds.

The Red Rocks Community College Foundation provided $1.7 million to Red Rocks Community College. Of this amount, the Foundation provided $408,841 for scholarships and a $1.0 million pass through grant for construction of the Arvada Health Professions and Science building. The remainder was given for various special programs, endowed teaching chairs and operating expenses. The College provided $277,483 to the Foundation for operating expenses.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2014-15, the board funded $23.9 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2015, GOCO owed the Department of Natural Resources $15.3 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 2014-15, History Colorado had billed the Colorado Historical Foundation $0.4 million and has an account receivable from the Foundation for that amount.

The Colorado Health Benefit Exchange, operating as Connect for Health Colorado, is a related party to the State through the Department of Health Care Policy & Financing. During Fiscal Year 2014-15 the Colorado Health Benefit Exchange reimbursed the State $338,389 for personnel expenses and $3.9 million for software programming and other information technology expenses.

Colorado Housing and Finance Authority (CHFA) is a related party to the State in three different activities as follows:

- The Colorado Housing and Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds three CHFA bonds with a face value of $7.1 million as of June 30, 2015. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2025 through 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Colorado Energy Office State Energy Plan grant that provides loans for energy efficiency or renewable energy projects. The outstanding loan balance at CHFA on June 30, 2015 was $9,439,547. In Fiscal Year 2014-15, the Energy Office paid CHFA $48,543 in administrative fees for this service.

Under CRS 8-77-103.5 CHFA is authorized "…to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of $624,805,000. Bond payments are funded by employers' unemployment insurance premiums. The bonds are special, limited obligations of the Authority, payable and secured by assets held in a trust estate which consists of pledged revenue and principal funded by the State's unemployment compensation fund. Pledged revenues in the trust consist, at least in part, of employers' unemployment insurance premiums. The bonds do not create a financial obligation of the Authority beyond payment of principal and interest. As of June 30, 2015, $249,925,000 of bonds was outstanding. The Department of Labor and Employment paid CHFA $60,000 in administration fees in Fiscal Year 2014-15 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, 2014, VCA's investments in Colorado Fund I and Colorado Fund II totaled $23.8 million and $26.7 million respectively.

NOTE 39 - 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. Plenary will assume the liability of the HPTE's existing loan when Phase I is placed into service. Phase II is expected to be completed in January 2016. As of June 30, 2015, construction in progress totaled $183.8 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 Phase I, Plenary will assume the obligation for HPTE's existing $54.0 million loan secured through the Transportation Infrastructure Finance and Innovation Act as well loan interest totaling $2.0 million. In addition, Plenary will be responsible for maintaining the managed lanes.

NOTE 40 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund, Institutions of Higher Education, and the Highway Users Tax Fund include multi-year encumbrances of $27.6 million, $113.7 million and $1.3 billion, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

NOTE 41 – SPECIAL ITEMS

Component Unit

On May 28, 2013 House Bill 13-1115 was enacted, and repealed CoverColorado effective April 1, 2014. The program was required to settle all health claim liabilities by December 31, 2014 and make a final accounting by March 31, 2015. For the three months ended March 31, 2015, Cover Colorado recognized $231,731 of general and administrative operating expenses, and transferred its remaining assets to The Denver Foundation ($2.3 million) and to the Colorado Health Benefit Exchange ($0.8 million). The Statement of Revenues and Expenses, and Changes in Net Position, Other Component Units(Nonmajor) presents operating results for Fiscal Year 2013-14 and the first three months of Fiscal Year 2014-15.

NOTE 42 – FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees (formerly the Metropolitan State College of Denver Board of Trustees) approved the incorporation of a special purpose nonprofit corporation to be known as HLC @ Metro, Inc. The HLC @ Metro Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately $55.0 million in revenue bonds in October 2010, loaning the proceeds to HLC @ Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open to the general public. Should HLC @ Metro Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2015, no liability was recorded by the University as HLC @ Metro Inc. was deemed fully capable of making its debt payments.

NOTE 43 – CONTINGENCIES

The Colorado Governmental Immunity Act (CGIA) sets upper limits on State liability at $350,000 per individual and $990,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.1 billion, of the $8.5 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 $79.7 million.

At June 30, 2015, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $232.8 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds. Individual claims exceeding $5.0 million include three claims for refunds ranging from $13.3 million to $40.6 million for income taxes. The Department of Revenue will vigorously defend these claims. The likelihood of an unfavorable outcome is uncertain.

Various notes and bonds have been issued by state school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold state property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.5 billion are outstanding. Of this amount, $1.4 billion is covered by private insurance.

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Department of Health Care Policy and Financing alleging that the hospital provider fee is a tax, not a fee; therefore, requiring a vote of the people. The plaintiff challenge the fee imposed in Fiscal Years 2011, 2012 and 2013, and seek a refund of all revenue collected, kept, or spent unconstitutionally, plus interest. Approximately $2.65 billion has been collected in fees. The Complaint was filed on June 26, 2015. The Colorado Department of Health Care Policy and Financing filed a motion to dismiss arguing that the hospital provider fee is a fee and not a tax. The Motion is fully briefed and is pending before the district court. The Colorado Department of Health Care Policy and Financing will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

The National Federation of Independent Businesses (NFIB), has filed suit against the Colorado Secretary of State alleging that §§ 24-21-104 and 24-21-104.5, C.R.S. violate TABOR. These provisions allocate fees collected by the Secretary's Business and Licensing Division to a cash fund, and authorize appropriations from that cash fund to the Secretary's Elections Division and to counties to support election functions. NFIB seeks a refund of allegedly unconstitutionally collected registration fees, and the imposition of penalties, interest, fees, and costs in accordance with Colorado Constitution Article X, § 1. The complaint does not seek a precise monetary award; The State’s estimate of exposure is approximately $20 million. The parties filed cross-motions for summary judgment in Denver District Court. After full briefing and oral argument, on November 3, 2015, the District Court granted summary judgment in the Secretary's favor. The Court did not decide whether the fees are taxes. NFIB has filed a timely appeal to the Colorado Court of Appeals, and the Court has not set a briefing schedule. The Secretary will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 43, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 44 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 21, 2015, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2015A. The notes were issued with a premium of $1,933,500, an average coupon rate of 1.55 percent, and a true interest cost of 0.30 percent. The notes mature on June 29, 2016. The total due at maturity includes $165.0 million in principal and $2,394,167 in interest. By statute, interest on the notes is payable from the General Fund.

On July 23, 2015, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2015A. The notes were issued with a premium of $7,731,000, an average coupon rate of 1.67 percent, and a true interest cost of 0.28 percent. The notes mature on June 28, 2016. The total due on that date includes $600 million in principal and $9,305,556 in interest.

On August 6, 2015, the Colorado State University System sold $96,490,000 Series 2015 E-1, $42,125,000 Series 2015 E-2 (Green Bonds) and $17,670,000 Series 2015 F in System Enterprise Revenue Bonds. The proceeds of the sale of the Series 2015 E-1, E-2, and F Bonds will be used for the construction, acquisition, improvement and equipping of a biology building for research and teaching; a medical center building; a plant environmental research center to be used for teaching, research and outreach; and academic space; and various parking and pedestrian structures and pathways. All projects are in Fort Collins. The proceeds will also be used for other capital projects as designated by the Board of Governors, to pay capitalized interest and cost of issuance on bonds.

On August 12, 2015, the Auraria Higher Education Center issued $5,050,000 in Student Fee Revenue Bond, Series 2015A and $250,000 in Student Fee Taxable Revenue Bond, Series 2015B for the purpose of financing construction of the Tivoli Park/Quad, the Tivoli Patio and Coffee Lounge, and other future student gathering spaces throughout campus. The repayment of the bonds is funded by a $5 per student, per semester fee.

On September 28, 2015, the Colorado Bureau of Investigation, part of the Colorado Department of Public Safety (CDPS), issued Refunding Certificates of Participation, Series 2015 for $9,915,000. The net proceeds will be used to refinance the existing lease of the site and improvements by CDPS, constituting the Colorado Bureau of Investigation’s Grand Junction, Colorado, regional office and forensic laboratory, and to pay the executory costs.

In November, 2015, the Board of Regents of the University of Colorado approved a resolution in which the University of Colorado Real Estate Foundation (CUREF) would transfer ownership of two parcels of land and improvements from Campus Village Apartments (CVA) to the University of Colorado – Denver (CU-Denver). The properties include 4.75 acres of land located at 4th and Walnut, which is the site of a 250,773 square foot student housing facility, and 3.16 acres of adjacent land. CU-Denver will apply a Supplemental Credit Facility (SCF) extended by the University’s Treasury to defease the existing debt carried by CUREF. The total amount needed to transfer the property is estimated at $61.7 million.

On January 12, 2016, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2015B. The notes were issued with a premium of $2,394,167, an average coupon rate of 2.10 percent, and a true interest cost of 0.24 percent. The notes mature on June 29, 2016. The total due at maturity includes $339.0 million in principal and $3,307,528 in interest. By statute, interest on the notes is payable from the General Fund.

On January 21, 2016, the Colorado Mesa University issued $26,575,000 of Series 2016 Bonds. The bonds were issued with a premium of $1,791,955. The proceeds of the bonds will be used to construct and equip a new residence hall on campus, expand and renovate the Maverick Center, with remaining proceeds used for additional capital improvements on the campus.

On January 29, 2016, the University of Northern Colorado entered into an energy performance contract with McKinistry Essention LLC. The contract includes $8.85 million in financing from Banc of America Public Capital Corp for up to 20 capital projects and will result in long-term energy savings and reductions in utility costs. The financing agreement spans 15 years at a rate of 2.69% and funds are currently being held in escrow with BOKF, NA. The agreement provides that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available. In addition to the principal amount, the total due at maturity includes $1,915,020 of interest.

On February 24, 2016, the Colorado Community College System issued $18,340,000 of System-wide Revenue Bonds (Series 2016). The bonds were issued with a premium of $617,180. The proceeds will be used to refund the 2003 debt of Pikes Peak Community College of $3,060,000, with the remaining proceeds to be used to finance the construction and equipping of the new student recreation center on the Red Rocks Community College, Lakewood campus.

On February 25, 2016, the Colorado School of Mines issued $34,690,000 of Series 2016 Institutional Enterprise Revenue and Refunding Bonds. The bonds were issued with a premium of $5,239,719. The proceeds of the bonds will be used to provide bridge funding for the construction, improvement, and equipping the CoorsTek Center for Applied Science and Engineering on the School of Mines campus. In addition, proceeds of the Series 2016 Bonds will be used to advance refund a portion of the Board's Institutional Enterprise Refunding and Improvement Revenue Bonds, Series 2009A , and the Board's Institutional Enterprise Revenue Refunding Bonds, Series 2009C.

On February 26, 2016, the Metropolitan State University of Denver issued $27,450,000 of Series 2016 Revenue Bonds. The bonds were issued with a premium of $2,824,423. The proceeds of the bonds will be used in the construction of the Aerospace and Engineering Sciences Building.

On March 9, 2016, the Auraria Higher Education Center refinanced the 2006 Parking Bond in the amount of $5,845,000. This has an interest rate of 1.80% and a maturity date of April 1, 2026.

On April 7, 2016, , the Auraria Higher Education Center refinanced the 2006 Student Fee Bond in the amount of $7,415,000. This has an interest rate of 1.40% and a maturity date of May 1, 2021.

B. OTHER

On July 22, 2015, under the service concession agreement with the High Performance Transportation Enterprise (HPTE) and Plenary Roads Denver (Plenary), the completion of Phase I of the U.S. 36 project occurred and tolling commenced. The completion initiated the transfer of HPTE's $54 million loan secured through the Transportation Infrastructure Finance and Innovation Act to Plenary. The required debt service reserve of $1.6 million was also transferred to Plenary and the operations and maintenance reserve of $0.6 million was returned to HPTE. Additionally, HPTE recognized revenue of $120 million previously recorded at June 30, 2015 as unearned revenue from the Regional Transportation District related to an Intergovernmental Agreement.

On September 24, 2015, the Department of Health Care Policy and Financing agreed to repay the federal Centers for Medicare and Medicaid Services (CMS) $12.1 million for disallowed outstanding costs relating to prior period services provided by Denver Health. Denver Health is reimbursing the State for $6.1 million of this amount.

On September 30, 2015, College Assist transferred $6.3 million from the Operating Fund to the Federal Fund, based on a change in methodology. The change was the result of the Department of Education's Office of the Inspector General audit report, issued on September 29, 2014, covering the Federal Student Aid's (FSA) oversight of guaranty agencies during the wind-down of the Federal Family Education Loan Program. The report states that the methodology that FSA uses to calculate agency compliance with the statutory 25 basis point minimum reserve ratio is flawed. In response to the audit report, the FSA said it will cease adding in allowances and other non-cash charges beginning with the Federal Fiscal Year 2015 calculation.

On April 1, 2016, the Department of Personnel and Administration entered into an agreement with Banc of America Public Capital Corp ("BAPCC") to provide the lease purchase financing of State motor vehicles for Fiscal Year 2015-2016 in an amount not to exceed $30,000,000.

On April 25, 2016, the Department of Revenue received notification that they lost a court case in the Colorado Supreme Court. This case involved the taxpayer's claim for refund (amended returns) based on their position that their cost of capital, or Return on Investment, is a deductible cost in calculating gross income subject to severance tax. This case, and the other subsequent refund claims from this taxpayer, as well as protective claims from other taxpayers, are estimated at an additional $12.5 million in severance tax refunds ($5.9 million in tax and $6.6 million in interest through June 30, 2015).

Component Units

The Colorado Water Resources and Power Development Authority has formalized a plan to issue $8.4 million in debt on April 14, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,640,623	
Income Taxes			6,142,955	
Other Taxes			257,646	
Sales and Services			366	
Interest Earnings			12,040	
Other Revenues			16,467	
Transfers-In			304,997	
TOTAL REVENUES AND TRANSFERS-IN			9,375,094	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 9,311	$ 9,318	8,790	$ 528
Corrections	720,430	720,902	717,333	3,569
Education	3,357,896	3,357,973	3,357,445	528
Governor	34,367	31,297	30,150	1,147
Health Care Policy and Financing	2,264,444	2,307,557	2,313,291	(5,734)
Higher Education	761,983	767,971	767,971	-
Human Services	782,002	788,527	774,525	14,002
Judicial Branch	444,078	446,268	440,580	5,688
Labor and Employment	637	662	660	2
Law	13,534	13,575	13,477	98
Legislative Branch	40,946	40,963	40,963	-
Local Affairs	17,361	17,649	17,526	123
Military and Veterans Affairs	8,186	8,245	7,775	470
Natural Resources	26,226	26,309	26,272	37
Personnel & Administration	6,709	7,130	7,070	60
Public Health and Environment	63,894	60,974	58,587	2,387
Public Safety	133,598	134,566	126,286	8,280
Regulatory Agencies	1,883	1,885	1,885	-
Revenue	74,419	74,864	74,316	548
Transportation	700	906	206	700
Treasury	3,226	3,178	2,031	1,147
SUB-TOTAL OPERATING BUDGETS	8,765,830	8,820,719	8,787,139	33,580
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	992	2,064	90	1,974
Corrections	20,093	59,890	25,644	34,246
Education	8,645	11,959	1,019	10,940
Governor	13,934	53,304	7,358	45,946
Higher Education	202,458	400,311	100,298	300,013
Human Services	43,293	34,721	6,096	28,625
Military and Veterans Affairs	5,360	11,005	2,837	8,168
Personnel & Administration	14,606	26,093	8,370	17,723
Public Health and Environment	323	323	-	323
Public Safety	3,833	15,827	4,543	11,284
Revenue	53,088	94,852	1,014	93,838
Transportation	500	1,000	500	500
Treasury	18,588	18,588	18,575	13
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	385,713	729,937	176,344	553,593
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,151,543	$ 9,550,656	8,963,483	$ 587,173
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ 411,611	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 22,226	
Income Taxes			519,802	
Other Taxes			88,528	
Tuition and Fees			778,158	
Sales and Services			994,004	
Interest Earnings			24,575	
Other Revenues			611,796	
Transfers-In			1,029,507	
Capital Contributions			302	
TOTAL REVENUES AND TRANSFERS-IN			4,068,898	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 30,145	$ 30,640	29,585	1,055
Corrections	71,517	73,442	54,228	19,214
Education	1,242,142	1,240,985	1,161,254	79,731
Governor	229,865	240,738	212,951	27,787
Health Care Policy and Financing	915,893	862,388	836,819	25,569
Higher Education	692,318	709,633	690,046	19,587
Human Services	215,607	183,560	148,472	35,088
Judicial Branch	126,614	125,195	110,833	14,362
Labor and Employment	58,477	58,619	57,046	1,573
Law	57,690	58,262	51,205	7,057
Legislative Branch	1,083	1,111	1,041	70
Local Affairs	13,306	13,458	12,584	874
Military and Veterans Affairs	2,383	2,383	1,997	386
Natural Resources	170,371	169,671	149,079	20,592
Personnel & Administration	110,836	111,782	100,112	11,670
Public Health and Environment	197,515	198,116	164,597	33,519
Public Safety	199,053	198,580	172,991	25,589
Regulatory Agencies	81,597	81,756	74,753	7,003
Revenue	188,353	187,260	113,176	74,084
State	21,788	22,159	20,306	1,853
Transportation	34,358	34,477	33,744	733
Treasury	2,511	2,567	2,471	96
SUB-TOTAL OPERATING BUDGETS	4,663,422	4,606,782	4,199,290	407,492
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	700	2,845	759	2,086
Corrections	660	19,747	18,427	1,320
Governor	13,911	26,314	5,795	20,519
Higher Education	88,963	186,884	11,834	175,050
Human Services	-	469	327	142
Judicial Branch	-	24,896	16,345	8,551
Labor and Employment	-	5,933	965	4,968
Natural Resources	13,105	35,502	5,639	29,863
Personnel & Administration	14,411	15,411	933	14,478
Public Health and Environment	-	49,474	3,292	46,182
Public Safety	4,322	6,883	823	6,060
Transportation	-	500	500	-
Treasury	18,588	18,588	18,351	237
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	154,660	393,446	83,990	309,456
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 4,818,082	$ 5,000,228	4,283,280	716,948
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (214,382)	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 4,646,889	
TOTAL REVENUES AND TRANSFERS-IN			4,646,889	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Corrections	-	2,359	-	2,359
Health Care Policy and Financing	4,425,735	4,419,393	4,315,535	103,858
Higher Education	-	22	22	-
Human Services	327,538	330,243	298,050	32,193
Military and Veterans Affairs	360	1,021	51	970
Public Health and Environment	24,220	24,401	20,395	4,006
Public Safety	-	303	225	78
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	4,777,853	4,777,742	4,634,278	143,464
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 4,777,853	$ 4,777,742	4,634,278	$ 143,464
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 12,611	

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

REQUIRED SUPPLEMENTARY INFORMATION
RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES			
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS
BUDGETARY BASIS:				
Revenues and Transfers-In Appropriated (Required Supplementary Information):				
General	$ 9,375,094	$ -	$ -	$ -
Cash	616,658	42,732	228,863	18,411
Federal	4,565,332	-	-	685
Sub-Total Revenues and Transfers-In Appropriated	14,557,084	42,732	228,863	19,096
Revenues and Transfers-In Non-Appropriated (Supplementary Information):				
General	319,683	-	-	260,551
Cash	3,982,077	609,491	1,700,582	3,966
Federal	2,556,217	152,429	837,065	6,322
Sub-Total Revenues and Transfers-In Non-Appropriated	6,857,977	761,920	2,537,647	270,839
Total Revenues and Transfers-In Appropriated and Non-Appropriated	21,415,061	804,652	2,766,510	289,935
Expenditures/Expenses and Transfers-Out Appropriated (Required Supplementary Information):				
General Funded	8,780,147	-	-	183,336
Cash Funded	548,339	38,969	223,131	18,810
Federally Funded	4,554,374	-	-	707
Expenditures/Expenses and Transfers-Out Appropriated	13,882,860	38,969	223,131	202,853
Expenditures/Expenses and Transfers-Out Non-Appropriated(Supplementary Information):				
General Funded	589,138	-	-	-
Cash Funded	3,966,343	284,881	1,819,655	11,922
Federally Funded	2,557,399	152,479	862,795	5,517
Expenditures/Expenses and Transfers-Out Non-Appropriated	7,112,880	437,360	2,682,450	17,439
Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated	20,995,740	476,329	2,905,581	220,292
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Appropriated	674,224	3,763	5,732	(183,757)
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Non-Appropriated	(254,903)	324,560	(144,803)	253,400
BUDGETARY BASIS ADJUSTMENTS:				
Increase/(Decrease) for Unrealized Gains/Losses	(2,027)	(252)	(1,852)	567
Increase for Budgeted Non-GAAP Expenditures	-	-	-	-
Increase/(Decrease) for GAAP Expenditures Not Budgeted	501,950	178,497	698,389	1,198
Increase/(Decrease) for GAAP Revenue Adjustments	(672,257)	(342,654)	(699,278)	(8,714)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	246,987	163,914	(141,812)	62,694
GAAP BASIS FUND BALANCES/NET POSITION:				
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	935,027	1,203,292	1,130,372	273,986
Prior Period Adjustments (See Note 29A)	(6,626)	-	-	-
Accounting Changes (See Note 29B)	-	-	-	-
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 1,175,388	$ 1,367,206	$ 988,560	$ 336,680

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**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,375,094
555,655	1,308,304	804,214	10,961	530	169,445	310,365	2,760	4,068,898
-	79,919	-	-	-	953	-	-	4,646,889
555,655	1,388,223	804,214	10,961	530	170,398	310,365	2,760	18,090,881
-	-	-	-	-	-	-	-	580,234
82	1,754,707	2,081,354	708,323	539,527	321,168	36,269	1,703,209	13,440,755
-	119,261	-	30,670	-	410,723	-	-	4,112,687
82	1,873,968	2,081,354	738,993	539,527	731,891	36,269	1,703,209	18,133,676
555,737	3,262,191	2,885,568	749,954	540,057	902,289	346,634	1,705,969	36,224,557
-	-	-	-	-	-	-	-	8,963,483
912,146	1,332,072	673,376	5,780	41,658	180,489	305,844	2,666	4,283,280
-	78,244	-	-	-	953	-	-	4,634,278
912,146	1,410,316	673,376	5,780	41,658	181,442	305,844	2,666	17,881,041
-	-	-	-	-	-	-	-	589,138
47,175	1,402,159	2,161,186	492,502	127,981	214,000	40,700	1,273,527	11,842,031
-	112,043	(8,089)	30,671	-	414,253	-	-	4,127,068
47,175	1,514,202	2,153,097	523,173	127,981	628,253	40,700	1,273,527	16,558,237
959,321	2,924,518	2,826,473	528,953	169,639	809,695	346,544	1,276,193	34,439,278
(356,491)	(22,093)	130,838	5,181	(41,128)	(11,044)	4,521	94	209,840
(47,093)	359,766	(71,743)	215,820	411,546	103,638	(4,431)	429,682	1,575,439
(2,156)	(1,052)	-	-	(51)	(607)	(65)	612	(6,883)
-	-	-	-	-	-	-	-	-
264	661,968	21,148	(1,178)	(370,825)	18,602	(15,647)	754	1,695,120
(264)	(805,291)	4,086	-	(531)	(29,250)	(3,516)	(17,908)	(2,575,577)
-	-	165,828	-	-	-	-	-	165,828
(405,740)	193,298	250,157	219,823	(989)	81,339	(19,138)	413,234	1,063,767
1,091,998	2,099,400	5,584,645	403,006	3,074	1,299,073	34,411	6,115,535	20,173,819
-	-	-	-	-	-	-	-	(6,626)
-	-	(2,959,988)	(571)	(22,031)	(359,710)	(265,388)	-	(3,607,688)
$ 686,258	$ 2,292,698	$ 2,874,814	$ 622,258	$ (19,946)	$ 1,020,702	$ (250,115)	$ 6,528,769	$ 17,623,272

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 $653.6 million of the GAAP General Fund balance of $1,175.4 million on the *Balance Sheet – Governmental Funds.*

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The general fund surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive general fund surplus on the budgetary basis. This schedule includes both appropriated and nonappropriprated activity. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed in the following paragraphs.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The ending general fund surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components* presented in the Supplementary Section of the Comprehensive Annual Financial Report.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. *(See Note 8A beginning on page 82 for information regarding the Old Age Pension expenditure at the Department of Revenue.)*

In order to measure the general fund surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and reduce the ending general fund surplus balance in the line item titled "State Controller Approved Rollfowards" because the related balances are not available for subsequent appropriation.

In order to properly state the amounts reverted, most restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule, with the exception of unspent appropriations related to unreleased prior year Medicaid overexpenditure restrictions.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,769,000	$ 2,880,900	$ 2,876,615		
Other Excise Taxes	94,100	96,500	113,387		
Individual Income Tax, net	5,706,600	5,887,400	5,888,036		
Corporate Income Tax, net	724,900	654,600	635,115		
Estate Tax	-	-	32		
Insurance Tax	241,200	250,600	256,663		
Parimutuel, Courts, and Other	27,400	35,100	18,532		
Investment Income	25,600	11,200	8,869		
Gaming	12,200	-	13,571		
TABOR Refund (See Note 8B)	-	(194,000)	(169,740)		
TOTAL GENERAL PURPOSE REVENUES	9,601,000	9,622,300	9,641,080		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	9,311	9,318	8,790	$ 528	$ 8
Corrections	720,430	720,902	717,333	3,569	307
Education	3,357,896	3,357,723	3,357,195	528	130
Governor	34,367	31,397	30,250	1,147	1,117
Health Care Policy and Financing	2,264,444	2,308,175	2,313,898	(5,723)	709
Higher Education	761,983	761,306	761,306	-	41
Human Services	782,002	790,238	775,353	14,885	606
Judicial Branch	444,078	446,286	440,598	5,688	54
Labor and Employment	637	662	660	2	5
Law	13,534	13,575	13,477	98	123
Legislative Branch	40,946	40,963	40,963	-	172
Local Affairs	21,655	22,478	22,252	226	5
Military and Veterans Affairs	8,186	8,245	7,775	470	-
Natural Resources	26,226	26,309	26,272	37	8
Personnel & Administration	6,709	8,293	7,586	707	1,450
Public Health and Environment	63,894	62,405	60,018	2,387	447
Public Safety	133,598	134,566	126,279	8,287	1,191
Regulatory Agencies	6,033	6,035	6,035	-	6
Revenue	213,934	215,871	212,893	2,978	191
State	-	-	-	-	37
Transportation	700	206	206	-	-
Treasury	105,182	125,227	124,080	1,147	84
TOTAL ACTUAL BUDGET AND EXPENDITURES	9,015,745	9,090,180	9,053,219	$ 36,961	$ 6,691
Variance Between Actual and Estimated Budgets	(68,150)	72,357	-		
TOTAL ESTIMATED BUDGET	8,947,595	9,162,537	9,053,219		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	653,405	459,763	587,861		
EXCESS AUGMENTING REVENUES			6,691		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	16,500	65,600	51,290		
Transfers-Out To Various Cash Funds	(58,400)	(40,600)	(42,234)		
Transfer-Out to Capital Projects - General Fund	(225,000)	(248,000)	(248,002)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to the State Education Fund	(25,300)	(25,300)	(25,321)		
TOTAL TRANSFERS	(292,700)	(248,800)	(264,767)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	360,705	210,963	329,785		
BEGINNING GENERAL FUND SURPLUS	-	25,000	25,000		
Release of Prior Year Statutory Reserve (5.0%)	410,900	410,900	410,935		
Establish Current Year Statutory Reserve (6.5%)	(569,900)	(576,500)	(576,485)		
Release of Contractually Restricted Energy Performance Leases			8,096		
Contractually Restricted Energy Performance Leases			(1,267)		
GAAP Revenues/(Expenditures) Not Budgeted			(5,227)		
Relase of Assigned Prior Year State Controller Approved Rollfowards			7,651		
State Controller Approved Rollfowards			(20,731)		
Proposition AA Refund Restricted Account		(58,000)	(58,000)		
Prior Period Adjustment (see Note 29)			(6,626)		
ENDING GENERAL FUND SURPLUS	$ 201,705	$ 12,363	113,131		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2015-16 for Budget			(111,636)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2015-16 for Budget			(94,477)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2015-16 for Budget			(750)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			88,796		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			2,101		
Restricted			1,267		
Committed			581,844		
Assigned			20,731		
Shortfall in GAAP Basis Statutory Reserve			52,641		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 653,648		

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS

With the implementation of a new financial system, Colorado Operations Resource Engine (CORE), in Fiscal Year 2014-15, the budget schedules are now presented as appropriated and nonappropriated for each category. The appropriated schedules are part of the Required Supplementary Information (RSI) section while the nonappropriated schedules are part of the Supplementary Information (SI) section.

The three budget-to-actual schedules in the RSI show revenues and expenditures that are legislatively appropriated, excluding informational only appropriations that do not require action of the legislature but are included in the appropriations bills for informational purposes only (see pages 159 to 161). These schedules are presented in the budgetary fund structure discussed below.

The budgetary fund types used by the State differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the State that have been designated to support specific expenditures. Federal funds are primarily made up of revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated by the General Assembly.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.
- Pension expense related to unfunded pension liabilities are not recognized on a budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of the State government, with the exception of custodial funds and federal moneys not requiring matching state funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure and institution of higher education capital projects.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 40. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission. In Fiscal Year 2014-15, the Department of Transportation capitalized project expenditures of $410.2 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act and special bills, excluding informational only appropriations. The column titled Final Spending Authority includes the original appropriation and supplemental appropriations of the Legislature.

Spending occurs outside of the legislative appropriations process primarily for custodial purposes, federally-funded activity for which there is no general-purpose revenue matching requirement, statutory transfers, and other miscellaneous budgetary items. Additional budget-to-actual schedules related to nonappropriated activity are included in the Supplementary Section of the Comprehensive Annual Financial Report.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 162) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 159 to 161) and how nonappropriated revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (pages 238 to 240) relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 46 to 63).

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". Additionally, this line item includes some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis.

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments".

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

E. OUTSTANDING ENCUMBRANCES

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

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

A. PROPORTIONATE SHARE OF PENSION LIBILITY AND CONTRIBUTIONS

Proportionate Share:

The State's defined benefit pension plan is administered by the Public Employees' Retirement Association (PERA). The plan is a cost-sharing multiple-employer plan. The schedule below presents the State's (primary government's) proportionate share of the net pension liability for its retirement plan. The amounts presented for each Division for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Additionally, information is not available for fiscal years prior to 2014.

(Amounts In Thousands)

	2015		2014	
	State Division	Judicial Division	State Division	Judicial Division
State's proportion of the net pension liability (asset)	95.85%	93.60%	95.86%	93.44%
State's proportionate Share of Net Pension liability (asset)	$ 9,015,773	$ 129,500	$ 8,539,181	$ 102,756
State's covered-employee payroll	$ 2,530,865	$ 50,596	$ 2,476,598	$ 46,957
State's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	356.23%	255.95%	344.79%	218.83%
Plan fiduciary net position as a percentage of the total pension liability	148.98%	201.98%	156.94%	252.48%

Contributions:

The following schedule presents a ten year history of the State's (primary government's) contribution to PERA for the State and Judicial Divisions:

State Division

(Amounts In Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contributions	$ 466,883	$ 399,955	$ 362,791	$ 272,068	$ 252,727	$ 287,394	$ 272,957	$ 236,155	$ 233,151	$ 186,285
Contributions in relation to the contractually required contributions	(466,883)	(399,955)	(362,791)	(272,068)	(252,727)	(287,394)	(272,957)	(236,155)	(233,151)	(186,285)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered-employee payroll	2,607,999	2,503,941	2,405,633	2,526,097	2,345,730	2,712,631	2,582,169	2,233,019	N/A	N/A
Contributions as a percentage of covered-employee payroll	17.90%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%	N/A	N/A

Judicial Division

(Amounts In Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contributions	$ 7,306	$ 6,259	$ 5,677	$ 4,258	$ 3,955	$ 4,498	$ 4,272	$ 3,696	$ 3,649	$ 2,915
Contributions in relation to the contractually required contributions	(7,306)	(6,259)	(5,677)	(4,258)	(3,955)	(4,498)	(4,272)	(3,696)	(3,649)	(2,915)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered-employee payroll	53,488	39,185	37,647	39,532	36,709	42,451	40,410	34,946	N/A	N/A
Contributions as a percentage of covered-employee payroll	13.66%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%	N/A	N/A

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

The discount rate for the Judicial Division was lowered from 6.66 percent in Calendar Year 2013 to 6.14 percent in Calendar Year 2014 to reflect the change in the Municipal Bond Index from 4.73 percent on the prior measurement date to 3.70 percent on the measurement date.

NOTE RSI-3 – OTHER POSTEMPLOYMENT BENEFIT INFORMATION

As required by GASB Statements No 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other post-employment benefit plans.

Under the standards, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 19 on page 110 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:							
2014-15	7/1/2014	$ -	$ 523,409,000	$ 523,409,000	0.0%	$ 1,336,248,000	39.2%
Restated 2013-14	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,253,260,000	32.5%
2012-13	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
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%
Colorado State University:							
RMPR							
2014-15	1/1/2015	$ 36,988,354	$ 36,252,781	$ (735,573)	102.0%	$ 305,287,641	-0.2%
2013-14[2]	1/1/2014	$ 36,329,003	$ 34,013,693	$ (2,315,310)	106.8%	$ 285,017,218	-0.8%
2012-13	7/1/2012	$ -	$ 31,062,884	$ 31,062,884	0.0%	$ 259,316,500	12.0%
RMPS							
2014-15	1/1/2015	$ 21,554,455	$ 51,483,575	$ 29,929,120	41.9%	N/A	N/A
2013-14[2]	1/1/2014	$ 19,696,918	$ 50,077,254	$ 30,380,336	39.3%	N/A	N/A
2012-13	7/1/2012	$ -	$ 45,849,293	$ 45,849,293	0.0%	N/A	N/A
URX							
2014-15	1/1/2015	$ 581,396	$ 2,749,825	$ 2,168,429	21.1%	N/A	N/A
2013-14[2]	1/1/2014	$ 497,968	$ 2,840,945	$ 2,342,977	17.5%	N/A	N/A
2012-13	7/1/2012	$ -	$ 2,556,178	$ 2,556,178	0.0%	N/A	N/A
LTD							
2014-15	1/1/2015	$ 7,506,099	$ 12,016,221	$ 4,510,122	62.5%	N/A	N/A
2013-14[2]	1/1/2014	$ 5,350,150	$ 11,569,893	$ 6,219,743	46.2%	N/A	N/A
2012-13	7/1/2012	$ -	$ 15,465,978	$ 15,465,978	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.

[2] In Fiscal Year 2013-14, Colorado State University transferred assets into a qualified trust for its RMPR, RMPS, URX and LTD plans.

Colorado State University's Statements of Net Positions and Statements of Changes in Plan Net Position, and Schedule of Employer Contributions are presented below.

Colorado State University
Post Employment Benefit Plan Statements
As of and for the Period Ended June 30, 2015

	RMPR	RMPS	URX	LTD
STATEMENT OF PLAN NET POSITION				
Assets:				
Cash and Pooled Cash	$ 36,984,662	$ 21,552,304	$ 581,338	$ 7,391,426
Employee Receivables	-	-	-	113,924
Interest and Dividend Receivables	3,691	2,151	58	749
Liabilities:				
Accrued Payables	308	178	5	62
Total Net Position	$ 36,988,045	$ 21,554,277	$ 581,391	$ 7,506,037
STATEMENT OF CHANGES IN PLAN NET POSITION				
Additions:				
Contributions from Employers	$ 1,367,706	$ 3,041,052	$ 176,549	$ 1,813,213
Contributions from Members	-	-	27,588	1,346,183
Net Investment Income from Interest and Dividends	40,813	22,756	602	7,194
Net Investment Income from Investment Expense	(3,805)	(2,120)	(56)	(667)
Deductions:				
Benefits & Refunds Paid to Members & Beneficiaries	708,480	1,193,505	$ 71,842	$ 948,892
Administrative Expense	37,192	10,824	49,418	61,144
Change in Net Position	$ 659,042	$ 1,857,359	$ 83,423	$ 2,155,887
Net Position - Fiscal Year Beginning	36,329,003	19,696,918	$ 497,968	$ 5,350,150
Net Position - Fiscal Year Ending	$ 36,988,045	$ 21,554,277	$ 581,391	$ 7,506,037
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
Annual Required Contribution	$ 1,368,284	$ 3,040,231	$ 176,890	$ 1,209,439
Percent Contributed	100.0%	100.0%	99.8%	261.2%

SUPPLEMENTARY INFORMATION

GENERAL FUND COMPONENTS

GENERAL PURPOSE REVENUE

This fund is the general operating fund for state operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes.

SPECIAL PURPOSE REVENUE

The State Public School fund is a statutory fund that distributes substantially all of its resources to school districts each year, most of the funds' resources are transfers into the fund from the General Purpose Revenue Fund.

The Risk Management fund accounts for the State's liability, property, and worker's compensation insurance activities; its revenues are primarily from charges to State agencies.

The Other Special Purpose Fund comprises all other funds without sufficient original source revenues to qualify as Special Revenue Funds. Included in this category is the Building Excellent Schools Tomorrow (BEST) program that provides grants and funds for public school construction, Lottery proceeds held by the Division of Parks and Wildlife for parks and outdoor recreation projects, the Charter School Institute, as well as over thirty smaller funds.

COMBINING BALANCE SHEET
GENERAL FUND COMPONENTS
JUNE 30, 2015

		SPECIAL PURPOSE FUNDS			
(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	STATE PUBLIC SCHOOL	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	TOTAL
ASSETS:					
Cash and Pooled Cash	$ 197,811	$ 4,178	$ 19,326	$ 91,708	$ 313,023
Taxes Receivable, net	1,367,281	-	-	-	1,367,281
Other Receivables, net	293,517	-	77	910	294,504
Due From Other Governments	749,761	7,254	-	46	757,061
Due From Other Funds	44,475	-	-	42,310	86,785
Due From Component Units	135	-	-	-	135
Inventories	8,894	-	-	-	8,894
Prepaids, Advances and Deposits	41,564	-	57	2	41,623
Restricted Assets:					
Restricted Cash and Pooled Cash	4	(2,449)	-	344,951	342,506
Restricted Receivables	-	-	-	172	172
Investments	7,722	-	-	83,930	91,652
TOTAL ASSETS	$ 2,711,164	$ 8,983	$ 19,460	$ 564,029	$ 3,303,636
LIABILITIES:					
Tax Refunds Payable	$ 652,110	$ -	$ -	$ -	$ 652,110
Accounts Payable and Accrued Liabilities	906,075	14	326	27,831	934,246
TABOR Refund Liability (Note 8B)	173,346	-	-	-	173,346
Due To Other Governments	74,171	-	-	23,583	97,754
Due To Other Funds	37,853	-	-	13,301	51,154
Unearned Revenue	24,173	-	5	31	24,209
Claims and Judgments Payable	398	-	-	-	398
Other Current Liabilities	11,062	-	-	-	11,062
Deposits Held In Custody For Others	4	-	-	-	4
TOTAL LIABILITIES	1,879,192	14	331	64,746	1,944,283
DEFERRED INFLOW OF RESOURCES:	178,324	5,641	-	-	183,965
FUND BALANCES:					
Nonspendable:					
Inventories	8,894	-	-	-	8,894
Prepaids	40,912	-	57	2	40,971
Restricted	1,267	(837)	-	398,518	398,948
Committed	581,844	4,165	19,072	100,763	705,844
Assigned	20,731	-	-	-	20,731
TOTAL FUND BALANCES	653,648	3,328	19,129	499,283	1,175,388
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,711,164	$ 8,983	$ 19,460	$ 564,029	$ 3,303,636

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GENERAL FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2015

(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	$ 5,888,042	$ -	$ -	$ -	$ 5,888,042
Corporate Income	635,115	-	-	-	635,115
Sales and Use	2,706,875	-	-	-	2,706,875
Excise	97,161	-	-	-	97,161
Other Taxes	273,670	-	-	-	273,670
Licenses, Permits, and Fines	13,906	-	-	1,998	15,904
Charges for Goods and Services	15,354	-	62,003	228	77,585
Rents	283	-	-	7	290
Investment Income (Loss)	10,225	44	178	5,394	15,841
Federal Grants and Contracts	7,082,973	-	-	7,872	7,090,845
Other	146,335	2,068	941	17,787	167,131
TOTAL REVENUES	16,869,939	2,112	63,122	33,286	16,968,459
EXPENDITURES:					
Current:					
General Government	154,291	-	64,618	3,176	222,085
Business, Community, and Consumer Affairs	173,417	-	-	11,520	184,937
Education	703,671	952	-	3,930	708,553
Health and Rehabilitation	593,594	-	-	1,188	594,782
Justice	1,313,231	-	-	51	1,313,282
Natural Resources	35,485	-	-	-	35,485
Social Assistance	7,797,790	-	-	11,573	7,809,363
Capital Outlay	38,290	-	-	162,095	200,385
Intergovernmental:					
Cities	32,442	-	-	35,098	67,540
Counties	1,233,650	-	-	12,653	1,246,303
School Districts	678,129	3,204,903	-	153,340	4,036,372
Special Districts	50,034	-	-	16,135	66,169
Federal	10	-	-	-	10
Other	25,366	-	-	81	25,447
Debt Service	7,676	-	-	43,187	50,863
TOTAL EXPENDITURES	12,837,076	3,205,855	64,618	454,027	16,561,576
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,032,863	(3,203,743)	(1,496)	(420,741)	406,883
OTHER FINANCING SOURCES (USES):					
Transfers-In	140,111	3,274,286	-	357,999	3,772,396
Transfers-Out	(3,820,196)	(86,550)	(1,300)	(32,827)	(3,940,873)
Face Amount of Bond/COP Issuance	68	-	-	-	68
Insurance Recoveries	91	-	8,411	-	8,502
Bond/COP Refunding Proceeds	11	-	-	-	11
TOTAL OTHER FINANCING SOURCES (USES)	(3,679,915)	3,187,736	7,111	325,172	(159,896)
NET CHANGE IN FUND BALANCES	352,948	(16,007)	5,615	(95,569)	246,987
FUND BALANCE, FISCAL YEAR BEGINNING	307,326	19,335	13,514	594,852	935,027
Prior Period Adjustment (See Note 29A)	(6,626)	-	-	-	(6,626)
FUND BALANCE, FISCAL YEAR END	$ 653,648	$ 3,328	$ 19,129	$ 499,283	$ 1,175,388

CAPITAL PROJECTS FUND COMPONENTS

REGULAR CAPITAL PROJECTS	This fund accounts for projects that are either fully or partially funded with general-purpose revenue that is transferred from the General Purpose Revenue Fund. It also includes cash-funded or mixed funded projects.
SPECIAL CAPITAL PROJECTS	This fund accounts for certain projects that are not funded with any general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Center, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects.

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND COMPONENTS
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
ASSETS:			
Cash and Pooled Cash	$ 335,507	$ 5,096	$ 340,603
Other Receivables, net	18	-	18
Due From Other Governments	189	-	189
Due From Other Funds	-	6,284	6,284
Investments	-	3,808	3,808
Other Long-Term Assets	60	-	60
TOTAL ASSETS	$ 335,774	$ 15,188	$ 350,962
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 7,572	$ 3,535	$ 11,107
Due To Other Funds	2,869	306	3,175
TOTAL LIABILITIES	10,441	3,841	14,282
Restricted	-	5	5
Committed	325,333	11,342	336,675
TOTAL FUND BALANCES	325,333	11,347	336,680
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 335,774	$ 15,188	$ 350,962

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CAPITAL PROJECTS FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
REVENUES:			
Taxes:			
Other Taxes	$ 965	$ -	$ 965
Licenses, Permits, and Fines	12	-	12
Investment Income (Loss)	4,488	52	4,540
Federal Grants and Contracts	747	6,259	7,006
Other	297	-	297
TOTAL REVENUES	6,509	6,311	12,820
EXPENDITURES:			
Current:			
General Government	3,224	306	3,530
Business, Community, and Consumer Affairs	938	-	938
Education	2,339	172	2,511
Health and Rehabilitation	44	-	44
Justice	4,792	126	4,918
Social Assistance	1,020	67	1,087
Capital Outlay	34,696	4,148	38,844
Debt Service	3,637	-	3,637
TOTAL EXPENDITURES	50,690	4,819	55,509
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44,181)	1,492	(42,689)
OTHER FINANCING SOURCES (USES):			
Transfers-In	261,905	6,453	268,358
Transfers-Out	(155,369)	(8,216)	(163,585)
Insurance Recoveries	427	183	610
TOTAL OTHER FINANCING SOURCES (USES)	106,963	(1,580)	105,383
NET CHANGE IN FUND BALANCES	62,782	(88)	62,694
FUND BALANCE, FISCAL YEAR BEGINNING	262,551	11,435	273,986
FUND BALANCE, FISCAL YEAR END	$ 325,333	$ 11,347	$ 336,680

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, 2015

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 1,065,719	$ -	$ -	$ 1,065,719
Taxes Receivable, net	40,977	-	-	40,977
Other Receivables, net	100,848	-	11,760	112,608
Due From Other Governments	27,986	340	23	28,349
Due From Other Funds	13,192	-	-	13,192
Inventories	190	-	-	190
Prepaids, Advances and Deposits	4,468	-	6	4,474
Restricted Assets:				
Restricted Cash and Pooled Cash	68,351	218	124,897	193,466
Restricted Investments	25,136	-	736,004	761,140
Investments	128,664	55,976	-	184,640
Other Long-Term Assets	17,002	-	27,962	44,964
Land and Nondepreciable Capital Assets	81	-	62,063	62,144
Depreciable Capital Assets for Investment	-	-	20,778	20,778
TOTAL ASSETS	$ 1,492,614	$ 56,534	$ 983,493	$ 2,532,641
LIABILITIES:				
Tax Refunds Payable	$ 699	$ -	$ -	$ 699
Accounts Payable and Accrued Liabilities	130,294	-	3,118	133,412
Due To Other Governments	19,530	-	21	19,551
Due To Other Funds	38,119	-	86	38,205
Unearned Revenue	42,390	-	11	42,401
Claims and Judgments Payable	89	-	-	89
Other Current Liabilities	3,995	-	-	3,995
Deposits Held In Custody For Others	135	-	-	135
TOTAL LIABILITIES	235,251	-	3,236	238,487
DEFERRED INFLOW OF RESOURCES:	913	-	543	1,456
FUND BALANCES:				
Inventories	190	-	-	190
Permanent Fund Principal	-	-	971,676	971,676
Prepaids	4,468	-	6	4,474
Restricted	178,695	56,534	-	235,229
Committed	1,073,097	-	8,032	1,081,129
Unassigned	-	-	-	-
TOTAL FUND BALANCES	1,256,450	56,534	979,714	2,292,698
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,492,614	$ 56,534	$ 983,493	$ 2,532,641

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 50,741	$ -	$ -	$ 50,741
Excise	170,955	-	-	170,955
Other Taxes	158,892	-	-	158,892
Licenses, Permits, and Fines	420,137	-	-	420,137
Charges for Goods and Services	662,228	-	84	662,312
Rents	5,062	-	191,580	196,642
Investment Income (Loss)	14,571	485	24,072	39,128
Federal Grants and Contracts	195,876	-	211	196,087
Additions to Permanent Funds	-	-	401	401
Unclaimed Property Receipts	60,883	-	-	60,883
Other	39,065	-	1,307	40,372
TOTAL REVENUES	1,778,410	485	217,655	1,996,550
EXPENDITURES:				
Current:				
General Government	25,554	-	-	25,554
Business, Community, and Consumer Affairs	269,795	-	-	269,795
Education	27,763	-	-	27,763
Health and Rehabilitation	93,870	-	-	93,870
Justice	212,604	-	-	212,604
Natural Resources	2,852	-	12,180	15,032
Social Assistance	815,324	-	-	815,324
Transportation	2,808	-	-	2,808
Capital Outlay	4,011	-	213	4,224
Intergovernmental:				
Cities	67,072	-	-	67,072
Counties	92,945	-	27	92,972
School Districts	42,802	-	-	42,802
Special Districts	13,076	-	-	13,076
Federal	332	-	-	332
Other	43,275	-	-	43,275
Debt Service	1,425	213,574	-	214,999
TOTAL EXPENDITURES	1,715,508	213,574	12,420	1,941,502
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	62,902	(213,089)	205,235	55,048
OTHER FINANCING SOURCES (USES):				
Transfers-In	230,280	224,871	809	455,960
Transfers-Out	(209,637)	-	(111,414)	(321,051)
Sale of Capital Assets	-	-	3,341	3,341
Insurance Recoveries	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	20,643	224,871	(107,264)	138,250
NET CHANGE IN FUND BALANCES	83,545	11,782	97,971	193,298
FUND BALANCE, FISCAL YEAR BEGINNING	1,172,905	44,752	881,743	2,099,400
FUND BALANCE, FISCAL YEAR END	$ 1,256,450	$ 56,534	$ 979,714	$ 2,292,698

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 232 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, 2015

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION
ASSETS:			
Cash and Pooled Cash	$ 126,091	$ 132,400	$ 99,275
Taxes Receivable, net	14,782	11,617	11,715
Other Receivables, net	16,609	146	45,376
Due From Other Governments	2,657	4	11,275
Due From Other Funds	-	1,583	-
Inventories	-	1	-
Prepaids, Advances and Deposits	24	39	48
Restricted Cash and Pooled Cash	57,864	10,487	-
Restricted Investments	25,136	-	-
Investments	6,252	-	-
Other Long-Term Assets	-	9,426	-
Land and Nondepreciable Capital Assets	-	-	-
TOTAL ASSETS	$ 249,415	$ 165,703	$ 167,689
LIABILITIES:			
Tax Refunds Payable	$ -	$ -	$ 1
Accounts Payable and Accrued Liabilities	20,722	6,722	37,197
Due To Other Governments	-	19,215	183
Due To Other Funds	6,997	21,561	4,719
Unearned Revenue	-	811	-
Claims and Judgments Payable	77	-	-
Other Current Liabilities	1,302	-	-
Deposits Held In Custody For Others	-	6	-
TOTAL LIABILITIES	29,098	48,315	42,100
DEFERRED INFLOW OF RESOURCES:	-	-	110
FUND BALANCES:			
Inventories	-	1	-
Prepaids	24	39	48
Restricted	83,000	37,166	20,130
Committed	137,293	80,182	105,301
TOTAL FUND BALANCES	220,317	117,388	125,479
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 249,415	$ 165,703	$ 167,689

RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ 15,326	$ 169,167	$ 102,856	$ 420,604	$ 1,065,719
-	-	-	2,863	40,977
11	24,531	1,147	13,028	100,848
-	1,958	-	12,092	27,986
-	4,150	-	7,459	13,192
-	188	-	1	190
-	75	23	4,259	4,468
-	-	-	-	68,351
-	-	-	-	25,136
-	-	122,412	-	128,664
-	-	-	7,576	17,002
-	-	-	81	81
$ 15,337	$ 200,069	$ 226,438	$ 467,963	$ 1,492,614
$ -	$ -	$ -	$ 698	$ 699
727	19,335	1,694	43,897	130,294
-	-	-	132	19,530
37	3,587	2	1,216	38,119
-	3,706	-	37,873	42,390
-	-	-	12	89
-	15	-	2,678	3,995
-	-	-	129	135
764	26,643	1,696	86,635	235,251
-	-	-	803	913
-	188	-	1	190
-	75	23	4,259	4,468
3,103	6,798	-	28,498	178,695
11,470	166,365	224,719	347,767	1,073,097
14,573	173,426	224,742	380,525	1,256,450
$ 15,337	$ 200,069	$ 226,438	$ 467,963	$ 1,492,614

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION
REVENUES:			
Taxes:			
Sales and Use	$ -	$ -	$ -
Excise	-	-	144,178
Other Taxes	45,399	110,106	-
Licenses, Permits, and Fines	1,448	592	86,918
Charges for Goods and Services	226	1,466	931
Rents	-	544	-
Investment Income (Loss)	1,292	1,915	707
Federal Grants and Contracts	16,689	-	79,014
Unclaimed Property Receipts	-	-	-
Other	94	1,054	3,142
TOTAL REVENUES	65,148	115,677	314,890
EXPENDITURES:			
Current:			
General Government	655	27	27
Business, Community, and Consumer Affairs	64,279	37,304	-
Education	-	16,862	1,141
Health and Rehabilitation	-	82	28,737
Justice	55,147	-	-
Natural Resources	-	-	-
Social Assistance	-	-	204,370
Transportation	-	-	-
Capital Outlay	100	142	16
Intergovernmental:			
Cities	2,007	16,086	1,322
Counties	4,558	15,382	27,105
School Districts	571	228	36,990
Special Districts	5,347	188	-
Federal	43	-	-
Other	5,201	708	5,995
Debt Service	-	-	-
TOTAL EXPENDITURES	137,908	87,009	305,703
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(72,760)	28,668	9,187
OTHER FINANCING SOURCES (USES):			
Transfers-In	-	23,169	32,194
Transfers-Out	(3,414)	(50,383)	(26,200)
TOTAL OTHER FINANCING SOURCES (USES)	(3,414)	(27,214)	5,994
NET CHANGE IN FUND BALANCES	(76,174)	1,454	15,181
FUND BALANCE, FISCAL YEAR BEGINNING	296,491	114,809	110,298
Prior Period Adjustment (See Note 29A)	-	1,125	-
FUND BALANCE, FISCAL YEAR END	$ 220,317	$ 117,388	$ 125,479

RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ -	$ 50,741	$ 50,741
-	-	-	26,777	170,955
-	-	-	3,387	158,892
214	43,149	-	287,816	420,137
1,415	608,293	1	49,896	662,228
-	2	-	4,516	5,062
123	1,651	5,458	3,425	14,571
-	1,921	-	98,252	195,876
-	-	60,883	-	60,883
587	3,300	127	30,761	39,065
2,339	658,316	66,469	555,571	1,778,410
-	402	2,499	21,944	25,554
115	1,264	1,850	164,983	269,795
-	-	-	9,760	27,763
-	53,416	-	11,635	93,870
-	18,209	-	139,248	212,604
2,852	-	-	-	2,852
-	579,929	-	31,025	815,324
-	121	-	2,687	2,808
109	1,060	638	1,946	4,011
774	5,752	9	41,122	67,072
1,733	4,849	-	39,318	92,945
-	352	-	4,661	42,802
307	3,368	149	3,717	13,076
-	109	30	150	332
6	1,726	17	29,622	43,275
-	-	-	1,425	1,425
5,896	670,557	5,192	503,243	1,715,508
(3,557)	(12,241)	61,277	52,328	62,902
-	35,622	-	139,295	230,280
(116)	(5,226)	(21,968)	(102,330)	(209,637)
(116)	30,396	(21,968)	36,965	20,643
(3,673)	18,155	39,309	89,293	83,545
18,246	155,271	185,433	292,357	1,172,905
-	-	-	(1,125)	-
$ 14,573	$ 173,426	$ 224,742	$ 380,525	$ 1,256,450

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, 2015

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 11,760	$ -	$ 11,760
Due From Other Governments	-	23	23
Prepaids, Advances and Deposits	6	-	6
Restricted Assets:			
Restricted Cash and Pooled Cash	116,888	8,009	124,897
Restricted Investments	736,004	-	736,004
Other Long-Term Assets	27,962	-	27,962
Land and Nondepreciable Capital Assets	62,063	-	62,063
Capital Assets Held as Investments	20,778	-	20,778
TOTAL ASSETS	$ 975,461	$ 8,032	$ 983,493
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 3,118	$ -	$ 3,118
Due To Other Governments	21	-	21
Due To Other Funds	86	-	86
Unearned Revenue	11	-	11
TOTAL LIABILITIES	3,236	-	3,236
DEFERRED INFLOW OF RESOURCES:	543	-	543
FUND BALANCES:			
Reserved for:			
Nonspendable:			
Permanent Fund Principal	971,676	-	971,676
Prepaids	6	-	6
Committed	-	8,032	8,032
TOTAL FUND BALANCES	971,682	8,032	979,714
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 975,461	$ 8,032	$ 983,493

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Charges for Goods and Services	$ 84	$ -	$ 84
Rents	191,580	-	191,580
Investment Income (Loss)	24,007	65	24,072
Federal Grants and Contracts	-	211	211
Additions to Permanent Funds	401	-	401
Other	1,304	3	1,307
TOTAL REVENUES	217,376	279	217,655
EXPENDITURES:			
Current:			
General Government	-	-	-
Natural Resources	12,180	-	12,180
Capital Outlay	213	-	213
Intergovernmental:			
Counties	27	-	27
TOTAL EXPENDITURES	12,420	-	12,420
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	204,956	279	205,235
OTHER FINANCING SOURCES (USES):			
Transfers-In	809	-	809
Transfers-Out	(111,132)	(282)	(111,414)
Sale of Capital Assets	3,341	-	3,341
TOTAL OTHER FINANCING SOURCES (USES)	(106,982)	(282)	(107,264)
NET CHANGE IN FUND BALANCES	97,974	(3)	97,971
FUND BALANCE, FISCAL YEAR BEGINNING	873,708	8,035	881,743
FUND BALANCE, FISCAL YEAR END	$ 971,682	$ 8,032	$ 979,714

OTHER ENTERPRISE FUNDS

These funds account for operations of State agencies that provide a majority of their services to the public on a user charge basis; most of them have been designated by statute as enterprises. The major activities in these funds are:

PARKS AND WILDLIFE	Expenses of this fund are to preserve the State's parks, wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
COLLEGE ASSIST	This fund records the activities of College Assist, which guarantees Colorado and certain nationwide loans made by private lending institutions in compliance with operating agreements with the U.S. Department of Education to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government.
STATE FAIR AUTHORITY	The State Fair Authority operates the Colorado State Fair, and other events, at the State fairgrounds in Pueblo.
CORRECTIONAL INDUSTRIES	This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the State prison system.
STATE NURSING HOMES	This activity is for nursing home and retirement care provided to the elderly at the State facilities at Fitzsimons, Homelake, Walsenburg, Florence, and Rifle.
PRISON CANTEENS	This activity accounts for the various canteen operations in the State's prison system.
PETROLEUM STORAGE TANK	This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.
TRANSPORTATION ENTERPRISE	This fund consists of the Bridge Enterprise and the High Performance Transportation Enterprise in the Department of Transportation. The bridge and highway construction activity is financed through bond issuances and user fees. Before Fiscal Year 2010-11 these enterprises were reported as Other Enterprises.
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities includes the State and Collegeinvest. The State includes the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in State buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at State museums; and various smaller enterprise operations.

COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY	CORRECTIONAL INDUSTRIES
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 65,072	$ 67,589	$ -	$ 4,366
Investments	-	-	-	-
Student and Other Receivables, net	21,594	213	45	1,632
Due From Other Governments	5,648	1,341	-	427
Due From Other Funds	3,182	-	238	2,111
Inventories	1,062	-	-	14,838
Prepaids, Advances and Deposits	4,926	29	147	-
Total Current Assets	101,484	69,172	430	23,374
Noncurrent Assets:				
Restricted Cash and Pooled Cash	34,000	10,787	-	-
Restricted Receivables	-	31,609	-	-
Investments	-	-	-	-
Other Long-Term Assets	-	-	-	1,779
Depreciable Capital Assets and Infrastructure, net	162,977	324	12,118	3,932
Land and Nondepreciable Capital Assets	364,235	-	859	920
Total Noncurrent Assets	561,212	42,720	12,977	6,631
TOTAL ASSETS	662,696	111,892	13,407	30,005
DEFERRED OUTFLOW OF RESOURCES:	10,321	249	357	2,114
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	17,420	336	193	5,124
Due To Other Governments	-	21,069	-	-
Due To Other Funds	549	-	1,256	-
Unearned Revenue	36,402	168	488	220
Compensated Absences Payable	278	-	-	56
Leases Payable	-	-	78	-
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	20	5,145	3	-
Total Current Liabilities	54,669	26,718	2,018	5,400
Noncurrent Liabilities:				
Due to Other Funds	9,061	-	-	-
Accrued Compensated Absences	6,185	151	131	1,250
Capital Lease Payable	-	-	1,148	-
Notes, Bonds, and COPs Payable	-	-	-	-
Net Pension Liability	213,229	5,012	6,835	29,999
Other Long-Term Liabilities	-	-	-	-
Total Noncurrent Liabilities	228,475	5,163	8,114	31,249
TOTAL LIABILITIES	283,144	31,881	10,132	36,649
DEFERRED INFLOW OF RESOURCES:	2,425	535	1	2
NET POSITION:				
Net investment in Capital Assets:	527,212	324	11,751	4,853
Restricted for:				
Debt Service	-	-	-	-
Emergencies	34,000	-	-	-
Other Purposes	65,961	22,725	-	-
Unrestricted	(239,725)	56,676	(8,121)	(9,385)
TOTAL NET POSITION	$ 387,448	$ 79,725	$ 3,630	$ (4,532)

STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 19,255	$ 4,492	$ 2,670	$ 327,915	$ 41,513	$ 532,872
563	-	-	-	65	628
2,296	215	4,254	8,632	870	39,751
3,362	-	-	4,392	275	15,445
-	-	-	-	-	5,531
210	613	-	-	188	16,911
-	-	-	10	250	5,362
25,686	5,320	6,924	340,949	43,161	616,500
-	-	-	2,085	112	46,984
-	-	-	-	-	31,609
-	-	-	37,076	14,773	51,849
-	-	-	-	-	1,779
31,822	1,647	186	367,765	12,061	592,832
8,839	-	-	380,667	4,143	759,663
40,661	1,647	186	787,593	31,089	1,484,716
66,347	6,967	7,110	1,128,542	74,250	2,101,216
6,455	310	352	1,079	1,543	22,780
4,458	791	1,369	61,508	8,083	99,282
950	-	7	-	-	22,026
-	-	-	-	50	1,855
9	-	-	129,907	34	167,228
236	-	6	-	377	953
343	-	-	-	-	421
490	-	-	-	484	974
-	-	-	-	18	5,186
6,486	791	1,382	191,415	9,046	297,925
-	-	-	4,000	-	13,061
1,718	253	787	32	599	11,106
3,114	-	-	-	-	4,262
1,029	-	-	325,000	4,800	330,829
82,364	6,919	7,348	12,079	18,950	382,735
-	-	-	54,000	-	54,000
88,225	7,172	8,135	395,111	24,349	795,993
94,711	7,963	9,517	586,526	33,395	1,093,918
3,271	1	1,036	1,991	114	9,376
35,669	1,647	186	448,498	10,921	1,041,061
-	-	-	21,210	-	21,210
-	-	-	-	-	34,000
-	-	-	-	-	88,686
(60,849)	(2,334)	(3,277)	71,396	31,364	(164,255)
$ (25,180)	$ (687)	$ (3,091)	$ 541,104	$ 42,285	$ 1,020,702

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY	CORRECTIONAL INDUSTRIES
OPERATING REVENUES:				
License and Permits	$ 105,278	$ -	$ -	$ -
Tuition and Fees	-	-	-	-
Sales of Goods and Services	3,859	-	6,517	46,227
Investment Income (Loss)	-	6,341	-	-
Rental Income	-	-	645	-
Federal Grants and Contracts	31,344	334,629	-	2,085
Intergovernmental Revenue	24,060	-	11	1
Other	4,267	2,987	-	239
TOTAL OPERATING REVENUES	168,808	343,957	7,173	48,552
OPERATING EXPENSES:				
Salaries and Fringe Benefits	98,036	38,144	5,087	14,585
Operating and Travel	79,134	286,708	3,924	7,770
Cost of Goods Sold	268	-	-	26,873
Depreciation and Amortization	8,543	84	825	418
Intergovernmental Distributions	5,269	-	-	-
Debt Service	-	13,576	-	-
Prizes and Awards	16	-	895	-
TOTAL OPERATING EXPENSES	191,266	338,512	10,731	49,646
OPERATING INCOME (LOSS)	(22,458)	5,445	(3,558)	(1,094)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	351	-	-	-
Investment Income (Loss)	1,034	-	1,122	101
Rental Income	10,494	-	-	220
Gifts and Donations	754	-	256	4
Gain/(Loss) on Sale or Impairment of Capital Assets	586	-	-	-
Insurance Recoveries from Prior Year Impairments	6,342	-	-	-
Debt Service	(79)	-	(47)	-
Other Expenses	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	19,482	-	1,331	325
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,976)	5,445	(2,227)	(769)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	966	-	378	-
Transfers-In	19,682	-	1,318	-
Transfers-Out	(6,856)	(66)	(113)	(691)
TOTAL CONTRIBUTIONS AND TRANSFERS	13,792	(66)	1,583	(691)
CHANGE IN NET POSITION	10,816	5,379	(644)	(1,460)
NET POSITION - FISCAL YEAR BEGINNING	576,409	79,774	10,481	23,497
Accounting Changes (See Note 29B)	(199,777)	(5,428)	(6,207)	(26,569)
NET POSITION - FISCAL YEAR ENDING	$ 387,448	$ 79,725	$ 3,630	$ (4,532)

STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ 742	$ -	$ 12,512	118,532
-	-	-	-	662	662
27,441	19,181	10	98,745	2,940	204,920
-	-	-	-	423	6,764
-	-	-	-	1,014	1,659
26,557	-	-	16,108	953	411,676
240	-	-	4,759	-	29,071
193	29	12	19	362	8,108
54,431	19,210	764	119,631	18,866	781,392
37,997	3,952	13,849	12,757	7,508	231,915
10,258	1,223	26,042	(6,226)	10,305	419,138
-	13,140	-	-	143	40,424
2,250	164	-	4,576	715	17,575
4,839	-	-	-	-	10,108
-	-	-	-	-	13,576
-	1	-	-	-	912
55,344	18,480	39,891	11,107	18,671	733,648
(913)	730	(39,127)	108,524	195	47,744
-	-	39,267	-	-	39,267
-	-	-	-	37	388
161	62	38	3,477	50	6,045
2	-	-	-	-	10,716
-	-	-	2,886	304	4,204
(8)	-	-	(168)	(47)	363
128	-	-	-	-	6,470
(189)	-	-	(12,276)	(401)	(12,992)
(3)	-	-	(408)	-	(411)
91	62	39,305	(6,489)	(57)	54,050
(822)	792	178	102,035	138	101,794
-	-	-	-	-	1,344
1,241	-	-	-	-	22,241
(1,857)	(77)	-	-	(34,379)	(44,039)
(616)	(77)	-	-	(34,379)	(20,454)
(1,438)	715	178	102,035	(34,241)	81,340
53,220	4,993	5,133	452,427	93,139	1,299,073
(76,962)	(6,395)	(8,402)	(13,358)	(16,613)	(359,711)
$ (25,180)	$ (687)	$ (3,091)	$ 541,104	$ 42,285	$ 1,020,702

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ -	$ -	$ -
Fees for Service	94,081	-	4,728
Sales of Products	2,765	-	146
Gifts, Grants, and Contracts	35,817	341,280	-
Loan and Note Repayments	-	-	-
Income from Property	10,494	-	645
Other Sources	31,671	1,662	1,881
Cash Payments to or for:			
Employees	(99,584)	(38,446)	(4,950)
Suppliers	(36,720)	(6,249)	(3,248)
Sales Commissions and Lottery Prizes	(6,728)	-	-
Others for Student Loans and Loan Losses	-	(297,713)	-
Other Governments	(5,269)	-	-
Other	(13,287)	-	(969)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,240	534	(1,767)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	41,567	2,443	1,169
Transfers-Out	(29,216)	(2,510)	(136)
Receipt of Deposits Held in Custody	468	-	-
Release of Deposits Held in Custody	(475)	-	-
Gifts and Grants for Other Than Capital Purposes	754	-	-
NonCapital Debt Proceeds	-	-	-
NonCapital Debt Service Payments	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	13,098	(67)	1,033
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(31,884)	(12)	(263)
Proceeds from Sale of Capital Assets	1,192	-	-
Capital Debt Service Payments	(79)	-	-
Capital Lease Payments	-	-	(125)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(30,771)	(12)	(388)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ -	$ -	$ 662	$ 662
10,997	25,770	-	-	96,315	1,367	233,258
34,542	1,105	19,205	-	-	1,406	59,169
2,076	28,991	-	12	20,990	1,431	430,597
-	-	-	-	-	331	331
220	2	-	-	-	996	12,357
240	263	29	39,454	66,079	8,263	149,542
(14,230)	(37,199)	(3,915)	(14,269)	(13,480)	(6,918)	(232,991)
(34,701)	(5,665)	(14,218)	(3,564)	(18,809)	(7,689)	(130,863)
-	-	-	-	-	(1)	(6,729)
-	-	-	-	-	-	(297,713)
-	(4,914)	-	-	-	-	(10,183)
(45)	(38)	(8)	(24,995)	-	(863)	(40,205)
(901)	8,315	1,093	(3,362)	151,095	(1,015)	167,232
-	2,490	-	-	-	-	47,669
(691)	(3,106)	(77)	-	-	(34,412)	(70,148)
-	-	-	-	-	-	468
-	-	-	-	-	(97)	(572)
4	-	-	-	-	304	1,062
-	-	-	-	25,000	-	25,000
-	(465)	-	-	-	-	(465)
(687)	(1,081)	(77)	-	25,000	(34,205)	3,014
(843)	(792)	-	(4)	(181,172)	(680)	(215,650)
549	93	-	-	-	92	1,926
-	(84)	-	-	(10,089)	(776)	(11,028)
-	(448)	-	-	-	-	(573)
(294)	(1,231)	-	(4)	(191,261)	(1,364)	(225,325)

(Continued)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(Continued)

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	1,111	6,429	1,122
Proceeds from Sale/Maturity of Investments	-	-	-
Purchases of Investments	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(77)	(88)	-
NET CASH FROM INVESTING ACTIVITIES	1,034	6,341	1,122
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(3,399)	6,796	-
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	102,471	71,580	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 99,072	$ 78,376	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH			
PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	(22,459)	5,446	(3,558)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	8,543	84	825
Investment/Rental Income and Other Revenue in Operating Income	-	(6,341)	-
Net Periodic Pension Cost	-	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	17,357	-	256
Compensated Absences	177	(8)	(6)
Interest and Other Expense in Operating Income	10,553	-	(17)
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(14,009)	13,478	(243)
(Increase) Decrease in Inventories	76	-	18
(Increase) Decrease in Other Operating Assets and Deferred Outflows	(10,961)	(261)	(170)
Increase (Decrease) in Accounts Payable	805	(519)	(130)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	23,158	(11,345)	1,258
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 13,240	$ 534	$ (1,767)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	79
Capital Assets Acquired by Grants or Donations and Payable Increases	966	-	299
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	-	-	-
Loss on Disposal of Capital and Other Assets	6	-	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals			

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CDNTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
111	166	61	54	3,677	726	13,457
-	-	-	-	45,004	956	45,960
-	-	-	-	-	(235)	(235)
(10)	(5)	1	(16)	(219)	(258)	(672)
101	161	62	38	48,462	1,189	58,510
(1,781)	6,164	1,078	(3,328)	33,296	(35,395)	3,431
6,147	13,091	3,414	5,998	296,704	77,020	576,425
$ 4,366	$ 19,255	$ 4,492	$ 2,670	$ 330,000	$ 41,625	$ 579,856
(1,094)	(913)	730	(39,127)	108,523	194	$ 47,742
418	2,250	164	-	4,576	715	17,575
-	-	-	-	-	(423)	(6,764)
-	-	-	-	-	-	0
220	127	-	39,267	2,698	37	59,962
27	147	23	149	9	23	541
-	644	-	4	(34,345)	294	(22,867)
(777)	1,732	26	(564)	(2,326)	294	(2,389)
(823)	(3)	11	-	-	30	(691)
(1,977)	(6,391)	(310)	(352)	(1,074)	(1,538)	(23,034)
(355)	2,142	(75)	(2,722)	31,576	6,862	37,584
3,460	8,580	524	(17)	41,458	(7,503)	59,573
$ (901)	$ 8,315	$ 1,093	$ (3,362)	$ 151,095	$ (1,015)	$ 167,232
-		-	-	-	-	79
-		-	-	-	-	1,265
-		-	-	-	64	64
-	8	-	-	168	47	229
	34			4,108	137	4,279

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, 2015

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 7,202	$ 28,876	$ -	$ -
Other Receivables, net	1,046	5,441	47	5
Due From Other Governments	12	316	-	-
Due From Other Funds	-	1,041	-	5
Inventories	511	-	176	178
Prepaids, Advances and Deposits	18	420	-	-
Total Current Assets	8,789	36,094	223	188
Noncurrent Assets:				
Depreciable Capital Assets and Infrastructure, net	65,989	50,883	19,432	208
Land and Nondepreciable Capital Assets	-	992	130	-
Total Noncurrent Assets	65,989	51,875	19,562	208
TOTAL ASSETS	74,778	87,969	19,785	396
DEFERRED OUTFLOW OF RESOURCES:	932	10,824	401	120
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	3,326	27,628	846	2
Due To Other Funds	12	-	138	384
Unearned Revenue	-	5,015	40	-
Compensated Absences Payable	27	244	19	-
Leases Payable	14,595	3,618	1,042	-
Other Current Liabilities	74	-	-	-
Total Current Liabilities	18,034	36,505	2,085	386
Noncurrent Liabilities:				
Accrued Compensated Absences	549	6,850	259	-
Capital Lease Payable	51,552	22,277	14,855	-
Net Pension Liability	18,378	212,306	8,956	2,637
Total Noncurrent Liabilities	70,479	241,433	24,070	2,637
TOTAL LIABILITIES	88,513	277,938	26,155	3,023
DEFERRED INFLOW OF RESOURCES:	838	519	350	49
NET POSITION:				
Net investment in Capital Assets:	(157)	25,980	3,664	208
Unrestricted	(13,484)	(205,644)	(9,983)	(2,764)
TOTAL NET POSITION	$ (13,641)	$ (179,664)	$ (6,319)	$ (2,556)

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 679	$ 775	$ 6,744	$ 1,249	$ 45,525
16	15	11	21	6,602
-	-	-	-	328
-	-	-	-	1,046
-	-	-	-	865
1	-	6	-	445
696	790	6,761	1,270	54,811
588	-	794	-	137,894
-	-	-	-	1,122
588	-	794	-	139,016
1,284	790	7,555	1,270	193,827
160	462	22,667	175	35,741
78	325	2,702	268	35,175
-	-	-	-	534
-	-	-	32	5,087
-	-	155	-	445
-	-	-	-	19,255
-	-	-	-	74
78	325	2,857	300	60,570
-	307	1,630	35	9,630
-	-	-	-	88,684
497	10,555	61,744	3,415	318,488
497	10,862	63,374	3,450	416,802
575	11,187	66,231	3,750	477,372
-	372	5	178	2,311
588	-	794	-	31,077
281	(10,307)	(36,808)	(2,483)	(281,192)
$ 869	$ (10,307)	$ (36,014)	$ (2,483)	$ (250,115)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
OPERATING REVENUES:				
Sales of Goods and Services	$ 62,144	$ 217,869	$ 20	$ 2,018
Rental Income	-	-	11,085	-
Other	798	-	16	-
TOTAL OPERATING REVENUES	62,942	217,869	11,121	2,018
OPERATING EXPENSES:				
Salaries and Fringe Benefits	8,478	138,573	3,766	1,097
Operating and Travel	27,993	82,426	6,262	966
Cost of Goods Sold	7,726	-	48	-
Depreciation and Amortization	15,926	3,672	1,164	48
Intergovernmental Distributions	-	1,128	-	-
Prizes and Awards	-	1	-	-
TOTAL OPERATING EXPENSES	60,123	225,800	11,240	2,111
OPERATING INCOME (LOSS)	2,819	(7,932)	(119)	(93)
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	1	(72)	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(1,034)	(28)	5	-
Debt Service	(1,447)	(379)	(776)	(4)
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,480)	(479)	(771)	(4)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	339	(8,411)	(890)	(97)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	323	-	-	-
Transfers-In	139	1,851	115	-
Transfers-Out	(1,367)	(317)	(1,940)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	(905)	1,534	(1,825)	-
CHANGE IN NET POSITION	(566)	(6,877)	(2,715)	(97)
NET POSITION - FISCAL YEAR BEGINNING	5,050	22,416	5,216	53
Accounting Changes (See Note 29B)	(18,125)	(195,204)	(8,820)	(2,512)
NET POSITION - FISCAL YEAR ENDING	$ (13,641)	$ (179,664)	$ (6,319)	$ (2,556)

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 154	$ 4,253	$ 38,015	$ 4,882	$ 329,355
-	-	-	-	11,085
-	-	-	66	880
154	4,253	38,015	4,948	341,320
339	4,037	40,509	1,855	198,654
185	512	2,772	1,460	122,576
-	-	-	-	7,774
112	1	123	-	21,046
-	-	-	-	1,128
-	-	-	-	1
636	4,550	43,404	3,315	351,179
(482)	(297)	(5,389)	1,633	(9,859)
-	6	72	2	9
-	-	-	-	(1,057)
-	-	(4)	-	(2,610)
-	6	68	2	(3,658)
(482)	(291)	(5,321)	1,635	(13,517)
-	-	-	-	323
351	-	-	-	2,456
-	(230)	(3,274)	(1,272)	(8,400)
351	(230)	(3,274)	(1,272)	(5,621)
(131)	(521)	(8,595)	363	(19,138)
1,247	545	(702)	586	34,411
(247)	(10,331)	(26,717)	(3,432)	(265,388)
$ 869	$ (10,307)	$ (36,014)	$ (2,483)	$ (250,115)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Tuition, Fees, and Student Loans	$ -	$ -	$ -	$ -
Fees for Service	61,633	207,341	20	966
Sales of Products	-	173	-	1,049
Income from Property	-	-	11,088	-
Other Sources	851	5,015	61	-
Cash Payments to or for:				
Employees	(8,817)	(130,002)	(3,913)	(1,119)
Suppliers	(34,729)	(70,740)	(6,112)	(860)
Sales Commissions and Lottery Prizes	-	-	-	-
Other Governments	-	(1,128)	-	-
Other	(32)	(430)	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,906	10,229	1,144	36
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	1,094	1,851	115	-
Transfers-Out	(1,954)	(317)	(1,940)	-
Receipt of Deposits Held in Custody	229	-	-	-
Release of Deposits Held in Custody	(192)	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(823)	1,534	(1,825)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(895)	(14,502)	(107)	(32)
Proceeds from Sale of Capital Assets	1,269	3,161	-	-
Capital Debt Service Payments	(933)	(7,465)	-	(4)
Capital Lease Payments	(16,196)	(7,834)	(1,818)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(16,755)	(26,640)	(1,925)	(36)

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ -	$ -
144	4,241	38,031	4,865	317,241
-	-	2	23	1,247
-	-	-	-	11,088
-	-	-	52	5,979
(272)	(4,185)	(30,212)	(1,975)	(180,495)
(144)	(182)	(272)	(474)	(113,513)
-	-	-	(795)	(795)
-	-	-	-	(1,128)
-	-	-	(20)	(482)
(272)	(126)	7,549	1,676	39,142
351	-	-	-	3,411
-	(230)	(3,274)	(1,272)	(8,987)
-	-	-	-	229
-	-	-	-	(192)
351	(230)	(3,274)	(1,272)	(5,539)
(29)	(8)	(513)	(7)	(16,093)
-	-	-	7	4,437
-	-	(4)	-	(8,406)
-	-	-	-	(25,848)
(29)	(8)	(517)	-	(45,910)

Continued

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(Continued)

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	1	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	(72)	-	-
NET CASH FROM INVESTING ACTIVITIES	1	(72)	-	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	1,329	(14,949)	(2,606)	-
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	5,873	43,825	2,606	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 7,202	$ 28,876	$ -	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 2,819	$ (7,931)	$ (119)	$ (93)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	15,926	3,672	1,164	48
(Gain)/Loss on Disposal of Capital and Other Assets	-	-	5	-
Compensated Absences	66	1,416	32	-
Interest and Other Expense in Operating Income	(57)	6,673	43	-
(Increase) Decrease in Operating Receivables	(455)	(5,462)	2	(5)
(Increase) Decrease in Inventories	(154)	-	74	(62)
(Increase) Decrease in Other Operating Assets and Deferred Outflows	(925)	(6,156)	(401)	(120)
Increase (Decrease) in Accounts Payable	589	1,203	(319)	(74)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	1,097	16,814	663	342
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 18,906	$ 10,229	$ 1,144	$ 36
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	254	-	-	-
Loss on Disposal of Capital and Other Assets	281	28	-	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	1	73	-	-
Assumption of Capital Lease Obligation or Mortgage	24,543	-	-	-

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
-	9	62	1	73
-	(2)	9	1	(64)
-	7	71	2	9
50	(357)	3,829	406	(12,298)
629	1,132	2,915	843	57,823
$ 679	$ 775	$ 6,744	$ 1,249	$ 45,525
$ (482)	$ (297)	$ (5,389)	$ 1,633	$ (9,859)
112	1	123	-	21,046
-	-	-	-	5
-	21	(14)	(7)	1,514
-	8	-	-	6,667
(9)	(11)	19	7	(5,914)
-	-	-	-	(142)
(161)	(462)	(22,654)	(175)	(31,054)
19	19	433	71	1,941
249	595	35,031	147	54,938
$ (272)	$ (126)	$ 7,549	$ 1,676	$ 39,142
-	-	-	-	254
-	-	-	4	313
-	-	-		74
-	-	-	-	24,543

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, 2015

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 11,839	$ 123,630	$ 40,453
Investments	-	-	-
Other Receivables, net	24	-	15,974
Noncurrent Assets:			
Investments:			
Government Securities	-	-	-
Repurchase Agreements	-	-	499
Asset Backed Securities	-	15,313	-
Mutual Funds	-	-	6,176,335
Other Investments	-	-	101,731
TOTAL ASSETS	11,863	138,943	6,334,992
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	$ -	$ -	$ 10,121
Unearned Revenue	-	-	3,338
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	3,298
TOTAL LIABILITIES	-	-	16,757
NET POSITION:			
Held in Trust for:			
Individuals, Organizations, and Other Entities	11,863	138,943	6,318,235
TOTAL NET POSITION	$ 11,863	$ 138,943	$ 6,318,235

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 37	$ -	$ 9,103	$ 185,062
-	-	643	643
-	-	941	16,939
-	11,843	-	11,843
-	-	-	499
-	-	-	15,313
-	-	-	6,176,335
-	-	-	101,731
37	11,843	10,687	6,508,365
$ -	$ -	$ 4,990	$ 15,111
-	-	4,068	7,406
-	-	-	3,298
-	-	9,058	25,815
37	11,843	1,629	6,482,550
$ 37	$ 11,843	$ 1,629	$ 6,482,550

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ADDITIONS:			
Additions By Participants	$ -	$ -	$ 791,120
Investment Income/(Loss)	130	(570)	201,202
Unclaimed Property Receipts	-	38,748	-
Other Additions	821	-	1,143
Transfers-In	6,500	-	-
TOTAL ADDITIONS	7,451	38,178	993,465
DEDUCTIONS:			
Distributions to Participants	-	-	-
Payments in Accordance with Trust Agreements	443	30,416	577,378
Transfers-Out	-	-	-
TOTAL DEDUCTIONS	443	30,416	577,378
CHANGE IN NET POSITION	7,008	7,762	416,087
NET POSITION - FISCAL YEAR BEGINNING	4,855	131,181	5,902,148
NET POSITION - FISCAL YEAR ENDING	$ 11,863	$ 138,943	$ 6,318,235

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 290,869	$ -	$ 10,237	$ 1,092,226
-	1,682	76	202,520
-	-	-	38,748
-	-	1,587	3,551
-	-	-	6,500
290,869	1,682	11,900	1,343,545
290,844	469	-	291,313
-	-	11,751	619,988
-	-	74	74
290,844	469	11,825	911,375
25	1,213	75	432,170
12	10,630	1,554	6,050,380
$ 37	$ 11,843	$ 1,629	$ 6,482,550

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 114,630	$ 1,496,338	$ 1,491,445	$ 119,523
Taxes Receivable, net	145,249	280,477	269,925	155,801
TOTAL ASSETS	$ 259,879	$ 1,776,815	$ 1,761,370	$ 275,324
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	$ -	$ 8,853	$ 6,916	$ 1,937
Due To Other Governments	255,413	1,657,102	1,639,846	272,669
Claims and Judgments Payable	56	828	827	57
Other Long-Term Liabilities	4,410	676	4,425	661
TOTAL LIABILITIES	$ 259,879	$ 1,667,459	$ 1,652,014	$ 275,324

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 157,535	$ 265,107	$ 251,649	$ 170,993
Taxes Receivable, net	6,120	11,637	11,064	6,693
Other Receivables, net	351	4,457	4,264	544
Inventories	6	-	1	5
Other Long-Term Assets	13,689	1,134	2,776	12,047
TOTAL ASSETS	$ 177,701	$ 282,335	$ 269,754	$ 190,282
LIABILITIES:				
Tax Refunds Payable	$ -	$ 449	$ 421	$ 28
Accounts Payable and Accrued Liabilities	1,274	33,369	32,749	1,894
Due To Other Governments	10,623	124,256	123,369	11,510
Due To Other Funds	1,086	14,389	15,475	-
Unearned Revenue	-	290	290	-
Claims and Judgments Payable	90	149	171	68
Other Current Liabilities	163,816	192,265	179,386	176,695
Deposits Held In Custody For Others	514	177	614	77
Other Long-Term Liabilities	298	13	301	10
TOTAL LIABILITIES	$ 177,701	$ 365,357	$ 352,776	$ 190,282

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 427,637	$ 239,762	$ 396,078	$ 271,321
Due From Other Funds	10,520	13,912	10,520	13,912
TOTAL ASSETS	$ 438,157	$ 253,674	$ 406,598	$ 285,233
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 2	$ 129	$ 131	$ -
Other Current Liabilities	435,664	251,237	433,297	253,604
Deposits Held In Custody For Others	2,491	29,158	20	31,629
TOTAL LIABILITIES	$ 438,157	$ 280,524	$ 433,448	$ 285,233

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 699,802	$ 2,001,207	$ 2,139,172	$ 561,837
Taxes Receivable, net	151,369	292,114	280,989	162,494
Contributions Receivable, net				
Other Receivables, net	351	4,457	4,264	544
Due From Other Funds	10,520	13,912	10,520	13,912
Inventories	6	-	1	5
Other Long-Term Assets	13,689	1,134	2,776	12,047
TOTAL ASSETS	$ 875,737	$ 2,312,824	$ 2,437,722	$ 750,839
LIABILITIES:				
Tax Refunds Payable	$ -	$ 9,302	$ 7,337	$ 1,965
Accounts Payable and Accrued Liabilities	1,276	33,498	32,880	1,894
Due To Other Governments	266,036	1,781,358	1,763,215	284,179
Due To Other Funds	1,086	14,389	15,475	-
Unearned Revenue	-	290	290	-
Claims and Judgments Payable	146	977	998	125
Other Current Liabilities	599,480	443,502	612,683	430,299
Deposits Held In Custody For Others	3,005	29,335	634	31,706
Other Long-Term Liabilities	4,708	689	4,726	671
TOTAL LIABILITIES	$ 875,737	$ 2,313,340	$ 2,438,238	$ 750,839

COMPONENT UNITS

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 64. Descriptions of each of the component units presented can be found in Note 37 on page 149.

COMBINING STATEMENT OF NET POSITION
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2015

(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	$ 1,008	$ -	$ 14,679	$ 542	$ 16,229
Other Receivables, net	761	-	18	165	944
Due From Other Governments	-	-	-	363	363
Prepaids, Advances and Deposits	250	-	-	-	250
Total Current Assets	2,019	-	14,697	1,070	17,786
Noncurrent Assets:					
Restricted Cash and Pooled Cash	7,630	-	-	8,361	15,991
Investments	-	-	50,488	-	50,488
Other Long-Term Assets	271	-	-	1,232	1,503
Depreciable Capital Assets and Infrastructure, net	129,764	-	-	40,657	170,421
Land and Nondepreciable Capital Assets	19,743	-	-	5,001	24,744
Total Noncurrent Assets	157,408	-	50,488	55,251	263,147
TOTAL ASSETS	159,427	-	65,185	56,321	280,933
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	-	-	-	1,286	1,286
Other Current Liabilities	12	-	-	348	360
Total Current Liabilities	12	-	-	1,634	1,646
Noncurrent Liabilities:					
Notes, Bonds, and COPs Payable	-	-	-	54,163	54,163
Total Noncurrent Liabilities	-	-	-	54,163	54,163
TOTAL LIABILITIES	12	-	-	55,797	55,809
NET POSITION:					
Net investment in Capital Assets:	149,507	-	-	45,658	195,165
Restricted for:					
Other Purposes	7,671	-	-	-	7,671
Unrestricted	2,237	-	65,185	(45,134)	22,288
TOTAL NET POSITION	$ 159,415	$ -	$ 65,185	$ 524	$ 225,124

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION OTHER COMPONENT UNITS (NONMAJOR) FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	HLC @ METRO	TOTAL
OPERATING REVENUES:					
Fees	$ -	$ 4,393	$ -	$ -	$ 4,393
Sales of Goods and Services	-	-	-	9,366	9,366
Investment Income (Loss)	-	-	12,689	-	12,689
Rental Income	1,360	-	-	-	1,360
TOTAL OPERATING REVENUES	1,360	4,393	12,689	9,366	27,808
OPERATING EXPENSES:					
Operating and Travel	335	1,457	32	5,429	7,253
Depreciation and Amortization	4,593	-	-	1,512	6,105
TOTAL OPERATING EXPENSES	4,928	1,457	32	6,941	13,358
OPERATING INCOME (LOSS)	(3,568)	2,936	12,657	2,425	14,450
NONOPERATING REVENUES AND (EXPENSES):					
Investment Income (Loss)	17	57	67	9	150
Gifts and Donations	-	-	4,150	219	4,369
Federal Grants and Contracts	-	-	-	987	987
Gain/(Loss) on Sale or Impairment of Capital Assets	(147)	-	-	-	(147)
Debt Service	-	-	-	(3,375)	(3,375)
Other Expenses	-	-	-	(13)	(13)
Other Revenues	2,312	-	-	-	2,312
TOTAL NONOPERATING REVENUES (EXPENSES)	2,182	57	4,217	(2,173)	4,283
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,386)	2,993	16,874	252	18,733
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:					-
Special Items (See Note 41)	-	(56,142)	-	-	(56,142)
TOTAL CONTRIBUTIONS AND TRANSFERS	-	(56,142)	-	-	(56,142)
					-
CHANGE IN NET POSITION	(1,386)	(53,149)	16,874	252	(37,409)
NET POSITION - FISCAL YEAR BEGINNING	160,801	53,149	48,311	272	262,533
NET POSITION - FISCAL YEAR ENDING	$ 159,415	$ -	$ 65,185	$ 524	$ 225,124

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, 2015

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ -	$ -	$ -
Legislature	-	-	-	-
Military Affairs	3,556	10,073	67,901	-
Personnel & Administration	6,736	2,826	83,496	-
Revenue	-	-	-	-
Subtotal	10,292	12,899	151,397	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	103	-	8,066	-
[1]GOV, CEO, OEDIT	-	-	-	51
Labor and Employment	543	255	5,682	-
Local Affairs	-	341	-	-
Regulatory Agencies	-	29	-	-
Revenue	536	-	902	-
State	-	-	-	-
Subtotal	1,182	625	14,650	51
EDUCATION				
Education	152	34	559,330	1,384
Higher Education	1,842	834	104,003	9,059
Subtotal	1,994	868	663,333	10,443
HEALTH AND REHABILITATION				
Public Health and Environment	188	52	4,425	-
Human Services	3,068	2,403	93,979	-
Subtotal	3,256	2,455	98,404	-
JUSTICE				
Corrections	2,964	2,507	562,784	-
DHS, Division of Youth Services	1,675	440	74,469	-
Judicial	1,605	7	230,614	2,383
Law	-	41	-	9
Public Safety	1,399	1,540	21,353	-
Regulatory Agencies	-	-	-	-
Subtotal	7,643	4,535	889,220	2,392
NATURAL RESOURCES				
Natural Resources	63,879	249	16,648	-
SOCIAL ASSISTANCE				
Human Services	-	1,789	2,158	-
Military Affairs	36	1,339	1,958	-
Health Care Policy and Financing	-	-	-	-
Subtotal	36	3,128	4,116	-
TRANSPORTATION				
Transportation	16,141	127	139,666	-
TOTAL CAPITAL ASSETS	$ 104,423	$ 24,886	$ 1,977,434	$ 12,886

[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
$ 36,826	$ 41,998	$ -	$ 3,903	$ -	$ 82,727
675	9	-	-	-	684
329	1	19	1,664	-	83,543
82,675	2,338	15	4,890	-	182,976
3,098	10,232	-	1,313	-	14,643
123,603	54,578	34	11,770	-	364,573
1,925	62	-	109	-	10,265
30	-	-	-	-	81
520	448	14	13,042	-	20,504
116	3	643	-	-	1,103
202	159	-	-	-	390
99	122	-	-	-	1,659
844	5	-	-	-	849
3,736	799	657	13,151	-	34,851
2,385	1,115	-	216,986	-	781,386
1,169	78	-	2,028	55	119,068
3,554	1,193	-	219,014	55	900,454
5,146	2,213	3,433	-	-	15,457
1,366	(10)	61	317	-	101,184
6,512	2,203	3,494	317	-	116,641
8,452	126	264	13,239	-	590,336
247	-	-	185	-	77,016
14,919	3,988	-	12,519	-	266,035
1,720	155	-	-	-	1,925
27,161	4,748	151	8,727	-	65,079
23	-	-	-	-	23
52,522	9,017	415	34,670	-	1,000,414
1,131	98	1,151	1,632	-	84,788
1,717	36,238	-	21,342	-	63,244
85	-	-	2,635	-	6,053
90	270	-	-	-	360
1,892	36,508	-	23,977	-	69,657
160,041	6,835	-	593,442	8,253,248	9,169,500
$ 352,991	$ 111,231	$ 5,751	$ 897,973	$ 8,253,303	$ 11,740,878

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, 2015

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets/ Deferred Outflows	Liabilities/ Deferred Inflows	Net Position/ Fund Balance
OTHER PERMANENT FUNDS				
Wildlife for Future Generations - Nonexpendable	TRUST 33-1-112	6,036	-	6,036
Wildlife for Future Generations - Expendable	TRUST 33-1-112	1,161	-	1,161
Other Permanent - Nonexpendable	TRUST	747	-	747
Veterans Monument Preservation - Nonexpendable	TRUST 2480-1401	78	-	78
Hall Historical Marker - Nonexpendable	TRUST 24-80-209	8	-	8
Veterans Monument Preservation - Expendable	TRUST 2480-1401	$ 2	$ -	$ 2
Total Other Permanent Funds		$ 8,032	$ -	$ 8,032
OTHER PRIVATE PURPOSE TRUST FUNDS				
Early Intervention Services Trust	27-10.5-706	9,753	9,043	710
Supplemental Purse & Breeders Awards	12-60-704	643	-	643
Brand Estray Fund	35-41-102	291	15	276
Total Other Private Purpose Funds		$ 10,687	$ 9,058	$ 1,629
OTHER ENTERPRISE FUNDS				
CollegeInvest	23-3.1-205.4	34,403	11,284	23,119
Early Achievers Scholarship Trust	23-3.1-206.9	14,854	57	14,797
Capitol Parking Fund	NONE	14,321	5,434	8,887
Grounds Cash Fund	26-1-133.5(2)	4,656	414	4,242
Clean Screen Authority	42-4-307.5	523	400	123
Nursing Teacher Loan Forgiveness Fund	23-3.6-102(1)	69	-	69
Other Enterprise Funds	VARIOUS	56	1	55
Work Therapy Cash Fund	26-8-107	378	450	(72)
Business Enterprise Program	26-8.5-107	1,089	1,477	(388)
Enterprise Services Fund	24-80-209	866	2,300	(1,434)
Brand Inspection Fund	35-41-102	4,578	11,692	(7,114)
Total Other Enterprise Funds		$ 75,793	$ 33,509	$ 42,284
OTHER INTERNAL SERVICE FUNDS				
Professional Development Cash Fund	24-50-122(2)	321	821	(500)
Debt Collection Fund	24-30-202.4	1,124	3,107	(1,983)
Total Other Internal Service Funds		$ 1,445	$ 3,928	$ (2,483)
OTHER SPECIAL PURPOSE GENERAL FUNDS				
School Capital Construction Assistance Fund	22-43.7-104	358,325	29,455	328,870
Controlled Maintenance Trust Fund	24-75-302.5	70,012	-	70,012
State Employee Reserve Fund	24-50-104	32,429	6,363	26,066
Economic Development Fund	24-46-105	31,944	7,085	24,859
Intellectual And Developmental Disabilities Services	25.5-10-207	11,479	1,703	9,776
Legislative Department Cash	2-2-1601(1)	8,949	79	8,870
Indirect Cost Excess Recovery Fund	24-75-1401	7,019	9	7,010
Old Age Pension Stabilization Fund	26-2-116	5,000	-	5,000
Housing Development Grant Fund	24-32-721	6,582	2,021	4,561
Ballot Information Publication & Distribution Revolving	1-40-124.5	2,601	-	2,601
Older Coloradans Cash Fund	26-11-205.5	3,050	1,442	1,608
Persistent Drunk Driver Fund	42-3-130.5	1,995	467	1,528
State Social Security Income Stabilization Fund	26-2-210(1)	1,230	-	1,230
Tax Amnesty Cash Fund	39-21-202	962	-	962
Colorado Health Care Services Fund	25.5-3-112	821	-	821
Charter School Assistance Fund	22-30.5-515	1,723	967	756
Underfunded Courthouse Facility Cash Fund	13-1-304	649	-	649
Child Welfare Transition Cash Fund	25.5-6-409.5(9)	580	-	580
Charter School Institute Fund	22-30.5-506	2,675	2,110	565
Diseased Livestock Fund	35-50-140.5	431	-	431
Colorado Family Support Loan Fund	27-10.5-502	533	117	416
Energy Research Cash Fund	24-48.5-120	331	2	329
Colorado National Guard Tuition Fund	23-5-111.4	458	134	324
Conservation Trust Fund	24-35-210(10)	12,751	12,505	246

(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, 2015

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets/ Deferred Outflows	Liabilities/ Deferred Inflows	Net Position/ Fund Balance
Real Estate Proceeds Fund	28-3-106	220	-	220
Legislative Expenses Fund	2-3-1002(1)	214	-	214
Start Smart Nutrition Program Fund	22-82.7-105	249	48	201
Advance Technology Fund	25-16.5-105(2)	145	-	145
Colorado Heritage Communities Fund	24-32-3207	127	-	127
Advanced Industries Export Acceleration Cash Fund	24-47-103(8)	192	69	123
Firefighter Benefits Cash Fund	29-5-302(11)(a)	125	21	104
Hospitality Career Secondary Education Fund	24-46.3-204	49	2	47
Comprehensive Report On The Value Of US Military Activities	28-4.5-101(6)(a	18	-	18
Child Protection Ombudsman Program	13-3.3-107(1)	105	97	8
Youth Advisory Council Cash Fund	2-2-1306	4	-	4
Prepaid Wireless Trust Cash Fund	29-11-102.5	1	-	1
Recovery Audit Cash Fund	24-30-203.5	1	-	1
OAP Health And Medical Care Fund	25.5-2-101(2)	35	35	-
School Turnaround Leaders Development Fund	22-13-106.(1)	15	15	-
Total Other Special Purpose General Funds		$ 564,029	$ 64,746	$ 499,283
OTHER SPECIAL REVENUE FUNDS				
Mortgage Fraud Custodial Funds	Settlement	40,932	512	40,420
Consumer Protection Custodial Funds	6-1-103	35,421	306	35,115
Colorado Opportunity Scholarship Initiative Fund	23-303-1005	33,274	25	33,249
Marijuana Tax Cash Fund	39-28.8-501	32,083	3,872	28,211
Gear Up Scholarship Trust Fund	SETTLEMENT	25,737	-	25,737
Advance Industries Acceleration Fund	24-48.5-117	14,495	1,002	13,493
Marijuana Cash Fund	12-43.3-501	13,724	335	13,389
Supreme Court Committee Fund	COURT RULE 227	14,028	681	13,347
Victims Assistance Fund	24-4.2-104	10,684	42	10,642
Victims Compensation Fund	24-4.1-117	10,176	16	10,160
Judicial Information Technology Cash Fund	13-32-114	11,494	1,646	9,848
Offender Services Fund	16-11-214	8,477	578	7,899
HUD Section 8 Family Self-Sufficiency Program	29-4-708(K)	6,887	437	6,450
Judicial Stabilization Cash Fund	13-32-101	6,715	654	6,061
Colorado Bureau Of Investigation Identification Unit	24-33.5-426	5,033	302	4,731
Creative Industries Cash Fund	24-48.5-301(2)	4,691	43	4,648
Judicial Collection Enhancement Fund	16-11-101.6	5,144	527	4,617
Title IV-E Waiver Demonstration Project Cash Fund	26-5-105.4(4)(b	6,000	1,418	4,582
Conveyance Safety Fund	None	3,975	52	3,923
Uniform Commercial Credit Code Custodial Funds	4-1-102	4,071	151	3,920
Supplier Database Cash Fund	24-102-202.5	3,937	81	3,856
Correctional Treatment Cash Fund	18-19-103(4)	6,090	2,417	3,673
Justice Center Cash Fund	13-32-101(7)	4,147	655	3,492
Energy Efficiency Project Fund	24-38.5-106(4)	3,469	-	3,469
Department Of State Cash Fund	24-21-104	5,438	2,111	3,327
Process And End Users Fund	25-17-202.5	3,477	253	3,224
Local Firefighter Safety And Disease Prevention Fund	24-33.5-1231	3,206	24	3,182
Auto Theft Prevention Cash Fund	42-5-112(4A)	5,685	2,565	3,120
Public School Construction And Inspection Fund	24-33.5-1207	3,214	261	2,953
Performance-Based Collaborative Management Incentive	24-1.9-104	3,255	246	3,009
Other Education Special Revenue Funds	VARIOUS	2,746	3	2,743
Disabled Telephone Users Fund	40-17-104	2,923	196	2,727
Division Of Professions And Occupations Cash Fund	24-34-105	19,060	16,357	2,703
Criminal Alien Assistance Cash Fund	17-1-107.5	2,697	-	2,697
Housing Rehabilitation Revolving Loans	29-4-728	2,371	-	2,371
Donations - Governor's Office	CUSTODIAL	2,708	371	2,337
Help America Vote Act Fund	FED HAVA 2002	2,270	6	2,264

(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, 2015

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets/ Deferred Outflows	Liabilities/ Deferred Inflows	Net Position/ Fund Balance
Instant Criminal Background Check Fund	24-33.5-424	2,567	615	1,952
Inspection And Consumer Services Cash Fund	35-1-106.5	2,091	210	1,881
Patient Benefit Fund	CUSTOIDAL	1,814	5	1,809
Attorney's Fees And Costs Fund	24-31-108(2)	1,795	4	1,791
Victims Assistance And Law Enforcement Fund	24-33.5-506	1,882	169	1,713
HUD Community Development Block Grant Fund	24-76-101	8,408	6,735	1,673
Collection Agency Board Custodial Fund	24-31-108	1,535	7	1,528
P.O.S.T. Board Cash Fund	24-31-303(2)	2,161	635	1,526
Commercial Vehicle Enterprise Fund	42-1-225(1)	1,526	5	1,521
History Colorado Restricted Donations	24-80-209	1,617	113	1,504
Public School Transportation Fund	22-51-103(1)	2,146	649	1,497
Federal Tax Relief Act Of 2003	FEDERAL	1,469	23	1,446
Traumatic Brain Injury Fund	26-1-210(1)	1,761	495	1,266
Child Care Assistance Cliff Effect Pilot Program Fund	26-2-808(2.5)	1,177	-	1,177
State Patrol Contraband Fund	24-33.5-225	1,143	-	1,143
Plant Health, Pest Control And Environmental Protection	35-1-106.3	3,275	2,192	1,083
Travel And Tourism Additional Sources Fund	24-49.7-106	1,999	954	1,045
Colorado Bureau Of Investigation Contraband Fund	24-33.5-415	961	36	925
Liquor Enforcement Division & State Licensing Authority	24-35-401	1,054	205	849
Court Security Cash Fund	13-1-204(1)	1,377	535	842
Auto Dealers License Fund	12-6-123	1,156	345	811
MFP Rebalancing Fund	Federal	727	-	727
Public Deposit Administration Fund	11-10.5-112	1,030	304	726
Restorative Justice Surcharge Fund	Restricted	768	65	703
Library Trust Fund	Restricted	666	6	660
Howard Fund	26-8-104(1)C	657	6	651
Innovative Energy Fund	24-38.5-102.5	696	128	568
HUD Home Grant Revolving Loan Fund	NONE	1,138	576	562
Law Enforcement Grant Fund	25-17-207(4)	552	-	552
Texaco Oil Overcharge Fund	SETTLEMENT	549	-	549
Agricultural Products Inspection Fund	35-23-114(3)	680	148	532
Other Human Services Special Revenue Funds	VARIOUS	1,333	863	470
Division Of Securities Cash Fund	11-51-707	1,986	1,518	468
Building Regulation Fund	24-32-3309	507	72	435
Exxon Oil Overcharge Funds	SETTLEMENT	433	-	433
Identity Theft Financial Fraud Fund	24-33.5-1707	460	53	407
Insurance Fraud Cash Fund	10-3-207.5(2)	1,958	1,561	397
Waste Tire Market Development Fund	25-17-202.9	421	79	342
Judicial Performance Cash Fund	13-5.5-107	358	30	328
Waste Tire Fire Prevention Fund	25-17-202.8	314	-	314
State Public Financing Fund	24-36-121(7)	310	-	310
Violent Offender Id Fund	24-33.5-415.6	330	28	302
Interstate Compact Probation Transfer Cash Fund	18-1.3-204(4)	285	7	278
Wine Development Fund	35-29.5-105	450	173	277
Diamond Shamrock Settlement Funds	SETTLEMENT	253	-	253
Prescription Drug Monitoring Fund	12-22-706(1)	259	8	251
Food Distribution Program Service Fund	26-1-121(4B)	344	106	238
Family-Friendly Court Program Fund	13-3-113(6)	250	14	236
State And Veterans Nursing Homes Patient Benefit Fund	26-12-108(2)	230	-	230
Vickers Oil Overcharge Funds	E.O. 56-87	230	-	230
Public Safety Inspection Fund	8-1-151	248	19	229
Uniform Consumer Credit Code Cash Fund	5-6-204	1,271	1,043	228
Property Tax Exemption Fund	39-2-117(3)	313	97	216
Broadband Fund	40-15-509.5(4)	201	-	201
Cervidae Disease Fund	35-50-115	201	-	201
167Funds with Net Assets Below $200,000		34,907	28,457	6,450
Total Other Special Revenue Funds		$ 467,963	$ 87,438	$ 380,525

NON-APPROPRIATED BUDGET SCHEDULES

The schedules on the following pages provide, by department, nonappropriated budget-to-actual activity. The budgets are based on a variety of sources that are not subject to appropriation by the General Assembly that generally include most federal awards, custodial agreements, and Colorado statutes. In Higher Education Institutions informational only appropriations for tuition and certain fees contained in the State's legislative appropriations act are not controlling. Therefore, expenditures may exceed recorded budgets in these appropriations.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - NON-APPROPRIATED GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2015

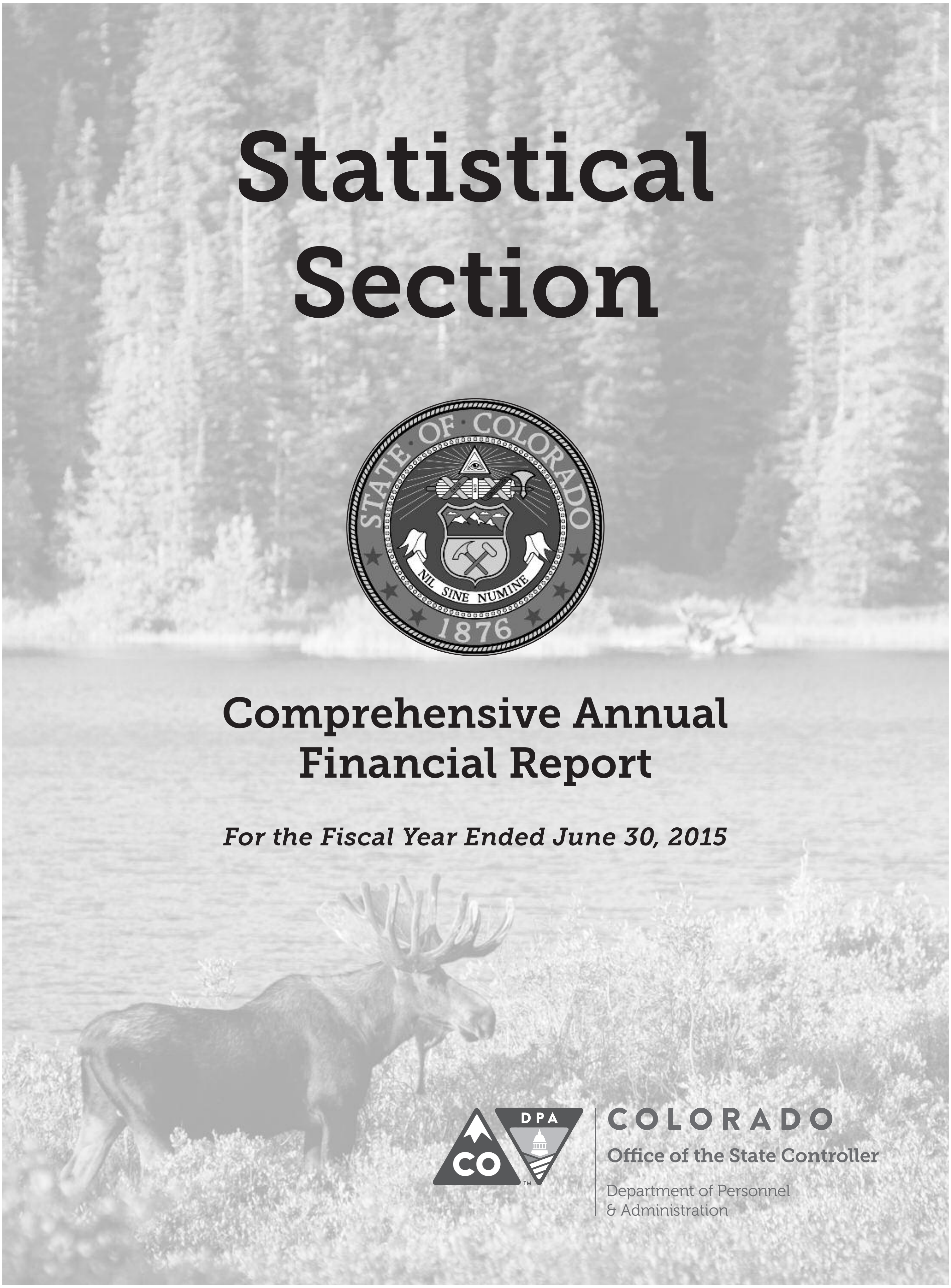
(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 163,413	
Income Taxes			380,195	
Other Taxes			15,944	
Sales and Services			23	
Interest Earnings			745	
Other Revenues			1,019	
Transfers-In			18,896	
TOTAL REVENUES AND TRANSFERS-IN			580,234	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Governor	-	100	100	-
Health Care Policy and Financing	-	617	607	10
Higher Education	-	329	329	-
Human Services	-	1,028	828	200
Judicial Branch	-	17	17	-
Local Affairs	4,295	4,829	4,726	103
Personnel & Administration	-	1,162	516	646
Public Health and Environment	-	1,431	1,431	-
Regulatory Agencies	4,150	4,150	4,150	-
Revenue	175,059	175,059	174,121	938
Treasury	133,718	153,811	153,811	-
Transfers Not Appropriated by Department	248,502	248,502	248,502	-
SUB-TOTAL OPERATING BUDGETS	565,724	591,035	589,138	1,897
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 565,724	$ 591,035	589,138	$ 1,897
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (8,904)	

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - NON-APPROPRIATED CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 798,855	
Other Taxes			1,152,211	
Tuition and Fees			1,886,623	
Sales and Services			1,328,627	
Interest Earnings			305,562	
Other Revenues			2,738,253	
Transfers-In			5,230,624	
TOTAL REVENUES AND TRANSFERS-IN			13,440,755	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 3,759	$ 4,244	1,974	$ 2,270
Corrections	16,870	17,284	16,948	336
Education	3,541,241	3,538,914	3,514,406	24,508
Governor	201,401	222,345	80,475	141,870
Health Care Policy and Financing	14,932	47,973	11,569	36,404
Higher Education	3,068,763	3,014,603	3,085,578	(70,975)
Human Services	212,329	167,287	160,370	6,917
Judicial Branch	45,662	68,596	55,500	13,096
Labor and Employment	686,541	688,801	549,051	139,750
Law	34,340	43,610	38,311	5,299
Legislative Branch	8,655	8,680	4,353	4,327
Local Affairs	323,588	341,109	198,879	142,230
Military and Veterans Affairs	303	303	294	9
Natural Resources	909,731	906,692	415,650	491,042
Personnel & Administration	432,340	435,498	428,260	7,238
Public Health and Environment	66,798	85,906	26,136	59,770
Public Safety	184,748	187,435	97,493	89,942
Regulatory Agencies	2,001	2,625	1,606	1,019
Revenue	772,917	794,942	346,777	448,165
State	769	420	420	-
Transportation	2,805,430	2,994,236	1,013,782	1,980,454
Treasury	1,770,802	1,773,183	1,773,183	-
Budgets/Transfers Not Recorded by Department	3	8,733	8,733	-
SUB-TOTAL OPERATING BUDGETS	15,103,923	15,353,419	11,829,748	3,523,671
Capital and Multi-Year Budgets:				
Departmental:				
Natural Resources	39,298	42,881	12,283	30,598
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	39,298	42,881	12,283	30,598
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 15,143,221	$ 15,396,300	11,842,031	$ 3,554,269
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 1,598,724	

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - NON-APPROPRIATED FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2015

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 4,112,687	
TOTAL REVENUES AND TRANSFERS-IN			4,112,687	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 4,102	$ 14,884	5,977	$ 8,907
Corrections	1,239	5,431	3,179	2,252
Education	638,567	841,157	591,095	250,062
Governor	6,428	44,407	21,815	22,592
Health Care Policy and Financing	229,959	314,756	267,885	46,871
Higher Education	22,434	393,978	343,439	50,539
Human Services	340,166	1,351,927	1,169,167	182,760
Judicial Branch	10,305	27,280	20,588	6,692
Labor and Employment	100,122	223,819	136,087	87,732
Law	1,748	1,748	1,667	81
Local Affairs	70,296	228,636	88,397	140,239
Military and Veterans Affairs	214,736	18,034	11,962	6,072
Natural Resources	29,084	83,546	42,239	41,307
Personnel & Administration	-	28	25	3
Public Health and Environment	267,097	386,412	259,673	126,739
Public Safety	58,436	406,356	121,291	285,065
Regulatory Agencies	1,387	7,217	3,894	3,323
Revenue	824	4,698	2,224	2,474
State	-	2,801	462	2,339
Transportation	514,360	1,203,783	879,148	324,635
Treasury	-	156,854	156,854	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,511,290	5,717,752	4,127,068	1,590,684
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 2,511,290	$ 5,717,752	4,127,068	$ 1,590,684
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (14,381)	



Statistical Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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)

	2014-15	2013-14	2012-13	2011-12
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,696,950	$ 2,302,356	$ 2,549,620	$ 1,969,331
Investments	-	8,460	3,497	1,726
Taxes Receivable, net	1,252,907	1,224,629	1,118,329	1,012,147
Other Receivables, net	450,805	210,062	189,937	156,126
Due From Other Governments	787,269	570,721	369,249	318,460
Internal Balances	28,022	19,336	23,801	15,964
Due From Component Units	135	54	119	137
Inventories	54,194	53,125	55,319	17,057
Prepaids, Advances and Deposits	67,917	73,025	57,465	53,961
Total Current Assets	5,338,199	4,461,768	4,367,336	3,544,909
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,140,729	2,554,938	1,798,432	1,779,413
Restricted Investments	761,140	657,772	598,209	591,083
Restricted Receivables	363,300	258,107	176,055	181,932
Investments	280,100	428,321	464,535	416,674
Other Long-Term Assets	636,260	686,349	740,735	712,736
Depreciable Capital Assets and Infrastructure, net	9,772,651	9,600,423	9,312,959	9,602,516
Land and Nondepreciable Capital Assets	1,968,227	1,931,832	2,170,769	1,903,604
Total Noncurrent Assets	15,922,407	16,117,742	15,261,694	15,187,958
TOTAL ASSETS	21,260,606	20,579,510	19,629,030	18,732,867
DEFERRED OUTFLOW OF RESOURCES:	350,796	18,289	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	669,992	718,211	718,077	661,829
Accounts Payable and Accrued Liabilities	1,367,263	1,043,961	742,225	677,471
TABOR Refund Liability (Note 8B)	173,346	706	706	706
Due To Other Governments	233,087	245,300	198,953	228,229
Due To Other Funds	-	-	-	-
Due To Component Units	-	15	81	-
Unearned Revenue	100,467	92,674	95,026	125,174
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	12,185	10,470	10,955	9,859
Claims and Judgments Payable	47,682	61,623	46,873	44,858
Leases Payable	27,760	26,941	20,004	14,387
Notes, Bonds, and COPs Payable	200,975	187,910	174,340	162,670
Other Postemployment Benefits	-	-	-	-
Other Current Liabilities	19,052	19,979	14,834	16,531
Total Current Liabilities	2,851,809	2,407,790	2,022,074	1,941,714
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	139	139	17	16
Accrued Compensated Absences	149,817	145,992	138,413	132,394
Claims and Judgments Payable	299,785	301,591	323,451	330,516
Capital Lease Payable	144,569	148,055	131,006	107,042
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,331,892	1,541,225	1,611,220	1,614,293
Due to Component Units	-	-	-	-
Net Pension Liability	5,565,526			
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	423,809	402,954	444,118	427,828
Total Noncurrent Liabilities	7,915,537	2,539,956	2,648,225	2,612,089
TOTAL LIABILITIES	10,767,346	4,947,746	4,670,299	4,553,803
DEFERRED INFLOW OF RESOURCES:	47,262	338	-	-
Net investment in Capital Assets:	10,654,690	10,125,644	10,107,082	10,107,432
Restricted for:				
Construction and Highway Maintenance	936,535	1,080,201	1,145,997	1,176,269
Education	766,688	1,110,180	1,265,476	280,269
Unemployment Insurance	-	-	-	-
Debt Service	56,534	44,752	33,113	21,453
Emergencies	217,328	153,150	161,350	72,850
Permanent Funds and Endowments:				
Expendable	7,301	7,271	6,328	6,024
Nonexpendable	896,872	800,132	694,564	684,953
Other Purposes	626,649	358,694	349,811	340,818
Unrestricted	(3,365,803)	1,969,691	1,195,010	1,488,996
TOTAL NET POSITION	$ 10,796,794	$ 15,649,715	$ 14,958,731	$ 14,179,064

GOVERNMENTAL ACTIVITIES

2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
$ 1,548,435	$ 1,962,934	$ 2,217,711	$ 2,632,601	$ 2,455,425	$ 2,334,948
45,548	15,224	1,498	565	998	12,637
830,730	857,246	920,086	946,077	956,149	845,241
147,768	158,060	182,540	188,347	153,218	153,916
486,655	516,248	475,997	355,519	280,637	264,688
18,620	14,153	14,617	14,545	13,756	26,313
62	84	66	63	65	56
19,837	16,468	16,183	16,703	14,053	14,906
56,543	38,591	33,244	23,790	28,527	28,735
3,154,198	3,579,008	3,861,942	4,178,210	3,902,828	3,681,440
1,635,476	1,572,925	1,813,365	2,061,543	1,689,703	1,349,184
1,097,797	687,314	694,311	620,325	552,211	491,780
173,347	195,753	184,120	187,018	279,140	335,774
52,343	529,059	98,815	96,743	80,695	48,173
761,498	644,867	600,020	442,911	425,886	395,612
9,331,295	9,689,916	2,360,036	2,282,645	1,288,308	1,322,945
1,780,945	1,637,224	10,480,438	10,291,250	11,799,975	11,649,792
14,832,701	14,957,058	16,231,105	15,982,435	16,115,918	15,593,260
17,986,899	18,536,066	20,093,047	20,160,645	20,018,746	19,274,700
-	-	-	-	-	-
625,145	664,781	633,722	561,117	486,576	457,124
785,496	847,550	779,008	837,311	694,602	633,685
706	706	706	706	727	2,917
216,956	181,684	223,415	183,696	176,864	247,548
-	-	-	-	-	-
-	-	-	-	-	-
111,506	128,404	150,632	97,174	65,389	66,290
-	-	-	-	-	-
9,741	10,287	8,930	9,776	9,533	9,437
44,641	44,181	36,936	37,775	40,948	49,415
12,872	11,384	8,227	6,002	2,807	1,461
145,165	642,445	637,066	574,150	457,250	526,235
-	-	-	-	-	-
13,748	20,432	9,818	11,794	9,615	10,318
1,965,976	2,551,854	2,488,460	2,319,501	1,944,311	2,004,430
-	-	-	-	-	-
14	13	16	16	17	17
137,139	138,224	140,675	128,760	116,262	112,860
340,003	347,394	358,371	335,636	295,874	343,452
94,716	85,746	83,586	54,029	27,649	16,021
-	-	-	-	-	-
-	-	-	-	-	-
1,621,749	1,554,964	1,146,960	1,274,720	1,390,671	1,503,686
-	-	-	-	-	-
-	-	-	-	-	-
434,194	402,599	397,774	217,793	206,972	210,369
2,627,815	2,528,940	2,127,382	2,010,954	2,037,445	2,186,405
4,593,791	5,080,794	4,615,842	4,330,455	3,981,756	4,190,835
-	-	-	-	-	-
9,836,378	10,118,621	11,631,061	11,348,995	11,804,908	11,662,529
1,160,789	1,198,849	1,220,524	1,350,485	1,196,903	824,698
485,171	194,586	338,365	353,149	225,818	153,043
-	-	-	-	-	-
10,127	4,093	558	558	558	580
85,400	94,000	93,550	93,000	85,760	79,800
8,017	11,130	8,588	2,333	1,782	1,642
641,802	643,148	623,619	587,733	515,997	460,473
315,082	138,826	197,918	231,532	299,777	198,996
850,342	1,052,019	1,363,022	1,862,405	1,905,487	1,702,104
$ 13,393,108	$ 13,455,272	$ 15,477,205	$ 15,830,190	$ 16,036,990	$ 15,083,865

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2014-15	2013-14	2012-13	2011-12
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,454,684	$ 2,246,115	$ 2,169,314	$ 2,011,437
Investments	378,115	254,744	281,822	160,099
Taxes Receivable, net	142,241	135,207	137,970	159,303
Other Receivables, net	430,306	408,364	381,351	330,216
Due From Other Governments	134,455	150,697	155,190	218,667
Internal Balances	(28,022)	(19,336)	(23,801)	(15,964)
Due From Component Units	11,370	23,716	18,969	18,715
Inventories	57,950	54,015	52,826	53,318
Prepaids, Advances and Deposits	28,186	37,433	24,806	24,160
Total Current Assets	3,609,285	3,290,955	3,198,447	2,959,951
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	499,742	429,965	352,234	372,457
Restricted Investments	246,783	303,678	292,283	293,711
Restricted Receivables	31,609	45,477	45,264	80,975
Investments	1,969,155	1,896,811	1,746,078	1,769,909
Other Long-Term Assets	129,850	99,380	128,105	114,118
Depreciable Capital Assets and Infrastructure, net	6,190,355	5,876,698	5,463,065	5,250,256
Land and Nondepreciable Capital Assets	1,788,595	1,370,142	1,229,761	1,019,556
Total Noncurrent Assets	10,856,089	10,022,151	9,256,790	8,900,982
TOTAL ASSETS	14,465,374	13,313,106	12,455,237	11,860,933
DEFERRED OUTFLOW OF RESOURCES:	348,635	118,103	551	5,005
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	751,171	659,085	602,571	623,458
TABOR Refund Liability (Note 8B)	-	-	-	-
Due To Other Governments	22,048	30,805	34,169	53,622
Due To Other Funds	-	-	-	-
Due To Component Units	623	528	343	123
Unearned Revenue	407,108	346,264	305,108	237,530
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	20,960	18,117	16,609	14,942
Claims and Judgments Payable	-	-	-	-
Leases Payable	8,618	6,610	6,575	5,853
Notes, Bonds, and COPs Payable	251,947	244,366	233,811	243,601
Other Postemployment Benefits	-	14,076	17,052	15,721
Other Current Liabilities	125,054	127,033	142,868	110,667
Total Current Liabilities	1,587,529	1,446,884	1,359,106	1,305,517
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	-	-	-	-
Accrued Compensated Absences	268,600	250,148	236,329	219,026
Claims and Judgments Payable	41,460	40,982	38,993	36,472
Capital Lease Payable	45,663	35,582	35,153	33,185
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	9,515	8,566	8,333	12,994
Notes, Bonds, and COPs Payable	4,418,327	4,131,227	3,898,265	3,938,320
Due to Component Units	1,661	1,743	1,755	1,758
Net Pension Liability	3,579,748			
Other Postemployment Benefits	241,779	181,511	177,176	139,653
Other Long-Term Liabilities	83,521	44,768	11,972	39,015
Total Noncurrent Liabilities	8,690,274	4,694,527	4,407,976	4,420,423
TOTAL LIABILITIES	10,277,803	6,141,411	5,767,082	5,725,940
DEFERRED INFLOW OF RESOURCES:	38,380	-	-	-
Net investment in Capital Assets:	4,417,947	3,653,265	3,571,408	3,386,411
Restricted for:				
Construction and Highway Maintenance	-	-	-	-
Education	439,535	642,611	-	-
Unemployment Insurance	620,575	402,770	218,076	64,433
Debt Service	75,666	39,862	8,439	7,464
Emergencies	34,000	34,000	34,000	10,005
Permanent Funds and Endowments:				
Expendable	150,270	7,901	11,716	6,975
Nonexpendable	87,679	64,712	61,159	38,798
Other Purposes	88,686	56,296	631,921	629,655
Unrestricted	(1,416,530)	2,388,381	2,151,987	1,996,257
TOTAL NET POSITION	$ 4,497,828	$ 7,289,798	$ 6,688,706	$ 6,139,998

BUSINESS-TYPE ACTIVITIES

2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
$ 1,306,800	$ 1,176,181	$ 1,220,190	$ 1,555,782	$ 1,430,836	$ 1,188,953
273,605	253,270	386,948	272,804	326,087	328,466
186,161	90,005	73,326	82,431	81,745	105,973
302,042	282,053	245,768	239,790	219,488	209,497
177,822	158,787	142,961	125,894	126,391	99,040
(18,620)	(14,153)	(14,617)	(14,545)	(13,756)	(26,313)
19,736	14,474	12,630	16,348	15,334	11,141
43,600	42,779	42,467	42,271	38,000	35,747
18,018	19,244	20,091	17,055	15,751	13,148
2,309,164	2,022,640	2,129,764	2,337,830	2,239,876	1,965,652
409,652	353,164	368,308	446,681	149,811	187,895
98,146	239,719	201,025	259,115	555,310	424,826
24,980	239,041	1,916,974	1,716,722	1,408,588	1,173,312
1,623,569	1,206,671	1,154,901	1,008,382	972,922	887,302
122,939	119,387	123,599	119,650	112,693	108,606
4,662,346	3,912,771	3,594,383	3,464,979	2,851,692	2,718,135
938,544	1,207,048	928,243	576,755	835,182	561,525
7,880,176	7,277,801	8,287,433	7,592,284	6,886,198	6,061,601
10,189,340	9,300,441	10,417,197	9,930,114	9,126,074	8,027,253
-	7,778	-	-	-	-
-	-	-	-	-	-
556,294	596,926	506,318	467,741	413,788	380,194
-	-	-	-	-	-
331,246	406,275	182,922	26,885	38,501	30,749
-	-	-	-	-	-
524	466	930	1,112	273	1,067
234,662	232,371	207,551	190,528	183,805	171,411
-	-	-	-	-	-
14,579	13,035	12,753	12,745	12,578	14,284
-	-	-	7,398	11,717	7,430
4,950	6,672	6,282	5,976	4,950	4,851
79,106	100,329	85,456	75,567	62,998	83,271
141,484	126,232	241,129	208,542	126,574	94,214
1,362,845	1,482,306	1,243,341	996,494	855,184	787,471
-	-	-	-	-	-
-	-	-	-	-	-
205,621	196,295	185,420	166,402	153,320	136,837
35,373	29,461	27,541	28,482	28,220	48,396
43,466	76,702	83,206	83,113	63,671	55,873
-	-	4,285	4,285	-	-
6,182	7,778	-	-	-	-
3,117,100	2,682,987	3,917,559	3,466,484	3,100,764	2,488,738
2,374	2,501	723	1,233	-	-
105,876	47,259	31,689	15,775	-	-
43,814	36,450	43,321	40,756	54,097	53,138
3,559,806	3,079,433	4,293,744	3,806,530	3,400,072	2,782,982
4,922,651	4,561,739	5,537,085	4,803,024	4,255,256	3,570,453
2,006	-	-	-	-	-
2,990,094	2,854,803	2,665,270	2,411,662	2,256,929	2,256,602
-	-	-	-	-	-
-	-	-	-	-	-
-	-	392,984	765,533	675,574	548,780
6,753	6,100	111,778	180,409	125,656	105,348
12,368	16,257	21,282	33,716	37,472	29,883
5,936	6,825	6,935	9,592	5,313	4,757
73,956	71,738	70,420	74,479	97,821	82,698
657,292	630,890	582,006	491,492	411,112	364,310
1,518,284	1,159,867	1,029,437	1,160,207	1,260,941	1,064,422
$ 5,264,683	$ 4,746,480	$ 4,880,112	$ 5,127,090	$ 4,870,818	$ 4,456,800

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2014-15	2013-14	2012-13	2011-12
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 5,151,634	$ 4,548,471	$ 4,718,934	$ 3,980,768
Investments	378,115	263,204	285,319	161,825
Taxes Receivable, net	1,395,148	1,359,836	1,256,299	1,171,450
Other Receivables, net	881,111	618,426	571,288	486,342
Due From Other Governments	921,724	721,418	524,439	537,127
Internal Balances	-	-	-	-
Due From Component Units	11,505	23,770	19,088	18,852
Inventories	112,144	107,140	108,145	70,375
Prepaids, Advances and Deposits	96,103	110,458	82,271	78,121
Total Current Assets	8,947,484	7,752,723	7,565,783	6,504,860
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,640,471	2,984,903	2,150,666	2,151,870
Restricted Investments	1,007,923	961,450	890,492	884,794
Restricted Receivables	394,909	303,584	221,319	262,907
Investments	2,249,255	2,325,132	2,210,613	2,186,583
Other Long-Term Assets	766,110	785,729	868,840	826,854
Depreciable Capital Assets and Infrastructure, net	15,963,006	15,477,121	14,776,024	14,852,772
Land and Nondepreciable Capital Assets	3,756,822	3,301,974	3,400,530	2,923,160
Total Noncurrent Assets	26,778,496	26,139,893	24,518,484	24,088,940
TOTAL ASSETS	35,725,980	33,892,616	32,084,267	30,593,800
DEFERRED OUTFLOW OF RESOURCES:	699,431	136,392	551	5,005
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	669,992	718,211	718,077	661,829
Accounts Payable and Accrued Liabilities	2,118,434	1,703,046	1,344,796	1,300,929
TABOR Refund Liability (Note 8B)	173,346	706	706	706
Due To Other Governments	255,135	276,105	233,122	281,851
Due To Other Funds	-	-	-	-
Due To Component Units	623	543	424	123
Unearned Revenue	507,575	438,938	400,134	362,704
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	33,145	28,587	27,564	24,801
Claims and Judgments Payable	47,682	61,623	46,873	44,858
Leases Payable	36,378	33,551	26,579	20,240
Notes, Bonds, and COPs Payable	452,922	432,276	408,151	406,271
Other Postemployment Benefits	-	14,076	17,052	15,721
Other Current Liabilities	144,106	147,012	157,702	127,198
Total Current Liabilities	4,439,338	3,854,674	3,381,180	3,247,231
Noncurrent Liabilities:				
Due to Other Funds				
Deposits Held In Custody For Others	139	139	17	16
Accrued Compensated Absences	418,417	396,140	374,742	351,420
Claims and Judgments Payable	341,245	342,573	362,444	366,988
Capital Lease Payable	190,232	183,637	166,159	140,227
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	9,515	8,566	8,333	12,994
Notes, Bonds, and COPs Payable	5,750,219	5,672,452	5,509,485	5,552,613
Due to Component Units	1,661	1,743	1,755	1,758
Net Pension Liability	9,145,274			
Other Postemployment Benefits	241,779	181,511	177,176	139,653
Other Long-Term Liabilities	507,330	447,722	456,090	466,843
Total Noncurrent Liabilities	16,605,811	7,234,483	7,056,201	7,032,512
TOTAL LIABILITIES	21,045,149	11,089,157	10,437,381	10,279,743
DEFERRED INFLOW OF RESOURCES:	85,642	338	-	-
0				
Net investment in Capital Assets:	15,072,637	13,778,909	13,678,490	13,493,843
Restricted for:				
Construction and Highway Maintenance	936,535	1,080,201	1,145,997	1,176,269
Education	1,206,223	1,752,791	1,265,476	280,269
Unemployment Insurance	620,575	402,770	218,076	64,433
Debt Service	132,200	84,614	41,552	28,917
Emergencies	251,328	187,150	195,350	82,855
Permanent Funds and Endowments:				
Expendable	157,571	15,172	18,044	12,999
Nonexpendable	984,551	864,844	755,723	723,751
Other Purposes	715,335	414,990	981,732	970,473
Unrestricted	(4,782,333)	4,358,072	3,346,997	3,485,253
TOTAL NET POSITION	$ 15,294,622	$ 22,939,513	$ 21,647,437	$ 20,319,062

TOTAL PRIMARY GOVERNMENT

2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
$ 2,855,235	$ 3,139,115	$ 3,437,901	$ 4,188,383	$ 3,886,261	$ 3,523,901
319,153	268,494	388,446	273,369	327,085	341,103
1,016,891	947,251	993,412	1,028,508	1,037,894	951,214
449,810	440,113	428,308	428,137	372,706	363,413
664,477	675,035	618,958	481,413	407,028	363,728
-	-	-	-	-	-
19,798	14,558	12,696	16,411	15,399	11,197
63,437	59,247	58,650	58,974	52,053	50,653
74,561	57,835	53,335	40,845	44,278	41,883
5,463,362	5,601,648	5,991,706	6,516,040	6,142,704	5,647,092
2,045,128	1,926,089	2,181,673	2,508,224	1,839,514	1,537,079
1,195,943	927,033	895,336	879,440	1,107,521	916,606
198,327	434,794	2,101,094	1,903,740	1,687,728	1,509,086
1,675,912	1,735,730	1,253,716	1,105,125	1,053,617	935,475
884,437	764,254	723,619	562,561	538,579	504,218
13,993,641	13,602,687	5,954,419	5,747,624	4,140,000	4,041,080
2,719,489	2,844,272	11,408,681	10,868,005	12,635,157	12,211,317
22,712,877	22,234,859	24,518,538	23,574,719	23,002,116	21,654,861
28,176,239	27,836,507	30,510,244	30,090,759	29,144,820	27,301,953
-	7,778	-	-	-	-
625,145	664,781	633,722	561,117	486,576	457,124
1,341,790	1,444,476	1,285,326	1,305,052	1,108,390	1,013,879
706	706	706	706	727	2,917
548,202	587,959	406,337	210,581	215,365	278,297
-	-	-	-	-	-
524	466	930	1,112	273	1,067
346,168	360,775	358,183	287,702	249,194	237,701
-	-	-	-	-	-
24,320	23,322	21,683	22,521	22,111	23,721
44,641	44,181	36,936	45,173	52,665	56,845
17,822	18,056	14,509	11,978	7,757	6,312
224,271	742,774	722,522	649,717	520,248	609,506
-	-	-	-	-	-
155,232	146,664	250,947	220,336	136,189	104,532
3,328,821	4,034,160	3,731,801	3,315,995	2,799,495	2,791,901
14	13	16	16	17	17
342,760	334,519	326,095	295,162	269,582	249,697
375,376	376,855	385,912	364,118	324,094	391,848
138,182	162,448	166,792	137,142	91,320	71,894
-	-	4,285	4,285	-	-
6,182	7,778	-	-	-	-
4,738,849	4,237,951	5,064,519	4,741,204	4,491,435	3,992,424
2,374	2,501	723	1,233	-	-
105,876	47,259	31,689	15,775	-	-
478,008	439,049	441,095	258,549	261,069	263,507
6,187,621	5,608,373	6,421,126	5,817,484	5,437,517	4,969,387
9,516,442	9,642,533	10,152,927	9,133,479	8,237,012	7,761,288
2,006	-	-	-	-	-
12,826,472	12,973,424	14,296,331	13,760,657	14,061,837	13,919,131
1,160,789	1,198,849	1,220,524	1,350,485	1,196,903	824,698
485,171	194,586	338,365	353,149	225,818	153,043
-	-	392,984	765,533	675,574	548,780
16,880	10,193	112,336	180,967	126,214	105,928
97,768	110,257	114,832	126,716	123,232	109,683
13,953	17,955	15,523	11,925	7,095	6,399
715,758	714,886	694,039	662,212	613,818	543,171
972,374	769,716	779,924	723,024	710,889	563,306
2,368,626	2,211,886	2,392,459	3,022,612	3,166,428	2,766,526
$ 18,657,791	$ 18,201,752	$ 20,357,317	$ 20,957,280	$ 20,907,808	$ 19,540,665

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2014-15	2013-14	2012-13	2011-12
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 501,319	$ 472,215	$ 447,232	$ 442,793
Service Fees	879,139	901,839	965,614	901,950
Education - Tuition, Fees, and Sales	-	-	-	-
Fines and Forfeits	201,021	181,098	248,520	187,344
Rents and Royalties	199,067	182,893	133,901	147,946
Sales of Products	3,390	2,141	2,851	1,626
Unemployment Surcharge	29,381	28,635	25,724	19,307
Other	131,151	144,949	127,083	84,828
Operating Grants and Contributions	7,726,668	6,782,914	5,860,052	5,884,031
Capital Grants and Contributions	817,469	728,544	700,548	600,300
TOTAL PROGRAM REVENUES	10,488,605	9,425,228	8,511,525	8,270,125
EXPENSES:				
General Government	449,261	447,359	555,507	224,382
Business, Community, and Consumer Affairs	711,558	641,182	584,300	600,068
Education	5,687,573	5,472,563	5,187,481	5,205,123
Health and Rehabilitation	822,556	720,997	697,795	703,684
Justice	2,075,534	1,840,989	1,655,057	1,555,294
Natural Resources	120,374	92,383	77,934	93,900
Social Assistance	9,627,104	8,089,560	7,174,711	6,746,574
Transportation	1,896,904	1,872,441	1,769,013	1,777,488
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	59,078	53,094	16,284	40,935
Higher Education	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest[3]	-	-	-	-
Lottery	-	-	-	-
Wildlife	-	-	-	-
College Assist	-	-	-	-
Other Business-Type Activities	-	-	-	-
TOTAL EXPENSES	21,449,942	19,230,568	17,718,082	16,947,448
NET (EXPENSE) REVENUE	(10,961,337)	(9,805,340)	(9,206,557)	(8,677,323)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	2,762,222	2,754,977	2,498,006	2,333,644
Excise Taxes	267,858	236,761	240,895	244,624
Individual Income Tax	5,847,141	5,285,634	5,154,624	4,653,105
Corporate Income Tax	613,316	600,002	606,883	434,885
Other Taxes	673,275	617,612	453,305	519,870
Restricted Taxes	1,186,515	1,052,692	1,039,105	965,784
Unrestricted Investment Earnings (Losses)	11,992	17,312	16,842	15,015
Other General Revenues	96,613	112,958	97,402	96,213
Special and/or Extraordinary Items (See Note 35)	-	-	-	-
(Transfers-Out) / Transfers-In	(256,738)	(172,442)	(128,535)	(135,407)
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	401	397	741	595
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	11,202,595	10,505,903	9,979,268	9,128,328
TOTAL CHANGES IN NET POSITION	241,258	700,563	772,711	451,005
NET POSITION - BEGINNING	15,649,715	14,958,731	14,179,064	13,393,108
Prior Period Adjustment	(6,626)	1,718	6,956	334,951
Accounting Changes	(5,087,553)	(11,297)	-	-
NET POSITION - ENDING	$ 10,796,794	$ 15,649,715	$ 14,958,731	$ 14,179,064

[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

2010-11	2009-10	2008-09	RESTATED 2007-08	2006-07	2005-06
$ 454,633	$ 419,866	$ 386,311	$ 374,521	$ 352,819	$ 339,779
735,820	589,795	184,327	132,822	129,980	123,392
-	-	53	-	-	-
200,432	218,892	203,259	155,692	126,612	121,859
128,588	79,518	85,811	78,889	68,270	68,920
4,974	3,854	5,040	4,592	3,703	3,100
18,611	19,329	19,369	21,512	22,346	22,399
89,509	67,460	61,168	57,622	64,964	79,810
6,218,836	5,885,657	5,065,429	4,222,670	4,122,360	3,909,382
659,288	607,383	485,711	439,693	414,602	447,283
8,510,691	7,891,754	6,496,478	5,488,013	5,305,656	5,115,924
192,579	189,865	308,410	217,939	163,412	164,276
667,929	662,854	705,037	667,381	565,769	449,411
5,432,143	5,096,032	5,208,705	5,017,551	4,771,218	4,394,236
696,539	659,187	644,699	603,296	560,153	524,736
1,538,363	1,527,857	1,543,310	1,436,009	1,313,767	1,197,334
149,878	144,445	137,159	131,658	138,457	112,753
6,397,426	6,091,958	5,220,295	4,660,287	4,496,696	4,348,466
1,974,009	2,105,688	1,376,215	1,459,295	1,213,138	1,205,556
-	-	-	-	-	-
-	-	-	-	-	-
32,487	33,203	20,393	37,567	42,269	31,969
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,081,353	16,511,089	15,164,223	14,230,983	13,264,879	12,428,737
(8,570,662)	(8,619,335)	(8,667,745)	(8,742,970)	(7,959,223)	(7,312,813)
2,280,693	1,987,576	2,093,113	2,357,807	2,244,000	2,148,981
236,945	244,344	251,209	257,908	261,711	266,747
4,151,119	3,770,597	4,024,105	4,591,481	4,508,845	4,044,581
441,778	360,852	322,683	461,390	470,853	422,656
466,408	376,388	655,478	510,442	484,408	568,184
928,260	873,287	880,625	986,274	946,757	922,872
6,523	10,215	22,591	42,478	43,638	35,372
91,608	112,138	119,748	113,603	84,328	84,335
-	-	(5,616)	(6,843)	(25,915)	(13,534)
(110,266)	(94,993)	(114,685)	(77,732)	(98,926)	(80,894)
-	-	-	-	-	-
460	357	-	-	-	-
8,493,528	7,640,761	8,249,251	9,236,808	8,919,699	8,399,300
(77,134)	(978,574)	(418,494)	493,838	960,476	1,086,487
13,455,272	15,477,205	15,830,190	16,036,990	15,083,865	14,126,295
14,970	(594,624)	(118,647)	(393,912)	(7,351)	(128,917)
-	(448,735)	184,156	(306,726)	-	-
$ 13,393,108	$ 13,455,272	$ 15,477,205	$ 15,830,190	$ 16,036,990	$ 15,083,865

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2014-15	2013-14	2012-13	2011-12
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 157,971	$ 141,770	$ 133,315	$ 131,496
Service Fees	1,145,897	1,068,966	958,451	865,326
Education - Tuition, Fees, and Sales	2,881,240	2,672,136	2,512,026	2,406,696
Fines and Forfeits	3,968	15,470	12,860	9,561
Rents and Royalties	41,944	39,675	47,881	65,236
Sales of Products	605,101	607,744	636,115	624,407
Unemployment Surcharge	698,609	736,985	725,854	828,530
Other	155,707	154,424	159,162	152,448
Operating Grants and Contributions	2,281,931	2,569,038	2,730,519	3,165,718
Capital Grants and Contributions	78,304	56,899	96,655	132,067
TOTAL PROGRAM REVENUES	8,050,672	8,063,107	8,012,838	8,381,485
EXPENSES:				
General Government	-	-	-	-
Business, Community, and Consumer Affairs	-	-	-	-
Education	-	-	-	-
Health and Rehabilitation	-	-	-	-
Justice	-	-	-	-
Natural Resources	-	-	-	-
Social Assistance	-	-	-	-
Transportation	-	-	-	-
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	-	-	-	-
Higher Education	6,004,484	5,618,507	5,258,665	5,068,481
Unemployment Insurance	530,130	756,484	1,055,148	1,571,321
CollegeInvest[3]	-	-	-	-
Lottery	474,578	477,434	501,010	495,847
Wildlife[4]	191,426	170,898	177,497	160,933
College Assist	338,631	341,684	407,229	403,023
Other Business-Type Activities	217,838	209,871	187,265	196,542
TOTAL EXPENSES	7,757,087	7,574,878	7,586,814	7,896,147
NET (EXPENSE) REVENUE	293,585	488,229	426,024	485,338
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	-	-	-	-
Excise Taxes	-	-	-	-
Individual Income Tax	-	-	-	-
Corporate Income Tax	-	-	-	-
Other Taxes	7	-	-	-
Restricted Taxes	-	-	-	-
Unrestricted Investment Earnings (Losses)	-	-	-	-
Other General Revenues	-	-	-	-
Special and/or Extraordinary Items (See Note 35)	-	(22,186)	-	-
(Transfers-Out) / Transfers-In	256,738	172,442	128,535	135,407
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	256,745	150,256	128,535	135,407
TOTAL CHANGES IN NET POSITION	550,330	638,485	554,559	620,745
NET POSITION - BEGINNING	7,289,798	6,688,706	6,139,998	5,264,683
Prior Period Adjustment	-	(6,922)	(5,851)	254,570
Accounting Changes	(3,342,300)	(30,471)	-	-
NET POSITION - ENDING	$ 4,497,828	$ 7,289,798	$ 6,688,706	$ 6,139,998

[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

2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
$ 120,910	$ 106,946	$ 119,611	$ 84,395	$ 84,302	$ 75,388
874,990	607,485	681,807	667,504	575,555	536,261
2,243,375	1,999,358	1,957,505	1,867,806	1,734,996	1,622,045
1,945	2,836	1,118	999	1,174	729
29,507	24,648	29,908	32,399	26,271	28,765
592,794	590,758	560,364	579,935	520,838	522,715
791,317	491,716	363,241	398,046	403,641	504,039
153,321	167,930	173,354	165,804	140,376	162,045
3,689,492	3,957,310	2,214,186	1,728,669	1,685,417	1,466,045
25,432	24,619	20,220	9,426	22,263	16,856
8,523,083	7,973,606	6,121,314	5,534,983	5,194,833	4,934,888
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,755,385	4,451,541	4,153,282	3,865,244	3,661,270	3,446,716
2,141,728	2,496,188	1,138,621	354,967	316,577	305,447
-	68,650	78,647	116,286	96,720	73,745
470,480	456,352	435,156	447,101	401,969	402,391
108,425	105,037	112,369	109,800	96,515	91,221
402,648	410,027	399,576	326,080	199,677	115,200
191,123	170,410	171,635	173,928	163,727	138,773
8,069,789	8,158,205	6,489,286	5,393,406	4,936,455	4,573,493
453,294	(184,599)	(367,972)	141,577	258,378	361,395
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	36,963	39,446	34,728
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,493	(79,575)	-	-	-	(707)
110,266	94,993	114,685	77,732	98,926	80,894
-	-	-	-	-	-
-	-	-	-	-	-
111,759	15,418	114,685	114,695	138,372	114,915
565,053	(169,181)	(253,287)	256,272	396,750	476,310
4,746,480	4,880,112	5,127,090	4,870,818	4,456,800	3,977,171
(46,850)	35,549	6,309	-	17,267	3,319
-	-	-	-	-	-
$ 5,264,683	$ 4,746,480	$ 4,880,112	$ 5,127,090	$ 4,870,817	$ 4,456,800

[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	2014-15	2013-14	2012-13	2011-12
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 659,290	$ 613,985	$ 580,547	$ 574,289
Service Fees	2,025,036	1,970,805	1,924,065	1,767,276
Education - Tuition, Fees, and Sales	2,881,240	2,672,136	2,512,026	2,406,696
Fines and Forfeits	204,989	196,568	261,380	196,905
Rents and Royalties	241,011	222,568	181,782	213,182
Sales of Products	608,491	609,885	638,966	626,033
Unemployment Surcharge	727,990	765,620	751,578	847,837
Other	286,858	299,373	286,245	237,276
Operating Grants and Contributions	10,008,599	9,351,952	8,590,571	9,049,749
Capital Grants and Contributions	895,773	785,443	797,203	732,367
TOTAL PROGRAM REVENUES	18,539,277	17,488,335	16,524,363	16,651,610
EXPENSES:				
General Government	449,261	447,359	555,507	224,382
Business, Community, and Consumer Affairs	711,558	641,182	584,300	600,068
Education	5,687,573	5,472,563	5,187,481	5,205,123
Health and Rehabilitation	822,556	720,997	697,795	703,684
Justice	2,075,534	1,840,989	1,655,057	1,555,294
Natural Resources	120,374	92,383	77,934	93,900
Social Assistance	9,627,104	8,089,560	7,174,711	6,746,574
Transportation	1,896,904	1,872,441	1,769,013	1,777,488
Payments to School Districts				
Payments to Other Governments				
Interest on Debt	59,078	53,094	16,284	40,935
Higher Education	6,004,484	5,618,507	5,258,665	5,068,481
Unemployment Insurance	530,130	756,484	1,055,148	1,571,321
CollegeInvest[3]	-	-	-	-
Lottery	474,578	477,434	501,010	495,847
Wildlife	191,426	170,898	177,497	160,933
College Assist	338,631	341,684	407,229	403,023
Other Business-Type Activities	217,838	209,871	187,265	196,542
TOTAL EXPENSES	29,207,029	26,805,446	25,304,896	24,843,595
NET (EXPENSE) REVENUE	(10,667,752)	(9,317,111)	(8,780,533)	(8,191,985)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	2,762,222	2,754,977	2,498,006	2,333,644
Excise Taxes	267,858	236,761	240,895	244,624
Individual Income Tax	5,847,141	5,285,634	5,154,624	4,653,105
Corporate Income Tax	613,316	600,002	606,883	434,885
Other Taxes	673,282	617,612	453,305	519,870
Restricted Taxes	1,186,515	1,052,692	1,039,105	965,784
Unrestricted Investment Earnings (Losses)	11,992	17,312	16,842	15,015
Other General Revenues	96,613	112,958	97,402	96,213
Special and/or Extraordinary Items (See Note 35)	-	(22,186)	-	-
(Transfers-Out) / Transfers-In	-	-	-	-
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	401	397	741	595
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	11,459,340	10,656,159	10,107,803	9,263,735
TOTAL CHANGES IN NET POSITION	791,588	1,339,048	1,327,270	1,071,750
NET POSITION - BEGINNING	22,939,513	21,647,437	20,319,062	18,657,791
Prior Period Adjustment	(6,626)	(5,204)	1,105	589,521
Accounting Changes	(8,429,853)	(41,768)	-	-
NET POSITION - ENDING	$ 15,294,622	$ 22,939,513	$ 21,647,437	$ 20,319,062

TOTAL PRIMARY GOVERNMENT

2010-11	2009-10	2008-09	RESTATED 2007-08	2006-07	2005-06
$ 575,543	$ 526,812	$ 505,922	$ 458,916	$ 437,121	$ 415,167
1,610,810	1,197,280	866,134	800,326	705,535	659,653
2,243,375	1,999,358	1,957,558	1,867,806	1,734,997	1,622,045
202,377	221,728	204,377	156,691	127,786	122,588
158,095	104,166	115,719	111,288	94,541	97,685
597,768	594,612	565,404	584,527	524,541	525,815
809,928	511,045	382,610	419,558	425,987	526,438
242,830	235,390	234,522	223,426	205,340	241,855
9,908,328	9,842,967	7,279,615	5,951,339	5,807,777	5,375,427
684,720	632,002	505,931	449,119	436,865	464,139
17,033,774	15,865,360	12,617,792	11,022,996	10,500,490	10,050,812
192,579	189,865	308,410	217,939	163,412	164,276
667,929	662,854	705,037	667,381	565,769	449,411
5,432,143	5,096,032	5,208,705	5,017,551	4,771,218	4,394,236
696,539	659,187	644,699	603,296	560,153	524,736
1,538,363	1,527,857	1,543,310	1,436,009	1,313,767	1,197,334
149,878	144,445	137,159	131,658	138,457	112,753
6,397,426	6,091,958	5,220,295	4,660,287	4,496,696	4,348,466
1,974,009	2,105,688	1,376,215	1,459,295	1,213,138	1,205,556
32,487	33,203	20,393	37,567	42,269	31,969
4,755,385	4,451,541	4,153,282	3,865,244	3,661,270	3,446,716
2,141,728	2,496,188	1,138,621	354,967	316,577	305,447
-	68,650	78,647	116,286	96,720	73,745
470,480	456,352	435,156	447,101	401,969	402,391
108,425	105,037	112,369	109,800	96,515	91,221
402,648	410,027	399,576	326,080	199,677	115,200
191,123	170,410	171,635	173,928	163,727	138,773
25,151,142	24,669,294	21,653,509	19,624,389	18,201,334	17,002,230
(8,117,368)	(8,803,934)	(9,035,717)	(8,601,393)	(7,700,844)	(6,951,418)
2,280,693	1,987,576	2,093,113	2,357,807	2,244,000	2,148,981
236,945	244,344	251,209	257,908	261,711	266,747
4,151,119	3,770,597	4,024,105	4,591,481	4,508,845	4,044,581
441,778	360,852	322,683	461,390	470,853	422,656
466,408	376,388	655,478	547,405	523,854	602,912
928,260	873,287	880,625	986,274	946,757	922,872
6,523	10,215	22,591	42,478	43,638	35,372
91,608	112,138	119,748	113,603	84,328	84,335
1,493	(79,575)	(5,616)	(6,843)	(25,915)	(14,241)
-	-	-	-	-	-
-	-	-	-	-	-
460	357	-	-	-	-
8,605,287	7,656,179	8,363,936	9,351,503	9,058,071	8,514,215
487,919	(1,147,755)	(671,781)	750,110	1,357,227	1,562,797
18,201,752	20,357,317	20,957,280	20,907,808	19,540,665	18,103,466
(31,880)	(559,075)	(112,338)	(393,912)	9,916	(125,598)
-	(448,735)	184,156	(306,726)	-	-
$ 18,657,791	$ 18,201,752	$ 20,357,317	$ 20,957,280	$ 20,907,808	$ 19,540,665

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2014-15	2013-14	2012-13	RESTATED 2011-12
REVENUES:				
Taxes	$ 11,205	$ 10,596	$ 10,018	$ 9,182
Less: Excess TABOR Revenues	170	-	-	-
Licenses, Permits, and Fines	801	758	789	724
Charges for Goods and Services	885	905	970	892
Rents (reported in 'Other' prior to FY05)	199	183	134	148
Investment Income	99	115	19	120
Federal Grants and Contracts	8,283	7,183	6,428	6,223
Unclaimed Property Receipts	61	53	37	43
Other	329	365	263	254
TOTAL REVENUES	22,032	20,158	18,658	17,586
EXPENDITURES:				
Current:				
General Government	305	331	325	359
Business, Community and Consumer Affairs	469	395	375	363
Education	785	730	674	661
Health and Rehabilitation	699	658	641	626
Justice	1,648	1,605	1,422	1,322
Natural Resources	103	107	99	90
Social Assistance	8,627	7,416	6,488	6,065
Transportation	1,282	1,203	1,065	982
Capital Outlay	325	298	299	459
Intergovernmental:				
Cities	421	412	297	287
Counties	1,627	1,573	1,504	1,371
School Districts	4,909	4,475	4,235	4,199
Other	205	202	323	177
Deferred Compensation Distributions	-	-	-	-
Debt Service[1]	270	261	247	236
TOTAL EXPENDITURES	21,675	19,666	17,994	17,197
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	357	492	664	389
OTHER FINANCING SOURCES (USES)				
Transfers-In	4,535	5,405	5,750	4,622
Transfers-Out:				
Higher Education	(181)	(143)	(135)	(133)
Other	(4,607)	(5,390)	(5,728)	(4,612)
Face Amount of Debt Issued	-	97	196	156
Bond Premium/Discount	-	6	9	13
Capital Lease Debt Issuance	-	25	1	17
Sale of Capital Assets	3	27	31	14
Insurance Recoveries	13	2	1	6
Debt Refunding Issuance	-	112	31	126
Debt Refunding Premium Proceeds	-	-	-	19
Debt Refunding Payments	-	-	(31)	(144)
TOTAL OTHER FINANCING SOURCES (USES)	(237)	141	125	84
NET CHANGE IN FUND BALANCE	120	633	789	473
FUND BALANCE - BEGINNING	6,734	6,100	5,293	4,842
Prior Period Adjustments	(7)	-	18	(22)
Accounting Changes	-	1	-	-
FUND BALANCE - ENDING	$ 6,847	$ 6,734	$ 6,100	$ 5,293

[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 268.
[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 2010-11[3]	RESTATED 2009-10	2008-09[2]	2007-08	2006-07	2005-06
$ 8,430	$ 7,640	$ 8,231	$ 9,203	$ 8,936	$ 8,396
-	-	-	-	-	-
745	734	701	643	575	541
730	552	150	104	99	99
129	80	86	79	68	69
97	199	258	316	272	117
6,917	7,023	5,480	4,308	4,073	4,054
40	42	58	-	-	-
221	192	195	179	320	341
17,309	16,462	15,159	14,832	14,343	13,617
560	775	511	123	251	256
388	369	332	311	303	274
778	855	879	802	713	673
592	583	608	561	530	486
1,314	1,315	1,285	1,195	1,088	998
132	126	121	112	107	97
5,655	4,454	3,836	3,669	3,400	3,263
1,064	1,017	1,074	1,055	950	962
329	240	308	243	124	82
300	281	294	289	239	251
1,478	2,253	2,043	1,799	1,721	1,616
4,303	4,364	4,143	3,814	3,719	3,455
185	219	185	258	242	197
-	-	-	-	-	-
208	194	189	208	213	204
17,286	17,045	15,808	14,439	13,600	12,814
23	(583)	(649)	393	743	803
4,776	5,333	5,179	4,298	4,202	3,645
(135)	(125)	(135)	(131)	(120)	(128)
(4,731)	(5,264)	(5,148)	(4,237)	(4,137)	(3,580)
218	559	-	-	-	-
-	8	-	-	-	-
17	-	11	18	4	132
-	-	-	1	-	4
2	4	2	2	1	1
-	-	-	-	-	-
-	-	-	-	-	-
147	515	(91)	(49)	(50)	74
170	(68)	(740)	344	693	877
4,085	4,785	5,312	5,012	4,319	3,441
(4)	(41)	(1)	(44)	-	1
591	-	214	-	-	-
$ 4,842	$ 4,676	$ 4,785	$ 5,312	$ 5,012	$ 4,319

GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)
GENERAL FUND
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2014-15	2013-14	2012-13	2011-12
Income Tax:				
Individual	$ 5,888	$ 5,273	$ 5,149	$ 4,633
Corporate	635	665	597	457
Net Income Tax	6,523	5,938	5,746	5,090
Sales, Use, and Excise Taxes	2,990	2,763	2,549	2,387
Less: Excess TABOR Revenues	(170)	-	-	-
Net Sales, Use, and Excise Taxes	2,820	2,763	2,549	2,387
Estate Taxes	-	-	-	-
Insurance Tax	257	239	210	197
Gaming and Other Taxes	14	12	12	20
Investment Income	9	15	17	14
Medicaid Provider Revenues	-	-	-	-
Other	19	25	21	26
TOTAL GENERAL REVENUES	$ 9,642	$ 8,992	$ 8,555	$ 7,734
Percent Change From Previous Year	7.2%	5.1%	10.6%	9.1%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	66.5%	66.0%	67.2%	65.8%
Sales, Use, and Excise Taxes	30.5	30.7	29.8	30.9
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.6	2.7	2.5	2.5
Other Taxes	0.1	0.1	0.1	0.3
Interest	0.1	0.2	0.2	0.2
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.2	0.3	0.2	0.3
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
$ 4,154	$ 3,777	$ 4,021	$ 4,600	$ 4,510	$ 4,044
366	350	265	474	464	422
4,520	4,127	4,286	5,074	4,974	4,466
2,323	2,072	1,982	2,173	2,076	1,995
-	-	-	-	-	-
2,323	2,072	1,982	2,173	2,076	1,995
-	-	-	-	1	7
190	187	192	188	179	175
20	16	-	-	7	18
8	10	9	18	28	33
-	-	-	-	-	-
25	44	56	52	48	52
$ 7,086	$ 6,456	$ 6,525	$ 7,505	$ 7,313	$ 6,746
9.8%	-1.1%	-13.1%	2.6%	8.4%	9.5%
63.8%	63.9%	65.7%	67.6%	68.0%	66.2%
32.7	32.1	30.4	29.0	28.4	29.5
0.0	0.0	0.0	0.0	0.0	0.1
2.7	2.9	2.9	2.5	2.4	2.6
0.3	0.2	0.0	0.0	0.1	0.3
0.1	0.2	0.1	0.2	0.4	0.5
0.0	0.0	0.0	0.0	0.0	0.0
0.4	0.7	0.9	0.7	0.7	0.8
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)

	2014-15	2013-14	2012-13	2011-12
Department:[1]				
Agriculture	$ 8,633	$ 7,697	$ 6,975	$ 5,152
Corrections	717,579	675,706	652,394	647,313
Education	3,357,324	3,153,609	3,014,681	2,833,433
Governor	30,267	22,819	18,555	9,699
Health Care Policy and Financing	2,274,875	2,100,771	1,829,776	1,685,679
Higher Education	761,306	658,901	628,565	623,963
Human Services	877,162	812,603	753,225	703,676
Judicial Branch	441,700	386,870	354,119	337,039
Labor and Employment	660	50	-	-
Law	13,457	12,127	10,355	9,341
Legislative Branch	41,132	38,712	35,957	34,672
Local Affairs	22,244	17,540	10,976	10,448
Military and Veterans Affairs	7,792	7,094	6,576	5,355
Natural Resources	26,216	25,141	23,620	23,400
Personnel & Administration	7,601	31,407	6,588	3,935
Public Health and Environment	59,383	53,588	31,199	27,742
Public Safety	126,747	165,240	85,595	81,993
Regulatory Agencies	6,007	1,730	1,674	1,597
Revenue	97,249	73,626	55,078	55,596
State	-	-	-	-
Treasury	5,684	108,870	27,650	4,914
Transfer to Capital Construction Fund	248,502	186,715	61,411	49,298
Transfer to Various Cash Funds	67,555	260,272	1,086,051	72,000
Transfer to the Highway Users Tax Fund	-	-	-	-
Other Transfers and Nonoperating Disbursements	127,795	126,263	262,406	25,479
TOTALS	$ 9,326,870	$8,927,351	$ 8,963,426	$ 7,251,724
Percent Change	4.5%	-0.4%	23.6%	0.3%
(AS PERCENT OF TOTAL)				
Education	36.0%	35.3%	33.6%	39.1%
Health Care Policy and Financing	24.4	23.5	20.4	23.2
Higher Education	8.2	7.4	7.0	8.6
Human Services	9.4	9.1	8.4	9.7
Corrections	7.7	7.6	7.3	8.9
Transfer to Capital Construction Fund	2.7	2.1	0.7	0.7
Transfer to Various Cash Funds	0.7	2.9	12.1	1.0
Transfers to the Highway Users Tax Fund	0.0	0.0	0.0	0.0
Judicial	4.7	4.3	4.0	4.6
Revenue	1.0	0.8	0.6	0.8
All Others	5.2	7.0	5.9	3.4
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.

RESTATED 2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
$ 4,658	$ 5,915	$ 6,809	$ 7,124	$ 5,197	$ 4,038
657,559	563,570	637,292	626,246	577,482	534,233
2,962,954	3,238,879	3,214,951	3,023,255	2,882,876	2,718,667
11,600	13,781	13,342	17,346	11,991	15,862
1,267,889	1,152,245	1,311,702	1,482,803	1,369,321	1,362,893
705,085	428,784	661,974	747,717	693,999	636,341
710,966	751,149	776,394	749,974	718,366	590,071
325,173	323,146	328,056	300,674	265,161	237,673
-	-	-	-	108	-
9,313	9,133	8,705	8,474	8,975	7,143
31,736	32,504	34,944	31,139	29,880	27,633
10,579	10,854	12,276	10,895	9,973	8,500
4,969	5,263	5,637	5,407	5,050	4,324
26,233	25,515	30,558	30,086	28,550	22,806
4,823	5,139	5,337	10,934	9,385	8,181
27,165	26,548	26,634	23,596	23,081	20,586
80,239	79,459	78,874	72,806	67,169	58,785
1,529	1,429	1,451	1,400	1,273	1,390
52,540	54,187	67,092	73,593	65,398	57,928
-	-	-	-	-	-
4,140	7,784	10,643	13,902	12,403	18,443
11,985	169	39,396	183,443	291,467	104,841
296,872	8,000	10,281	327	3,748	67,100
-	-	28,965	166,182	291,179	65,345
19,422	20,555	102,966	137,747	130,598	49,190
$ 7,227,429	$ 6,764,008	$ 7,414,279	$ 7,725,070	$ 7,502,630	$ 6,621,973
6.9%	-8.8%	-4.0%	3.0%	13.3%	6.8%
41.0%	47.9%	43.4%	39.1%	38.4%	41.1%
17.5	17.0	17.7	19.2	18.3	20.6
9.8	6.3	8.9	9.7	9.3	9.6
9.8	11.1	10.5	9.7	9.6	8.9
9.1	8.3	8.6	8.1	7.7	8.1
0.2	0.0	0.5	2.4	3.9	1.6
4.1	0.1	0.1	0.0	0.0	1.0
0.0	0.0	0.4	2.2	3.9	1.0
4.5	4.8	4.4	3.9	3.5	3.6
0.7	0.8	0.9	1.0	0.9	0.9
3.3	3.7	4.6	4.7	4.5	3.6
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)

	2014-15	2013-14	2012-13	2011-12
GENERAL PURPOSE:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ -
Noncurrent Assets	-	-	-	-
Statutory Purposes	-	-	-	-
Risk Management	-	-	-	-
Unreserved Undesignated:				
General Fund	-	-	-	-
Unreserved:				
General Fund	-	-	-	-
Nonspendable:				
Inventories	8,894	8,721	9,931	6,942
Permanent Fund Principal	-	-	-	-
Prepaids	40,971	38,535	22,654	24,175
Restricted	398,948	468,758	487,161	503,449
Committed	705,844	411,362	279,352	331,419
Assigned	20,731	7,651	7	20
Unassigned	-	-	-	359,421
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	1,175,388	935,027	799,105	1,225,426
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	44,436	43,681	44,262	8,690
Permanent Fund Principal	971,676	868,383	760,160	737,239
Prepaids	25,849	29,365	32,697	28,665
Restricted	1,942,973	2,546,717	2,783,009	1,673,490
Committed	2,686,468	2,310,902	1,680,986	1,619,397
Assigned	-	-	-	-
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	5,671,402	5,799,048	5,301,114	4,067,481
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	$ 6,846,790	$ 6,734,075	$ 6,100,219	$ 5,292,907

[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.

2010-11 [2]	2009-10	2008-09	2007-08	2006-07	2005-06
$ -	$ 5,721	$ 2,195	$ 16,487	$ 11,912	$ 12,233
-	-	1	7	13	91
-	-	148,212	151,721	267,020	251,704
-	23,031	18,650	35,559	38,593	32,851
-	(30,822)	155,436 [1]	-	95,779	295,882
-	17,854	10,939	3,639	-	-
8,742					
-					
33,009					
542,997					
39,458					
109					
(21,468)					
-	28,752	169,058	203,774	317,538	296,879
-	(12,968)	166,375	3,639	95,779	295,882
602,847	15,784	335,433	207,413	413,317	592,761

$ -	$ 1,052,572	$ 1,043,396	$ 966,477	$ 821,112	$ 814,811
-	584,828	515,062	425,830	385,248	342,341
-	4,093	558	558	558	580
-	325,463	40,921	109,322	130,000	137,530
-	94,000	93,550	93,000	85,760	79,800
-	1,151,448	1,445,739	1,902,755	1,669,326	1,233,272
-	57,148	53,498	54,676	72,870	872,212
-	(35,611)	54,687	134,470	199,126	(47,740)
-	1,302,178	1,117,248	1,391,483	1,233,276	291,488
-	10,586	8,500	2,326	1,782	1,642
-	34,487	30,327	13,385	-	-
-	40,778	23,719	8,751	-	-
-	-	-	-	-	-
-	38,541	22,875	1,571	-	-
-	-	-	-	-	-
9,839					
658,883					
21,540					
1,988,088					
1,560,775					
-	-	-	-	-	-
-	3,212,404	3,179,226	3,497,942	3,092,004	2,608,334
-	1,448,107	1,310,454	1,606,662	1,507,014	1,117,602
4,239,125	4,660,511	4,449,680	5,104,604	4,599,018	3,725,936
-	3,241,156	3,308,284	3,701,716	3,409,542	2,905,213
-	1,435,139	1,476,829	1,610,301	1,602,873	1,413,484
$ 4,841,972	$ 4,676,295	$ 4,785,113	$ 5,312,017	$ 5,012,335	$ 4,318,697

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)	Unaudited 2014-15	Restated 2013-14	2012-13	2011-12
DISTRICT REVENUES:				
Exempt District Revenues	$ 16,925,877	$ 16,833,308	$ 16,446,833	$ 15,017,772
Nonexempt District Revenues	12,530,772	11,683,130	11,107,341	10,273,184
TOTAL DISTRICT REVENUES	29,456,649	28,516,438	27,554,174	25,290,956
Percent Change In Nonexempt District Revenues	7.3%	5.3%	8.1%	9.0%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	16,925,877	16,833,308	16,162,555	15,017,772
Nonexempt District Expenditures	12,245,876	11,008,327	10,548,250	9,791,616
TOTAL DISTRICT EXPENDITURES	29,171,753	27,841,635	26,710,805	24,809,388
Percent Change In Nonexempt District Expenditures	11.2%	1.4%	7.7%	4.9%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ 284,896	$ 674,803	$ 843,369	$ 481,568
FISCAL YEAR SPENDING LIMIT				
Prior Fiscal Year Spending Limitation	$ 9,566,586	$ 9,247,466	$ 8,799,754	$ 8,654,192
Adjustments To Prior Year Limit[2]	(962)	(152)	(27,953)	(26,982)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	9,565,624	9,247,314	8,771,802	8,627,210
Allowable Growth Rate (Population Plus Inflation)	4.3%	3.3%	5.4%	2.0%
Current Fiscal Year Spending Limitation	9,976,946	9,552,475	9,245,479	8,799,754
Adjustments To Current Year Limit	-	14,111	1,987	-
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	9,976,946	9,566,586	9,247,466	8,799,754
EXCESS STATE REVENUE CAP (ESRC)[3]	12,361,032	11,852,383	11,460,242	10,871,425
NONEXEMPT DISTRICT REVENUES	12,530,772	11,683,130	11,107,341	10,273,184
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	2,553,826	2,116,544	1,859,875	1,473,430
Amount Over(Under) Excess State Revenue Cap	169,740	(169,253)	(352,901)	(598,242)
Correction Of Prior Years' Refunds	3,606	-	-	-
Voter Approved or Statutory Retention of Excess Revenue	-	-	-	-
FISCAL YEAR REFUND	$ 173,346	$ -	$ -	$ -

[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.

2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
$ 15,532,632	$ 16,056,039	$ 14,496,192	$ 12,126,729	$ 11,759,914	$ 10,899,936
9,424,764	8,567,941	9,102,354	9,998,559	9,641,867	9,161,391
24,957,396	24,623,980	23,598,546	22,125,288	21,401,781	20,061,327
10.0%	-5.9%	-9.0%	3.7%	5.2%	8.0%
15,532,632	16,056,039	14,496,192	12,126,729	11,759,914	10,899,936
9,330,892	8,638,571	10,168,409	9,533,890	8,847,334	8,029,686
24,863,524	24,694,610	24,664,601	21,660,619	20,607,248	18,929,622
8.0%	-15.0%	6.7%	7.8%	10.2%	-15.2%
$ 93,872	$ (70,630)	$ (1,066,055)	$ 464,670	$ 794,533	$ 1,131,705
$ 8,567,941	$ 9,102,354	$ 8,829,131	$ 8,333,827	$ 8,045,256	$ 8,314,374
(16,368)	(422,016)	(10,365)	(1,054)	(173)	(372,471)
8,551,573	8,680,338	8,818,766	8,332,773	8,045,083	7,941,903
1.2%	5.8%	4.1%	5.5%	3.5%	1.3%
8,654,192	9,183,797	9,180,336	8,791,075	8,326,662	8,045,148
-	-	23,505	38,056	7,165	109
8,654,192	9,183,797	9,203,841	8,829,131	8,333,827	8,045,257
10,684,856					
9,424,764	8,567,941	9,102,354	9,998,559	9,641,867	9,161,391
770,572	(615,856)	(101,488)	1,169,428	1,308,040	1,116,134
(1,260,092)					
-	-	-	-	-	-
-	-	-	1,169,428	1,308,040	1,116,134
$ -	$ -	$ -	$ -	$ -	$ -

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
2003 to 2012

(NUMBER OF RETURNS, PERCENT OF NET INCOME TAX REVENUE)

	2012[2]		2011		2010		2009	
	# 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	27,782	0.0%	29,544	0.0%	30,444	0.0%	33,536	0.0%
$0 to $5,000	71,367	0.0%	75,051	0.0%	75,736	0.0%	82,340	0.0%
$5,001 to $10,000	107,200	0.0%	110,088	0.0%	115,075	0.0%	119,531	0.0%
$10,001 to $15,000	134,062	0.2%	136,559	0.2%	140,054	0.2%	139,504	0.3%
$15,001 to $20,000	142,158	0.6%	144,355	0.6%	144,469	0.6%	143,006	0.7%
$20,001 to $25,000	135,486	0.8%	138,462	1.0%	141,184	1.1%	139,626	1.2%
$25,001 to $35,000	246,822	2.7%	247,916	3.0%	248,319	3.3%	245,832	3.7%
$35,001 to $50,000	282,264	5.5%	281,297	6.1%	278,127	6.5%	278,767	7.2%
$50,001 to $75,000	316,737	10.2%	314,902	11.3%	311,671	12.0%	311,321	13.3%
$75,001 to $100,000	213,250	10.6%	209,322	11.6%	204,879	12.2%	199,941	13.3%
$100,000 and Over	410,924	69.1%	382,180	65.9%	354,393	63.7%	319,821	60.0%
TOTAL	2,088,052	100%	2,069,676	100%	2,044,351	100%	2,013,225	100%

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
2005 to 2014

(NUMBER OF RETURNS, PERCENT OF NET SALES TAX REVENUE)

	2014		2013		2012		2011	
	# 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	6,300	0.1%	6,290	0.1%	6,112	0.1%	4,995	0.1%
Mining	13,770	2.9%	13,580	2.2%	13,670	2.0%	9,775	1.7%
Public Utilities	16,375	3.0%	17,096	3.1%	17,899	3.9%	14,073	3.9%
Construction Trades	55,275	1.5%	56,156	1.4%	56,937	1.2%	45,046	1.2%
Manufacturing	191,868	5.2%	196,833	5.1%	192,407	4.9%	152,038	4.7%
Wholesale Trade	150,726	5.9%	150,624	5.8%	148,072	5.6%	112,066	5.8%
Retail Trade	660,504	51.3%	682,237	51.7%	684,797	51.5%	542,876	51.4%
Transportation & Warehousing	6,355	0.3%	5,986	0.3%	5,876	0.2%	4,616	0.2%
Information Producers/Distributors	327,070	4.9%	326,062	5.2%	320,218	5.4%	264,926	5.6%
Finance & Insurance	71,241	0.7%	78,833	0.7%	76,887	0.8%	59,750	0.8%
Real Estate, Rental, & Leasing Services	157,759	3.5%	152,922	3.3%	151,893	3.2%	123,870	3.3%
Professional, Scientific, & Technical Services	125,414	1.4%	134,195	1.5%	135,037	1.7%	106,421	1.8%
Bus. Admin., Support, Waste/Remediation Services	47,551	0.5%	47,193	0.5%	45,392	0.6%	35,700	0.6%
Educational Services	9,103	0.1%	10,344	0.2%	10,880	0.2%	8,674	0.2%
Health Care & Social Assistance Services	21,087	0.2%	21,545	0.2%	23,416	0.2%	19,084	0.2%
Arts, Entertainment, & Recreation Services	20,945	0.6%	23,024	0.6%	24,063	0.6%	21,477	0.6%
Hotel & Other Accommodation Services	28,390	3.8%	29,733	3.7%	30,484	3.7%	24,183	3.6%
Food & Drinking Services	150,446	11.8%	163,045	12.0%	168,673	11.9%	143,273	11.8%
Other Personal Services	110,531	2.1%	117,712	2.2%	118,080	2.2%	101,431	2.2%
Government Services	2,052	0.1%	2,169	0.1%	2,150	0.1%	2,731	0.2%
TOTAL	2,172,762	100%	2,235,579	100%	2,232,943	100%	1,797,005	100%

Source: Colorado Department of Revenue

2008		2007		2006		2005		2004		2003	
# 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
23,480	0.0%	24,376	0.0%	23,376	0.0%	23,916	0.0%	24,570	0.0%	24,632	0.0%
76,617	0.0%	81,028	0.0%	72,400	0.0%	76,547	0.0%	73,929	0.0%	74,854	0.0%
112,812	0.0%	109,819	0.0%	108,412	0.0%	112,703	0.0%	112,776	0.0%	114,615	0.1%
130,686	0.3%	125,816	0.2%	127,061	0.3%	128,661	0.3%	129,339	0.4%	132,540	0.5%
139,486	0.8%	134,806	0.6%	134,933	0.8%	134,643	0.8%	134,988	1.0%	137,195	1.1%
135,930	1.3%	131,969	0.6%	130,926	1.3%	130,647	1.4%	131,424	1.6%	133,960	1.8%
248,979	4.1%	243,919	3.3%	240,034	3.8%	236,285	4.1%	236,162	4.7%	239,657	5.3%
285,209	7.8%	278,843	6.3%	272,040	7.2%	267,939	7.6%	266,625	8.6%	268,253	9.6%
318,161	14.0%	313,367	11.4%	302,778	12.9%	295,028	13.6%	289,548	15.1%	286,609	16.5%
202,834	13.9%	200,847	11.4%	189,359	12.5%	179,635	13.0%	171,170	14.0%	163,572	14.7%
317,476	57.8%	330,337	65.7%	290,548	61.2%	256,424	59.2%	227,936	54.6%	202,886	50.4%
1,991,670	100.0%	1,975,127	100.0%	1,891,867	100.0%	1,842,428	100.0%	1,798,467	100.0%	1,778,773	100.0%

COLORADO TAX RATES[1]
2006 to 2015

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.

2010		2009		2008		2007		2006	
# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
3,787	0.1%	3,595	0.1%	3,653	0.1%	3,632	0.1%	3,808	0.1%
5,543	1.4%	5,324	1.9%	4,491	1.9%	4,104	1.7%	3,775	1.4%
10,177	3.6%	9,721	3.5%	9,517	3.9%	8,725	3.0%	7,904	3.1%
33,065	1.1%	31,811	1.3%	31,949	1.5%	30,929	1.5%	32,291	1.6%
96,062	4.2%	88,504	4.7%	84,393	4.8%	87,475	4.9%	85,822	4.8%
72,331	5.7%	72,914	6.6%	72,432	6.7%	74,498	6.7%	78,156	6.8%
385,914	51.8%	385,320	49.5%	395,100	49.9%	399,395	51.5%	409,029	52.2%
3,831	0.2%	3,916	0.3%	4,014	0.3%	4,733	0.3%	5,346	0.4%
167,660	6.3%	171,984	6.3%	174,348	5.9%	170,488	5.8%	163,953	5.8%
35,443	1.4%	35,103	1.4%	33,499	1.5%	34,308	1.2%	37,478	1.0%
84,376	3.4%	82,509	3.7%	79,541	3.8%	71,969	3.8%	72,110	3.7%
64,231	1.5%	64,002	1.6%	65,592	1.6%	66,352	1.8%	71,590	1.8%
24,102	0.6%	24,615	0.7%	23,401	0.7%	23,014	0.7%	23,497	0.6%
5,914	0.2%	6,068	0.2%	6,526	0.2%	5,566	0.2%	5,136	0.2%
16,018	0.2%	15,572	0.2%	13,013	0.2%	12,233	0.2%	12,290	0.2%
17,230	0.6%	17,301	0.6%	17,391	0.6%	17,196	0.6%	16,957	0.6%
21,282	3.5%	21,153	3.6%	21,221	3.6%	20,995	3.5%	20,717	3.3%
130,911	11.8%	129,780	11.4%	129,123	10.5%	125,682	10.2%	121,234	10.0%
86,316	2.2%	86,861	2.3%	86,647	2.2%	85,361	2.1%	85,499	2.1%
6,290	0.2%	5,655	0.1%	6,044	0.1%	7,445	0.2%	10,479	0.3%
1,270,483	100%	1,261,708	100%	1,261,895	100%	1,254,100	100%	1,267,071	100%

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2014-15	2013-14	2012-13	2011-12
DEBT SERVICE EXPENDITURES:				
Principal	$ 194,818	$ 184,106	$ 163,939	$ 150,689
Interest	74,689	77,005	82,660	85,586
TOTAL DEBT SERVICE EXPENDITURES	$ 269,507	$ 261,111	$ 246,599	$ 236,276
Percent Change Over Previous Year	3.2%	5.9%	4.4%	13.7%
TOTAL NONCAPITAL EXPENDITURES	20,480,883	19,001,514	17,329,054	16,470,142
TOTAL CAPITAL EXPENDITURES	1,194,596	664,762	653,157	726,501
TOTAL GOVERNMENTAL EXPENDITURES	21,675,479	19,666,276	17,982,211	17,196,643
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	1.0%	0.9%	0.9%	0.9%
Interest	0.4%	0.4%	0.5%	0.5%
Total Debt Service Expenditures	1.3%	1.4%	1.4%	1.4%

TOTAL OUTSTANDING DEBT[1,2,4]
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2014-15	2013-14	2012-13	2011-12
Governmental Activities:				
Revenue Backed Debt	$ 289,789	$ 443,881	$ 574,147	$ 739,138
Certificates of Participation	1,227,828	1,267,869	1,192,193	1,018,456
Capital Leases	172,329	174,996	151,010	121,429
Notes and Mortgages	15,250	17,385	19,220	19,369
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,705,196	1,904,131	1,936,570	1,898,392
Business-Type Activities:				
Revenue Backed Debt	4,242,726	3,967,023	3,724,951	3,753,617
Certificates of Participation	399,231	403,761	403,603	420,951
Capital Leases	54,281	42,192	41,728	39,038
Notes and Mortgages	28,317	4,810	3,522	7,353
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,724,555	4,417,786	4,173,804	4,220,959
Total Primary Government:				
Revenue Backed Debt	4,532,515	4,410,904	4,299,098	4,492,755
Certificates of Participation	1,627,059	1,671,630	1,595,796	1,439,407
Capital Leases	226,610	217,188	192,738	160,467
Notes and Mortgages	43,567	22,195	22,742	26,722
TOTAL OUTSTANDING DEBT[1]	$ 6,429,751	$ 6,321,917	$ 6,110,374	$ 6,119,351
Percent Change Over Previous Year	1.7%	3.3%	-0.1%	19.5%
Colorado Population (In Thousands) Restated for Census	5,268	5,268	5,273	5,188
Per Capita Debt (Dollars Per Person) Restated for Census	$1,221	$1,200	$1,159	$1,180
Per Capita Income (Thousands Per Person)	$50.3	$46.9	$46.1	$46.3
Per Capita Debt as a Percent of Per Capita Income	2.4%	2.6%	2.5%	2.6%

[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.

2010-11	2009-10	RESTATED 2008-09	2007-08	RESTATED 2006-07	RESTATED 2005-06
$ 124,993	$ 116,083	$ 109,801	$ 104,924	$ 100,681	$ 97,583
82,829	77,919	78,719	102,652	112,145	106,322
$ 207,822	$ 194,002	$ 188,520	$ 207,576	$ 212,826	$ 203,905
7.1%	2.9%	-9.2%	-2.5%	4.4%	78.2%
16,654,138	16,566,769	15,448,232	14,196,496	13,365,782	12,586,379
631,546	478,179	359,518	242,572	233,914	228,077
17,285,684	17,044,948	15,807,750	14,439,068	13,599,696	12,814,456
0.7%	0.7%	0.7%	0.7%	0.8%	0.8%
0.5%	0.5%	0.5%	0.7%	0.8%	0.8%
1.2%	1.2%	1.2%	1.4%	1.6%	1.6%

2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
$ 869,282	$ 992,436	$ 1,106,973	$ 1,216,006	$ 1,319,718	$ 1,418,446
897,632	689,973	162,053	172,864	183,203	196,475
107,588	97,130	91,813	60,031	30,456	17,482
-	515,000	515,000	460,000	345,000	415,000
1,874,502	2,294,539	1,875,839	1,908,901	1,878,377	2,047,403
2,762,166	2,306,693	3,551,588	3,325,690	2,935,383	2,304,485
430,537	432,698	446,656	210,150	218,916	260,578
48,416	83,374	93,773	93,374	68,621	60,724
3,503	43,925	4,771	6,211	9,463	6,946
3,244,622	2,866,690	4,096,788	3,635,425	3,232,383	2,632,733
3,631,448	3,299,129	4,658,561	4,541,696	4,255,101	3,722,931
1,328,169	1,122,671	608,709	383,014	402,119	457,053
156,004	180,504	185,586	153,405	99,077	78,206
3,503	558,925	519,771	466,211	354,463	421,946
$ 5,119,124	$ 5,161,229	$ 5,972,627	$ 5,544,326	$ 5,110,760	$ 4,680,136
-0.8%	-13.6% [3]	7.7%	8.5%	9.2%	7.4%
5,118	5,048	4,972	4,890	4,804	4,720
$1,000	$1,022	$1,201	$1,134	$1,064	$992
$44.2	$41.7	$41.5	$43.4	$42.2	$40.6
2.3%	2.5%	2.9%	2.6%	2.5%	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	Debt Service Requirements Interest	Debt Service Requirements Total	Coverage
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
2014-15	$ 1,358,950	$ 1,191,461	$ 167,488	$ 157,220	$ 10,268	$ 167,488	1.00
2013-14	1,240,588	1,073,259	167,329	147,225	20,104	167,329	1.00
2012-13	1,204,153	1,037,025	167,128	132,105	35,023	167,128	1.00
2011-12	1,105,452	938,787	166,665	125,265	41,400	166,665	1.00
2010-11	1,162,586	994,596	167,990	119,385	48,605	167,990	1.00
2009-10	1,104,185	936,194	167,991	113,300	54,691	167,991	1.00
2008-09	980,992	813,000	167,992	107,795	60,197	167,992	1.00
2007-08	167,989	-	167,989	102,475	65,514	167,989	1.00
2006-07	167,982	-	167,982	97,490	70,492	167,982	1.00
2005-06	167,991	-	167,991	92,835	75,156	167,991	1.00
Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance[2]							
2014-15	$ 363,612	$ -	$ 363,612	$ 249,925	$ 24,857	$ 274,782	1.32
2013-14	486,250	-	486,250	374,885	30,620	405,505	1.20
2012-13	608,493	-	608,493	499,845	40,965	540,810	1.13
2011-12	240,822	-	240,822	-	18,234	18,234	13.21
2010-11	74,280	-	74,280	-	8,408	8,408	8.83
2008-09	200,753	34,107	166,646	24,000	17,126	41,126	4.05
2007-08	351,308	126,788	224,520	155	41,492	41,647	5.39
2006-07	402,013	101,632	300,381	16,155	76,077	92,232	3.26
2005-06	106,230	79,489	26,741	39,747	53,783	93,530	0.29
Higher Education Institutions							
2014-15	$ 1,250,735	$ 579,200	$ 671,536	$ 107,878	$ 152,923	$ 260,801	2.57
2013-14	1,170,939	557,627	613,312	94,581	138,121	232,702	2.64
2012-13	1,122,003	537,630	584,373	80,330	131,356	211,686	2.76
2011-12	1,093,528	507,761	585,767	69,992	114,914	184,906	3.17
2010-11	1,025,079	487,781	537,298	64,345	110,488	174,833	3.07
2009-10	947,626	477,126	470,499	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

[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
2006 to 2015

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 %
2015est	5,439	1.69%	273.8	50,343	105.6%	2,719	3.9%
2014	5,345	1.67	261.0	$ 48,831	106.3	2,675	5.0
2013	5,268	1.67	247.1	46,900	104.8	2,591	6.8
2012	5,189	1.65	240.3	46,310	104.8	2,542	7.9
2011	5,118	1.64	226.1	44,177	104.4	2,507	8.3
2010	5,048	1.63	210.5	41,700	103.9	2,486	8.7
2009	4,972	1.62	206.4	41,512	105.4	2,524	7.3
2008	4,890	1.61	212.1	43,374	106.1	2,585	4.8
2007	4,804	1.59	202.6	42,173	106.0	2,565	3.7
2006	4,720	1.58	191.7	40,614	106.5	2,510	4.3
2005	4,632	1.57	177.8	38,385	107.0	2,435	5.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment, State Demographer for the 2012 population estimate

COLORADO EMPLOYMENT[1,2]
BY INDUSTRY
2006 to 2015
(AMOUNTS IN THOUSANDS)

Industry	2015 est	2014 est	2013	2012	2011	2010	2009	2008	2007	2006
Natural Resources and Mining	36.0	33.7	30.5	30.3	27.9	24.4	24.2	28.5	25.2	21.1
Construction	146.0	140.0	126.5	115.8	112.2	115.1	131.3	161.8	167.8	167.8
Manufacturing	138.2	136.0	132.8	132.0	129.1	125.2	129.6	144.1	147.0	149.1
Transportation, Trade, and Utilities	439.2	430.2	419.4	408.8	402.3	397.8	403.8	429.3	429.2	419.3
Information	69.5	69.5	69.8	69.7	71.8	71.7	74.7	76.8	76.4	75.4
Financial Activities	155.3	152.6	150.7	146.2	143.8	144.0	148.0	155.6	159.5	160.4
Professional and Business Services	397.3	384.5	372.9	355.5	339.3	329.8	330.2	351.9	347.9	331.8
Educational and Health Services	306.6	297.3	286.8	281.9	273.4	264.6	257.2	250.5	240.4	231.2
Leisure and Hospitality	311.5	300.3	289.8	279.6	271.3	263.1	262.4	272.9	270.4	264.9
Other Services	100.6	99.3	97.7	95.5	93.0	92.5	93.7	94.8	92.9	90.8
Government	415.1	410.6	404.2	395.1	393.5	393.9	390.5	384.1	374.7	367.2
Total	2,515.3	2,454.0	2,381.1	2,310.4	2,257.6	2,222.1	2,245.6	2,350.3	2,331.4	2,279.0

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
2015 estimate	$ 7,378	$ 3,990	$ 2,000	$ 13,368
2014	6,493	3,500	2,000	11,993
2013	5,948	3,484	3,639	13,071
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

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
2015 est	85.50	9.23
2014	79.90	9.12
2013	74.00	8.12
2012	70.70	8.64
2011	66.70	8.48
2010	62.30	7.19
2009	58.30	6.80
2008	66.50	7.27
2007	67.30	7.48
2006	63.00	6.76

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]

	2015	2014	Restated 2013	Restated 2012
GOVERNMENTAL ACTIVITIES:				
General Government:				
Funds	719	638	634	626
Employees (calculated Average Employment)	72,369	70,823	68,898	67,871
Balance in Treasury Pool (in millions)	$7,683.2	$7,047.8	$7,106.9	$6,546.6
Business, Community, and Consumer Affairs:				
Professional Licenses at Regulatory Agencies	789,643	750,306	729,328	705,205
Unemployment Rate (percent) [4]	4.3	5.5	6.8	7.8
Employment Level [4]	2,716,981	2,691,680	2,595,837	2,523,535
Education:				
Public Schools	1,836	1,824	1,823	1,806
Primary School Students	889,006	876,999	863,561	854,265
Health and Rehabilitation:				
Average Daily Population of Mental Health Institutes [3]	545	486	489	501
Average Daily Population of Regional Centers [3,5]	272	288	305	302
Justice:				
District Court Cases Filed [3]	231,188	289,965	247,696	238,766
County Court Cases Filed [3]	446,255	493,341	505,234	541,439
Inmate Admissions	9,912	9,620	9,597	9,116
Inmate Releases	10,269	10,506	10,506	10,657
Average Daily Inmate Population	20,478	20,551	20,812	22,009
Citations Issued by the State Patrol	135,037	140,640	127,939 [6]	130,651
Crashes Covered by the State Patrol	26,971	29,163	27,751 [6]	25,554
Natural Resources:				
Active Oil and Gas Wells [3]	52,300	50,350	47,916	45,300
Oil and Gas Drilling Permits [3]	4,333	4,300	5,100	4,800
Annual State Park Visitors [3]	11,699,543	11,556,388	12,461,261	12,651,919
Water Loans	294	289	277	281
Social Assistance:				
Medicaid Recipients [3]	1,003,612	809,452	687,473	613,148
Average Cash Assistance Payments per Month [3]	63,646	65,208	65,208	66,472
Transportation:				
Lane Miles	23,018,184	23,021,500	23,023,800	23,023,720
Bridges	3,439	3,443	3,438	3,447
BUSINESS-TYPE ACTIVITIES:				
Higher-Education:				
Resident Students [3]	150,073	155,748	159,206	160,944
Nonresident Students [3]	29,305	28,580	27,536	26,934
Unemployment Insurance:				
Individuals Served - Employment and Training [3]	553,258	552,303	636,977	585,724
Initial Unemployment Claims [3]	157,161	199,007	228,634	302,418
CollegeInvest: [7]				
Loans Issued or Purchased	-	-	-	-
Average Balance per Loan	-	-	-	-
Lottery:				
Scratch Tickets Sold	89,637,387	89,961,317	94,109,256	99,988,581
Lotto Tickets Sold	29,837,628	33,809,181	32,561,865	33,276,914
Powerball Tickets Sold	29,581,783	35,134,907	67,690,312	64,285,665
Other Lottery Tickets Sold	50,521,072	56,956,625	47,690,502	65,916,303
Wildlife:				
Hunting & Fishing Licenses Sold [3]	2,300,000	2,300,000	2,315,000	2,333,000
College Assist:				
Guaranteed Loans - In State	-	-	-	-
Guaranteed Loans - Out of State	-	-	-	-

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.

Restated 2011	2010	2009	2008	2007	2006
616	601	593	556	515	492
66,691	65,325	64,535	61,915	59,873	58,468
$6,076.2	$5,902.0	$5,663.2	$6,159.4	$5,250.7	$4,615.3
703,695	702,498	679,836	640,332	575,124	576,982
8.5	9.0	8.1	4.8	3.8	4.3
2,490,004	2,475,831	2,511,189	2,599,724	2,583,404	2,541,828
1,786	1,817	1,769	1,771	1,771	1,731
843,316	832,368	818,443	802,639	794,026	780,708
511	554	569	548	528	539
307	329	378	403	403	403
190,531	188,822	191,749	199,681	189,884	187,498
562,185	562,570	554,165	579,069	552,592	547,143
9,935	10,704	10,992	11,038	10,625	10,168
10,161	11,033	10,803	10,565	10,110	8,954
22,814	22,980	23,210	22,887	22,424	21,438
149,015	170,988	170,570	221,544	226,324	234,052
24,878	24,123	26,159	27,260	28,277	28,648
45,500	45,000	36,000	35,000	34,000	30,000
5,250	5,000	7,400	6,780	4,200	3,800
12,463,495	11,666,912	13,680,012	11,272,418	11,475,000	11,869,897
288	278	269	258	255	244
553,407	476,632	381,390	383,784	429,233	446,341
63,742	58,119	57,200	62,647	66,728	68,822
23,023,070	22,982,320	23,060,630	23,036,480	22,999,470	23,105,769
3,447	3,447	3,429	3,406	3,775	3,757
160,160	146,531	136,900	135,275	136,108	140,601
26,225	24,869	23,166	22,069	20,670	21,380
615,548	652,570	350,000	300,000	270,000	270,000
389,769	408,644	120,074	119,561	120,290	132,337
-	-	268,745 [7]	239,060	218,518	200,332
-	-	$6,326 [7]	$6,328	$6,057	$5,546
98,545,733	99,657,606	104,217,790	101,604,127	99,199,686	111,883,645
39,257,585	41,620,408	43,552,521	41,071,837	39,835,761	38,332,996
70,047,258	101,568,085	100,733,520	109,565,516	101,570,695	119,757,642
50,464,834	26,833,674	20,831,732	19,148,564	17,407,163	16,858,542
1,380,000	1,630,000	2,300,000	1,545,659	1,399,978	1,409,064
61,076 [8]	107,402	115,486	140,232	146,616	*
4,961 [8]	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

	2014-15	2013-14	2012-13	2011-12
General Government	3,005	3,092	2,958	3,042
Business, Community, and Consumer Affairs	2,441	2,482	2,420	2,404
Education	42,767	41,501	40,218	39,097
Health and Rehabilitation	4,007	3,990	3,931	3,953
Justice	13,760	13,416	13,123	13,149
Natural Resources	1,599	1,579	1,586	1,597
Social Assistance	1,766	1,731	1,633	1,605
Transportation	3,024	3,032	3,029	3,024
TOTAL AVERAGE EMPLOYMENT	72,369	70,823	68,898	67,871
TOTAL CLASSIFIED	31,247	31,284	31,502	32,449
AVERAGE MONTHLY SALARY	$ 4,502	$ 4,391	$ 4,284	$ 4,314
TOTAL NON-CLASSIFIED	41,123	39,539	37,394	35,422
AVERAGE MONTHLY SALARY	$ 6,306	$ 6,140	$ 5,953	$ 5,840

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.

2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
2,991	2,399	2,454	2,392	2,322	2,255
2,458	2,564	2,437	2,372	2,335	2,342
38,038	37,093	36,042	34,469	33,464	32,680
3,965	4,019	3,944	3,865	3,774	3,729
13,093	12,848	13,000	12,467	11,791	11,372
1,579	1,607	1,587	1,583	1,522	1,485
1,579	1,704	1,671	1,656	1,593	1,520
2,988	3,091	3,400	3,111	3,072	3,085
66,691	65,325	64,535	61,915	59,873	58,468
32,927	32,799	32,820	31,995	31,075	30,677
$ 4,324	$ 4,367	$ 4,390	$ 4,278	$ 4,108	$ 4,036
33,764	32,526	31,715	29,920	28,798	27,791
$ 5,786	$ 5,735	$ 5,723	$ 5,467	$ 5,214	$ 5,066

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
2005 TO 2014

Mileage Type	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
CenterLine Miles[1]:										
Urban	1,523	1,385	1,385	1,385	1,389	1,398	1,400	1,398	1,419	1,411
Rural	7,580	7,718	7,720	7,720	7,720	7,748	7,744	7,736	7,742	7,737
TOTAL CENTERLINE MILES	9,103	9,103	9,105	9,105	9,109	9,146	9,144	9,134	9,161	9,148
Percent Change	0.0%	0.0%	0.0%	0.0%	-0.4%	0.0%	0.1%	-0.3%	0.1%	-0.1%
Lane Miles[2]:										
Urban	5,771	5,326	5,330	5,330	5,327	5,352	5,238	5,232	5,322	5,247
Rural	17,247	17,688	17,694	17,693	17,654	17,709	17,798	17,767	17,784	17,784
TOTAL LANE MILES	23,018	23,014	23,024	23,023	22,981	23,061	23,036	22,999	23,106	23,031
Percent Change	0.0%	0.0%	0.0%	0.2%	-0.3%	0.1%	0.2%	-0.5%	0.3%	-0.5%
Roadways[3]:										
Percent Rated Good/Fair	79	79	47	48	48	50	53	59	63	65
Percent Rated Poor	21	21	53	52	52	50	47	41	37	35
TOTAL PERCENTAGE	100	100	100	100	100	100	100	100	100	100

Source: Colorado Department of Transportation

[1] – Centerline miles measure roadway miles without accounting for the number of lanes.

[2] – Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.

[3] – In 2013, CDOT changed the overall metric by which pavement condition is measured. The new measure is based on Drivability Life, which identifies how long a pavement will last until the user experience becomes unacceptable. In 2015, the Statewide pavement condition was rated as 82 percent High/Moderate.

COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2006 to 2015

Functional Classification	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Principal Arterial[1]	1,377	1,114	1,294	1,303	1,299	1,376	1,368	1,341	1,686	1,678
Other Principal Arterial	930	1,199	793	791	785	801	794	795	911	884
Minor Arterial	667	667	747	749	752	759	761	773	802	798
Collector	390	391	443	442	446	431	426	404	350	368
Local	75	72	161	162	165	80	80	93	26	29
TOTAL BRIDGES	3,439	3,443	3,438	3,447	3,447	3,447	3,429	3,406	3,775	3,757
Percent Change	-0.1%	0.1%	-0.3%	0.0%	0.0%	0.5%	0.7%	-9.8%	0.5%	0.1%
Percent Rated Poor[2]	5.60	5.70	5.90	3.60	5.53	5.48	5.62	6.21	5.81	5.61

Source: Colorado Department of Transportation

[1] – Includes interstate, expressways, and freeways.

[2] – In 2013, CDOT changed the overall metric for assessing bridges due to Public Law 112-141. The focus is now on Structurally Deficient bridges. In 2015, CDOT reported 5.4 percent of State owned bridges as Structurally Deficient.

BUILDING SQUARE FOOTAGE
OWNED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Eight Years[2]

	2015	2014	2013	Restated 2012	Restated 2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:								
General Government	3,630,949	3,898,443	3,449,893	3,197,325	3,069,547	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affai	1,827,732	1,462,694	1,091,423	980,198	980,198	980,198	981,809	937,389
Education	322,484	327,394	327,394	327,394	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,439,483	1,371,986	1,407,882	1,522,278	1,476,587	1,489,338	1,365,606	1,561,507
Justice	8,867,461	8,797,346	8,170,861	8,428,687	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	105,952	105,952	105,952	105,952	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,832,119	1,794,333	1,791,521	1,787,266	1,836,385	1,824,175	1,700,847	1,351,964
Transportation	3,589,835	3,373,967	3,362,781	3,278,758	3,207,047	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:								
Higher Education	52,070,593	50,215,173	49,016,072	48,013,242	47,701,898	46,277,915	44,026,204	41,437,896
Parks and Wildlife	2,811,609	2,811,609	2,811,609	2,811,609	1,131,841	1,109,004	1,065,240	901,526
TOTAL	76,498,217	74,158,896	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 Eight Years[2]

	2015	2014	2013	2012	2011	2010	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:								
General Government	161,533	169,970	200,900	226,201	210,576	276,602	288,210	199,967
Business, Community, and Consumer Affairs[1]	597,583	604,185	597,182	575,591	585,944	517,447	515,708	508,439
Education	51,749	47,926	47,645	39,804	31,999	28,531	19,440	9,396
Health and Rehabilitation	498,721	475,010	473,230	465,649	458,959	455,218	420,272	434,469
Justice	343,665	412,286	310,551	321,920	463,506	857,026	868,060	850,185
Natural Resources	75,134	91,162	78,937	73,375	81,926	65,735	73,546	49,495
Social Assistance	110,867	74,451	61,001	51,404	56,881	55,801	34,459	28,963
BUSINESS-TYPE ACTIVITIES:								
Higher Education	1,303,315	1,613,516	1,530,285	1,536,160	1,358,597	1,199,672	1,243,524	1,294,663
CollegeInvest	9,642	11,397	11,397	7,517	8,544	18,983	15,318	15,318
Lottery	71,104	71,104	71,104	74,104	66,684	59,915	61,682	61,682
Parks and Wildlife	76,448	76,448	76,448	79,112	73,064	73,064	15,267	75,944
College Assist	10,246	8,825	8,825	8,825	10,139	12,807	12,807	12,807
TOTAL	3,310,007	3,656,280	3,467,505	3,459,662	3,406,819	3,620,801	3,568,293	3,541,328

Source: Colorado Office of the State Architect
[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.
[2] – Data not available prior to 2008.

OTHER COLORADO FACTS

Important Dates

1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.

1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.

1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.

1858 Gold is discovered along Cherry Creek near present day Denver.

1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for “colored red.” President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.

1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.

1870 The Denver Pacific Railroad is completed to Denver.

1876 Colorado is admitted to the Union as the 38^{th} state. John L. Routt is elected the first governor.

1877 The University of Colorado opens classes at Boulder with two teachers and forty-four students.

1894 The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of $2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.

1906 The U.S. Mint at Denver issues its first coins.

1958 The U.S. Air Force Academy’s permanent campus opens near Colorado Springs.

1992 TABOR amendment is added to the State Constitution.

Geography

Area: 103,718 square miles.

Highest Elevation: Mt Elbert – 14,433 feet above sea level.

Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

State Symbols and Emblems

State Motto – Nil Sine Numine – Nothing Without the Deity

State Nickname – Centennial State

State Animal – Rocky Mountain Bighorn Sheep

State Bird – Lark Bunting

State Fish – Greenback Cutthroat Trout

State Flower – White and Lavender Columbine

State Folk Dance – Square Dance

State Fossil – Stegosaurus

State Pet – Shelter and Rescue Dog and Cat

State Songs – “Where the Columbines Grow” and “Rocky Mountain High”

State Gemstone – Aquamarine

State Grass – Blue Grama Grass

State Insect – Colorado Hairstreak Butterfly

State Mineral – Rhodochrosite

State Reptile – Western Painted Turtle

State Amphibian – Western Tiger Salamander

State Rock – Yule Marble

State Tree – Colorado Blue Spruce

State Cactus – Claret Cup

COLORADO

Office of the State Controller

Department of Personnel
& Administration

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STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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COLORADO
Office of the State Controller
Department of Personnel
& Administration

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

October 21, 2016

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Dickey Lee Hullinghorst
Speaker of the House
Colorado General Assembly

The Honorable Bill Cadman
President of the Senate
Colorado General Assembly

Dear Madam and Sirs:

The attached Basic Financial Statements for the State of Colorado are submitted to you to comply with Section 24-30-204, C.R.S. The financial statements are prepared in accordance with generally accepted accounting principles except for the budgetary statements, which report certain payroll, purchased services from the Governor's Office of Information Technology, Medicaid, and other legislatively specified expenditures on a cash basis. The financial statements are unaudited. The State Auditor's opinion is anticipated by mid-January 2017 and will be included in the Comprehensive Annual Financial Report that I expect to issue in late January 2017.

If you have questions, please feel free to contact me.

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Attachment

cc: June Taylor, Department of Personnel & Administration
Henry Sobanet, Office of State Planning & Budgeting
Colorado State Controller

STATE OF COLORADO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CONTENTS

STATEMENT OF NET POSITION
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,704,782	$ 2,523,993	$ 5,228,775	$ 254,572
Investments	-	392,188	392,188	-
Taxes Receivable, net	1,251,652	123,640	1,375,292	-
Contributions Receivable, net	-	-	-	50,308
Other Receivables, net	570,044	640,666	1,210,710	81,691
Due From Other Governments	440,259	93,271	533,530	3,444
Internal Balances	27,525	(27,525)	-	-
Due From Component Units	347	18,188	18,535	-
Inventories	53,261	54,748	108,009	-
Prepaids, Advances and Deposits	67,526	28,756	96,282	4,251
Total Current Assets	5,115,396	3,847,925	8,963,321	394,266
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,923,920	458,392	2,382,312	122,333
Restricted Investments	732,662	167,540	900,202	158,737
Restricted Receivables	510,028	40,009	550,037	2,532
Investments	218,249	1,941,040	2,159,289	2,397,239
Contributions Receivable, net	-	-	-	101,160
Other Long-Term Assets	675,292	129,425	804,717	900,763
Depreciable Capital Assets and Infrastructure, net	9,984,922	7,058,643	17,043,565	169,621
Land and Nondepreciable Capital Assets	1,842,031	1,651,352	3,493,383	24,994
Depreciable Capital Assets for Investment	33,055	-	33,055	-
Total Noncurrent Assets	15,920,159	11,446,401	27,366,560	3,877,379
TOTAL ASSETS	21,035,555	15,294,326	36,329,881	4,271,645
DEFERRED OUTFLOW OF RESOURCES:	880,788	653,559	1,534,347	3,715
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	856,076	-	856,076	-
Accounts Payable and Accrued Liabilities	1,163,774	771,690	1,935,464	25,250
TABOR Refund Liability (Note 8B)	45,258	-	45,258	-
Due To Other Governments	231,130	39,081	270,211	200
Due To Component Units	-	645	645	-
Unearned Revenue	123,769	305,472	429,241	-
Accrued Compensated Absences	11,522	22,761	34,283	-
Claims and Judgments Payable	46,343	-	46,343	-
Leases Payable	29,079	9,132	38,211	-
Notes, Bonds, and COPs Payable	170,995	267,134	438,129	46,395
Other Current Liabilities	29,525	139,765	169,290	166,201
Total Current Liabilities	2,707,471	1,555,680	4,263,151	238,046
Noncurrent Liabilities:				
Deposits Held In Custody For Others	90	20	110	395,892
Accrued Compensated Absences	154,510	293,365	447,875	-
Claims and Judgments Payable	276,010	39,657	315,667	-
Capital Lease Payable	141,444	47,994	189,438	-
Derivative Instrument Liability	-	13,222	13,222	-
Notes, Bonds, and COPs Payable	1,154,797	4,480,091	5,634,888	602,513
Due to Component Units	-	1,631	1,631	-
Net Pension Liability	6,293,208	3,956,740	10,249,948	3,333
Other Postemployment Benefits	-	289,133	289,133	-
Other Long-Term Liabilities	415,669	28,569	444,238	60,767
Total Noncurrent Liabilities	8,435,728	9,150,422	17,586,150	1,062,505
TOTAL LIABILITIES	11,143,199	10,706,102	21,849,301	1,300,551
DEFERRED INFLOW OF RESOURCES:	106,439	247,973	354,412	405
NET POSITION:				
Net investment in Capital Assets:	11,387,895	5,067,665	16,455,560	194,126
Restricted for:				
Construction and Highway Maintenance	966,743	-	966,743	-
Education	309,957	462,636	772,593	-
Unemployment Insurance	-	739,087	739,087	-
Debt Service	68,105	85,617	153,722	-
Emergencies	217,328	34,000	251,328	-
Permanent Funds and Endowments:				
Expendable	5,801	157,611	163,412	1,072,592
Nonexpendable	950,976	83,274	1,034,250	867,679
Other Purposes	735,776	101,209	836,985	632,764
Unrestricted	(3,975,876)	(1,737,289)	(5,713,165)	207,243
TOTAL NET POSITION	$ 10,666,705	$ 4,993,810	$ 15,660,515	$ 2,974,404

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS) 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	$ 501,947	$ (22,216)	$ 151,844	$ 198,645	$ 3,050
Business, Community, and Consumer Affairs	767,434	2,116	145,016	308,521	-
Education	5,855,142	1,395	22,546	644,027	-
Health and Rehabilitation	2,884,543	2,718	102,439	1,764,280	-
Justice	2,115,633	5,886	240,513	114,581	56
Natural Resources	131,770	1,168	146,495	79,107	-
Social Assistance	8,819,078	2,003	912,678	5,330,478	-
Transportation	1,809,886	1,869	451,784	138,361	816,215
Interest on Debt	61,739	-	-	-	-
Total Governmental Activities	22,947,172	(5,061)	2,173,315	8,578,000	819,321
Business-Type Activities:					
Higher Education	6,444,484	2,830	4,305,673	1,835,957	53,690
Unemployment Insurance	529,922	-	606,417	41,644	-
Lottery	516,952	647	596,052	813	-
Parks and Wildlife	199,353	928	154,070	34,746	(187)
College Assist	320,608	114	8	346,167	-
Other Business-Type Activities	284,235	542	275,126	189,047	-
Total Business-Type Activities	8,295,554	5,061	5,937,346	2,448,374	53,503
Total Primary Government	31,242,726	-	8,110,661	11,026,374	872,824
Component Units:					
Colorado Water Resources and Power Development Authority	47,017		33,610	50,899	
University of Colorado Foundation	132,224			149,999	
Colorado State University Foundation	54,998			71,473	
Colorado School of Mines Foundation	38,665		1,900	31,862	
University of Northern Colorado Foundation	12,288			15,087	
Other Component Units	15,557		10,832	219	2,084
Total Component Units	$ 300,749	$ -	$ 46,342	$ 319,539	$ 2,084

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

Total General Revenues, Special Items, and Transfers

Change in Net Position

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

Net Position - Fiscal Year Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (126,192)	$ -	$ (126,192)	
(316,013)	-	(316,013)	
(5,189,964)	-	(5,189,964)	
(1,020,542)	-	(1,020,542)	
(1,766,369)	-	(1,766,369)	
92,664	-	92,664	
(2,577,925)	-	(2,577,925)	
(405,395)	-	(405,395)	
(61,739)	-	(61,739)	
(11,371,475)	-	(11,371,475)	
-	(251,994)	(251,994)	
-	118,139	118,139	
-	79,266	79,266	
-	(11,652)	(11,652)	
-	25,453	25,453	
-	179,396	179,396	
-	138,608	138,608	
(11,371,475)	138,608	(11,232,867)	
-	-	-	37,492
-	-	-	17,775
-	-	-	16,475
-	-	-	(4,903)
-	-	-	2,799
-	-	-	(2,422)
-	-	-	67,216
2,940,839	-	2,940,839	-
290,276	-	290,276	-
6,061,679	-	6,061,679	-
643,761	-	643,761	-
410,277	-	410,277	-
474,623	-	474,623	-
47,977	-	47,977	-
609,678	-	609,678	-
409	-	409	-
15,705	-	15,705	36,758
107,003	-	107,003	-
-	-	-	-
-	-	-	-
(352,553)	352,553	-	-
(1,583)	10,130	8,547	-
80	-	80	-
11,248,171	362,683	11,610,854	36,758
(123,304)	501,291	377,987	103,974
10,796,794	4,497,828	15,294,622	2,873,456
(6,785)	(5,309)	(12,094)	-
-	(0)	(0)	(3,026)
$ 10,666,705	$ 4,993,810	$ 15,660,515	$ 2,974,404

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 274,701	$ 756,012	$ 56,696
Taxes Receivable, net	1,435,618	-	(1)
Other Receivables, net	427,763	23,582	3,272
Due From Other Governments	397,688	2,551	-
Due From Other Funds	86,694	18,899	5,033
Due From Component Units	347	-	-
Inventories	7,522	35,868	8,860
Prepaids, Advances and Deposits	38,147	18,546	1,252
Restricted Assets:			
Restricted Cash and Pooled Cash	427,861	109,772	752,176
Restricted Investments	-	-	-
Restricted Receivables	56,851	-	453,177
Investments	22,176	-	-
Other Long-Term Assets	(49)	417,554	12,150
Depreciable Capital Assets and Infrastructure, net	(9)	-	30
Land and Nondepreciable Capital Assets	-	-	-
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,175,310	$ 1,382,784	$ 1,292,645
LIABILITIES:			
Tax Refunds Payable	$ 849,726	-	$ 4,860
Accounts Payable and Accrued Liabilities	756,988	16,404	203,740
TABOR Refund Liability (Note 8B)	45,258	-	-
Due To Other Governments	128,481	40,748	34,195
Due To Other Funds	117,950	3,911	634
Unearned Revenue	26,347	9,222	16,834
Compensated Absences Payable	27	1	-
Claims and Judgments Payable	248	-	-
Other Current Liabilities	17,904	-	28
Deposits Held In Custody For Others	2	-	-
TOTAL LIABILITIES	1,942,931	70,286	260,291
DEFERRED INFLOW OF RESOURCES:	219,310	-	933
FUND BALANCES:			
Reserved for:			
Nonspendable:			
Long-term Portion of Interfund Loans Receivable	(9)	-	30
Inventories	7,522	35,868	8,860
Permanent Fund Principal	-	-	-
Prepaids	38,035	18,546	1,252
Restricted	497,814	66,000	974,931
Committed	451,386	1,192,084	46,348
Assigned	18,321	-	-
TOTAL FUND BALANCES	1,013,069	1,312,498	1,031,421
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,175,310	$ 1,382,784	$ 1,292,645

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 389,655	$ -	$ 1,182,074	$ 2,659,138
-	-	36,428	1,472,045
164	-	114,359	569,140
1,741	-	38,015	439,995
50,456	-	11,743	172,825
-	-	-	347
-	-	299	52,549
34	113	5,354	63,446
-	311,476	322,635	1,923,920
-	-	732,662	732,662
-	-	-	510,028
3,170	-	192,903	218,249
49	-	24,294	453,998
-	-	-	21
-	-	69,160	69,160
-	-	33,055	33,055
$ 445,269	$ 311,589	$ 2,762,981	$ 9,370,578
$ -	$ -	$ 1,490	$ 856,076
9,023	7,149	130,769	1,124,073
-	-	-	45,258
-	-	27,706	231,130
1,342	-	35,723	159,560
6	-	59,420	111,829
-	-	6	34
-	-	140	388
-	-	6,879	24,811
-	-	88	90
10,371	7,149	262,221	2,553,249
-	-	867	221,110
-	-	19,141	19,162
-	-	298	52,548
-	-	1,043,619	1,043,619
32	114	5,354	63,333
5	304,326	255,870	2,098,946
434,861	-	1,175,611	3,300,290
-	-	-	18,321
434,898	304,440	2,499,893	6,596,219
$ 445,269	$ 311,589	$ 2,762,981	$ 9,370,578

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

(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	$ 2,659,138	$ 45,644	$ -	$ -	$ -	$ -	$ -	$ 2,704,782
Taxes Receivable, net	1,472,045	-	-	-	-	(220,393)	-	1,251,652
Other Receivables, net	569,140	904	-	-	-	-	-	570,044
Due From Other Governments	439,995	264	-	-	-	-	-	440,259
Due From Other Funds	172,825	18,781	-	-	-	-	(164,081)	27,525
Due From Component Units	347	-	-	-	-	-	-	347
Inventories	52,549	712	-	-	-	-	-	53,261
Prepaids, Advances and Deposits	63,446	4,080	-	-	-	-	-	67,526
Total Current Assets	5,429,485	70,385	-	-	-	(220,393)	(164,081)	5,115,396
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,923,920	-	-	-	-	-	-	1,923,920
Restricted Investments	732,662	-	-	-	-	-	-	732,662
Restricted Receivables	510,028	-	-	-	-	-	-	510,028
Investments	218,249	-	-	-	-	-	-	218,249
Other Long-Term Assets	453,998	-	-	-	-	221,294	-	675,292
Depreciable Capital Assets and Infrastructure, net	21	131,145	9,853,756	-	-	-	-	9,984,922
Land and Nondepreciable Capital Assets	69,160	1,287	1,771,584	-	-	-	-	1,842,031
Depreciable Capital Assets for Investment	33,055	-	-	-	-	-	-	33,055
Total Noncurrent Assets	3,941,093	132,432	11,625,340	-	-	221,294	-	15,920,159
TOTAL ASSETS	9,370,578	202,817	11,625,340	-	-	901	(164,081)	21,035,555
DEFERRED OUTFLOW OF RESOURCES:	-	58,747	-	822,041	-	-	-	880,788
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	856,076	-	-	-	-	-	-	856,076
Accounts Payable and Accrued Liabilities	1,124,073	32,760	-	6,941	-	-	-	1,163,774
TABOR Refund Liability (Note 8B)	45,258	-	-	-	-	-	-	45,258
Due To Other Governments	231,130	-	-	-	-	-	-	231,130
Due To Other Funds	159,560	4,521	-	-	-	-	(164,081)	-
Unearned Revenue	111,829	12,113	-	-	-	(173)	-	123,769
Compensated Absences Payable	34	427	-	-	-	11,061	-	11,522
Claims and Judgments Payable	388	-	-	-	37,453	8,502	-	46,343
Leases Payable	-	20,214	-	8,865	-	-	-	29,079
Notes, Bonds, and COPs Payable	-	-	-	170,995	-	-	-	170,995
Other Current Liabilities	24,811	270	-	-	-	4,444	-	29,525
Total Current Liabilities	2,553,159	70,305	-	186,801	37,453	23,834	(164,081)	2,707,471
Noncurrent Liabilities:								
Deposits Held In Custody For Others	90	-	-	-	-	-	-	90
Accrued Compensated Absences	-	9,792	-	-	-	144,718	-	154,510
Claims and Judgments Payable	-	-	-	-	121,146	154,864	-	276,010
Capital Lease Payable	-	85,338	-	56,106	-	-	-	141,444
Notes, Bonds, and COPs Payable	-	-	-	1,154,797	-	-	-	1,154,797
Net Pension Liability	-	364,594	-	-	-	5,928,614	-	6,293,208
Other Long-Term Liabilities	-	-	-	-	-	415,669	-	415,669
Total Noncurrent Liabilities	90	459,724	-	1,210,903	121,146	6,643,865	-	8,435,728
TOTAL LIABILITIES	2,553,249	530,029	-	1,397,704	158,599	6,667,699	(164,081)	11,143,199
DEFERRED INFLOW OF RESOURCES:	221,110	4,585	-	-	-	(119,256)	-	106,439
NET POSITION:								
Net investment in Capital Assets:	102,236	26,880	11,625,340	(366,561)	-	-	-	11,387,895
Restricted for:								
Construction and Highway Maintenance	966,411	-	-	332	-	-	-	966,743
Education	309,957	-	-	-	-	-	-	309,957
Debt Service	68,105	-	-	-	-	-	-	68,105
Emergencies	217,328	-	-	-	-	-	-	217,328
Permanent Funds and Endowments:								
Expendable	5,801	-	-	-	-	-	-	5,801
Nonexpendable	950,976	-	-	-	-	-	-	950,976
Other Purposes	735,776	-	-	-	-	-	-	735,776
Unrestricted	3,239,629	(299,930)	-	(209,434)	(158,599)	(6,547,542)	-	(3,975,876)
TOTAL NET POSITION	$ 6,596,219	$ (273,050)	$ 11,625,340	$ (575,663)	$ (158,599)	$ (6,547,542)	$ -	$ 10,666,705

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

UNAUDITED

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

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

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

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

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

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

(E) Other measurement focus adjustments include:

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 6,049,782	$ -	$ -
Corporate Income	606,441	-	-
Sales and Use	2,893,838	-	-
Excise	101,874	-	609,680
Other Taxes	224,174	67,073	409
Licenses, Permits, and Fines	20,601	3,533	376,963
Charges for Goods and Services	73,268	6,632	134,185
Rents	223	3	3,318
Investment Income (Loss)	27,294	23,570	11,052
Federal Grants and Contracts	7,891,859	101,526	842,408
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	175,922	4,932	102,032
TOTAL REVENUES	18,065,276	207,269	2,080,047
EXPENDITURES:			
Current:			
General Government	222,191	-	57,685
Business, Community, and Consumer Affairs	163,732	14,402	-
Education	780,238	-	-
Health and Rehabilitation	1,649,920	453	11,277
Justice	1,355,017	-	123,635
Natural Resources	38,329	51,538	-
Social Assistance	7,752,117	-	-
Transportation	-	-	1,328,083
Capital Outlay	79,511	2,923	42,837
Intergovernmental:			
Cities	66,715	56,497	236,675
Counties	1,297,886	43,049	212,937
School Districts	4,107,412	2,495	-
Special Districts	65,186	20,151	46,917
Federal	2,298	1,697	-
Other	25,656	2,209	582
Debt Service	58,681	7	-
TOTAL EXPENDITURES	17,664,889	195,421	2,060,628
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	400,387	11,848	19,419
OTHER FINANCING SOURCES (USES):			
Transfers-In	3,903,296	4,488	204,713
Transfers-Out	(4,473,718)	(71,044)	(181,703)
Sale of Capital Assets	10,264	-	-
Insurance Recoveries	3,455	-	432
Bond/COP Premium Refunding Proceeds	1	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(556,702)	(66,556)	23,442
NET CHANGE IN FUND BALANCES	(156,315)	(54,708)	42,861
FUND BALANCE, FISCAL YEAR BEGINNING	1,175,388	1,367,206	988,560
Prior Period Adjustment (See Note 29A)	(6,004)	-	-
FUND BALANCE, FISCAL YEAR END	$ 1,013,069	$ 1,312,498	$ 1,031,421

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 476,703	$ -	$ 6,526,485
-	45,897	-	652,338
-	-	45,223	2,939,061
-	-	188,980	900,534
1,543	-	158,600	451,799
3	-	408,718	809,818
-	-	930,320	1,144,405
-	-	139,206	142,750
4,023	5,791	67,885	139,615
7,878	-	203,545	9,047,216
-	-	80	80
-	-	65,110	65,110
127	238	37,632	320,883
13,574	528,629	2,245,299	23,140,094
21,009	-	23,133	324,018
1,583	-	294,148	473,865
2,362	44,742	25,101	852,443
193	-	121,771	1,783,614
5,526	-	207,441	1,691,619
-	-	17,131	106,998
7	-	972,766	8,724,890
-	-	3,035	1,331,118
46,593	34	8,571	180,469
-	-	64,676	424,563
-	-	101,634	1,655,506
-	841,125	43,843	4,994,875
-	-	12,418	144,672
-	-	380	4,375
-	204	49,796	78,447
3,637	-	216,962	279,287
80,910	886,105	2,162,806	23,050,759
(67,336)	(357,476)	82,493	89,335
345,795	25,615	465,120	4,949,027
(180,195)	(49,957)	(336,891)	(5,293,508)
-	-	(3,527)	6,737
747	-	-	4,634
-	-	-	1
166,347	(24,342)	124,702	(333,109)
99,011	(381,818)	207,195	(243,774)
336,680	686,258	2,292,698	6,846,790
(793)	-	-	(6,797)
$ 434,898	$ 304,440	$ 2,499,893	$ 6,596,219

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

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 6,526,485	$ -	$ -	$ -	$ 11,876	$ 6,538,361
Corporate Income	652,338	-	-	-	37,319	689,657
Sales and Use	2,939,061	-	-	-	1,767	2,940,828
Excise	900,534	-	-	-	(578)	899,956
Other Taxes	451,799	-	-	-	(10,342)	441,457
Licenses, Permits, and Fines	809,818	-	-	-	299	810,117
Charges for Goods and Services	1,144,405	-	-	-	9	1,144,414
Rents	142,750	-	-	-	-	142,750
Investment Income (Loss)	139,615	220	-	-	(572)	139,263
Federal Grants and Contracts	9,047,216	-	-	-	-	9,047,216
Additions to Permanent Funds	80	-	-	-	-	80
Unclaimed Property Receipts	65,110	-	-	-	-	65,110
Other	320,883	-	-	-	(4,764)	316,119
TOTAL REVENUES	23,140,094	220	-	-	35,014	23,175,328
EXPENDITURES:						
Current:						
General Government	324,018	1,282	37,254	-	1,701	364,255
Business, Community, and Consumer Affairs	473,865	5,429	11,280	-	(26,096)	464,478
Education	852,443	92	40,376	-	(106)	892,805
Health and Rehabilitation	1,783,614	1,118	44,675	-	2,606	1,832,013
Justice	1,691,619	973	186,660	-	3,039	1,882,291
Natural Resources	106,998	1,237	6,198	-	693	115,126
Social Assistance	8,724,890	7,480	12,213	-	(2,864)	8,741,719
Transportation	1,331,118	828	401,527	-	(138)	1,733,335
Capital Outlay	180,469	-	(617,891)	-	-	(437,422)
Intergovernmental:						
Cities	424,563	-	-	-	-	424,563
Counties	1,655,506	-	60	-	-	1,655,566
School Districts	4,994,875	-	-	-	-	4,994,875
Special Districts	144,672	-	-	-	-	144,672
Federal	4,375	-	-	-	-	4,375
Other	78,447	-	-	-	-	78,447
Debt Service	279,287	2,612	-	(210,477)	-	71,422
TOTAL EXPENDITURES	23,050,759	21,051	122,352	(210,477)	(21,165)	22,962,520
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	89,335	(20,831)	(122,352)	210,477	56,179	212,808
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,949,027	4,502	-	-	-	4,953,529
Transfers-Out	(5,293,508)	(7,007)	-	-	-	(5,300,515)
Bond/COP Premium/Discount	-	-	-	1,383	-	1,383
Sale of Capital Assets	6,737	-	(2,279)	-	-	4,458
Insurance Recoveries	4,634	-	-	-	-	4,634
Bond/COP Premium Refunding Proceeds	1	-	-	-	-	1
TOTAL OTHER FINANCING SOURCES (USES)	(333,109)	(2,505)	(2,279)	1,383	-	(336,510)
Internal Service Fund Charges to BTAs	-	398	-	-	-	398
NET CHANGE FOR THE YEAR	(243,774)	(22,938)	(124,631)	211,860	56,179	(123,304)
Prior Period Adjustment (See Note 29A)	(6,797)	-	-	-	-	(6,797)
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ (250,571)	$ (22,938)	$ (124,631)	$ 211,860	$ 56,179	$ (130,101)

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

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

(A) Management uses Internal Services Funds to report charges for and the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on the cost reimbursement basis and should break even each period. If an Internal Service Fund makes a profit, the other funds of the State have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the State have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor training services provided by the Department of Personnel & Administration, and internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:

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

(B) The following adjustments relate to capital assets:

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

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

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

(D) Other measurement focus adjustments include:

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,236,180	$ 757,410
Investments	391,521	-
Premiums Receivable, net	-	123,640
Student and Other Receivables, net	575,920	4,099
Due From Other Governments	64,304	3,549
Due From Other Funds	15,807	-
Due From Component Units	18,188	-
Inventories	38,274	-
Prepaids, Advances and Deposits	17,925	-
Total Current Assets	2,358,119	888,698
Noncurrent Assets:		
Restricted Cash and Pooled Cash	385,552	-
Restricted Investments	167,540	-
Restricted Receivables	-	-
Investments	1,908,039	-
Other Long-Term Assets	127,593	-
Depreciable Capital Assets and Infrastructure, net	6,058,575	11,441
Land and Nondepreciable Capital Assets	1,068,473	-
Total Noncurrent Assets	9,715,772	11,441
TOTAL ASSETS	12,073,891	900,139
DEFERRED OUTFLOW OF RESOURCES:	586,713	5,361
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	700,840	3,905
Due To Other Governments	-	1
Due To Other Funds	2,797	133
Due To Component Units	645	-
Unearned Revenue	255,408	908
Compensated Absences Payable	21,604	-
Leases Payable	8,681	-
Notes, Bonds, and COPs Payable	141,174	124,965
Other Current Liabilities	87,260	13,228
Total Current Liabilities	1,218,409	143,140
Noncurrent Liabilities:		
Due to Other Funds	-	-
Deposits Held In Custody For Others	-	-
Accrued Compensated Absences	281,135	-
Claims and Judgments Payable	39,657	-
Capital Lease Payable	44,182	-
Derivative Instrument Liability	13,222	-
Notes, Bonds, and COPs Payable	4,127,739	399
Due to Component Units	1,631	-
Net Pension Liability	3,496,484	11,026
Other Postemployment Benefits	289,133	-
Other Long-Term Liabilities	28,534	-
Total Noncurrent Liabilities	8,321,717	11,425
TOTAL LIABILITIES	9,540,126	154,565
DEFERRED INFLOW OF RESOURCES:	88,480	407
NET POSITION:		
Net investment in Capital Assets:	3,793,312	11,441
Restricted for:		
Education	462,636	-
Unemployment Insurance	-	739,087
Debt Service	67,358	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	157,611	-
Nonexpendable	83,274	-
Other Purposes	-	-
Unrestricted	(1,532,193)	-
TOTAL NET POSITION	$ 3,031,998	$ 750,528

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 50,088	$ 480,315	$ 2,523,993	$ 45,644
-	667	392,188	-
-	-	123,640	-
21,082	39,565	640,666	904
-	25,418	93,271	264
-	4,487	20,294	18,781
-	-	18,188	-
1,472	15,002	54,748	712
4,613	6,218	28,756	4,080
77,255	571,672	3,895,744	70,385
-	72,840	458,392	-
-	-	167,540	-
-	40,009	40,009	-
-	33,001	1,941,040	-
-	1,832	129,425	-
438	988,189	7,058,643	131,145
-	582,879	1,651,352	1,287
438	1,718,750	11,446,401	132,432
77,693	2,290,422	15,342,145	202,817
2,985	58,500	653,559	58,747
3,537	54,513	762,795	32,760
18	39,062	39,081	-
31,916	847	35,693	4,521
-	-	645	-
-	49,156	305,472	12,113
-	1,157	22,761	427
-	451	9,132	20,214
-	995	267,134	-
38,540	737	139,765	270
74,011	146,918	1,582,478	70,305
-	21,021	21,021	-
-	20	20	-
748	11,482	293,365	9,792
-	-	39,657	-
-	3,812	47,994	85,338
-	-	13,222	-
-	351,953	4,480,091	-
-	-	1,631	-
25,257	423,973	3,956,740	364,594
-	-	289,133	-
35	-	28,569	-
26,040	812,261	9,171,443	459,724
100,051	959,179	10,753,921	530,029
947	158,139	247,973	4,585
438	1,262,474	5,067,665	26,880
-	-	462,636	-
-	-	739,087	-
-	18,259	85,617	-
-	34,000	34,000	-
-	-	157,611	-
-	-	83,274	-
-	101,209	101,209	-
(20,758)	(184,338)	(1,737,289)	(299,930)
$ (20,320)	$ 1,231,604	$ 4,993,810	$ (273,050)

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

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 602,604
License and Permits	-	102
Tuition and Fees	2,765,445	-
Scholarship Allowance for Tuition and Fees	(613,735)	-
Sales of Goods and Services	2,026,876	-
Scholarship Allowance for Sales of Goods & Services	(22,981)	-
Investment Income (Loss)	1,532	-
Rental Income	14,688	-
Gifts and Donations	49,788	-
Federal Grants and Contracts	1,014,391	24,148
Intergovernmental Revenue	8,121	-
Other	359,997	-
TOTAL OPERATING REVENUES	5,604,122	626,854
OPERATING EXPENSES:		
Salaries and Fringe Benefits	4,303,841	12,046
Operating and Travel	1,384,884	513,842
Cost of Goods Sold	140,258	-
Depreciation and Amortization	402,691	369
Intergovernmental Distributions	34,008	2
Debt Service	-	-
Prizes and Awards	282	-
TOTAL OPERATING EXPENSES	6,265,964	526,259
OPERATING INCOME (LOSS)	(661,842)	100,595
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	12	3,709
Investment Income (Loss)	48,041	17,497
Rental Income	12,235	1
Gifts and Donations	207,762	-
Intergovernmental Distributions	(25,561)	-
Federal Grants and Contracts	265,969	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(5,496)	-
Insurance Recoveries from Prior Year Impairments	261	-
Debt Service	(144,263)	(3,662)
Other Expenses	(3,587)	-
Other Revenues	3,713	-
TOTAL NONOPERATING REVENUES (EXPENSES)	359,086	17,545
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(302,756)	118,140
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	54,244	10,130
Additions to Permanent Endowments	20	-
Transfers-In	418,836	-
Transfers-Out	(7,851)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	465,249	10,130
CHANGE IN NET POSITION	162,493	128,270
NET POSITION - FISCAL YEAR BEGINNING	2,874,814	622,258
Prior Period Adjustments (See Note 29A)	(5,309)	-
NET POSITION - FISCAL YEAR ENDING	$ 3,031,998	$ 750,528

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
$ -	$ -	$ 602,604	$ -
64	120,138	120,304	-
-	1,686	2,767,131	-
-	-	(613,735)	-
594,413	213,673	2,834,962	348,488
-	-	(22,981)	-
-	10,332	11,864	-
-	2,024	16,712	15,372
-	-	49,788	-
-	409,180	1,447,719	-
-	174,896	183,017	-
1,576	8,849	370,422	204
596,053	940,778	7,767,807	364,064
10,126	225,693	4,551,706	215,577
58,897	442,304	2,399,927	132,032
13,251	41,642	195,151	7,459
443	26,999	430,502	29,167
-	11,403	45,413	1,592
-	12,223	12,223	-
370,514	1,064	371,860	13
453,231	761,328	8,006,782	385,840
142,822	179,450	(238,975)	(21,776)
-	39,401	39,401	-
-	380	4,101	-
813	6,463	72,814	220
-	11,129	23,365	-
-	1,327	209,089	-
(63,715)	-	(89,276)	-
-	-	265,969	-
(4)	(28,009)	(33,509)	1,824
-	(187)	74	-
-	(15,143)	(163,068)	(2,610)
-	(309)	(3,896)	-
-	6	3,719	4
(62,906)	15,058	328,783	(562)
79,916	194,508	89,808	(22,338)
-	828	65,202	1,908
-	-	20	-
-	46,022	464,858	4,502
(80,290)	(30,456)	(118,597)	(7,007)
(80,290)	16,394	411,483	(597)
(374)	210,902	501,291	(22,935)
(19,946)	1,020,702	4,497,828	(250,115)
-	-	(5,309)	-
$ (20,320)	$ 1,231,604	$ 4,993,810	$ (273,050)

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

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 2,179,595	$ -
Fees for Service	1,774,156	828
Sales of Products	12,702	-
Gifts, Grants, and Contracts	1,607,296	23,050
Loan and Note Repayments	448,725	-
Unemployment Insurance Premiums	-	625,923
Income from Property	26,923	-
Other Sources	136,264	-
Cash Payments to or for:		
Employees	(3,795,034)	(11,777)
Suppliers	(1,266,361)	(1,821)
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(504,848)
Scholarships	(100,815)	-
Others for Student Loans and Loan Losses	(461,674)	-
Other Governments	(34,008)	(2)
Other	(94,369)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	433,400	131,353
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	2,431,542	-
Transfers-Out	(2,176,636)	-
Receipt of Deposits Held in Custody	502,191	-
Release of Deposits Held in Custody	(503,543)	-
Gifts and Grants for Other Than Capital Purposes	207,782	-
Intergovernmental Distributions	(25,561)	-
NonCapital Debt Proceeds	651	-
NonCapital Debt Service Payments	(109,192)	(125,364)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	327,234	(125,364)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(1,023,432)	(166)
Capital Contributions	11,184	-
Capital Gifts, Grants, and Contracts	15,388	-
Proceeds from Sale of Capital Assets	5,414	3,526
Capital Debt Proceeds	535,031	124,970
Capital Debt Service Payments	(389,803)	(128,877)
Capital Lease Payments	(11,576)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(857,794)	(547)

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 1,649	$ 2,181,244	$ -
-	258,856	2,033,840	331,925
594,412	60,233	667,347	1,208
-	425,379	2,055,725	70
-	420	449,145	-
-	-	625,923	-
-	13,106	40,029	15,408
1,640	103,311	241,215	12,234
(10,185)	(213,033)	(4,030,029)	(210,436)
(27,734)	(219,304)	(1,515,220)	(144,343)
(403,063)	(7,168)	(410,231)	(639)
-	-	(504,848)	-
-	-	(100,815)	-
-	(280,887)	(742,561)	-
-	(11,612)	(45,622)	(1,592)
(438)	(37,107)	(131,914)	(134)
154,632	93,843	813,228	3,701
434	55,095	2,487,071	7,663
(80,724)	(38,552)	(2,295,912)	(8,223)
-	760	502,951	267
-	(727)	(504,270)	(70)
-	1,027	208,809	-
(63,715)	-	(89,276)	-
-	23,660	24,311	-
-	(515)	(235,071)	-
(144,005)	40,748	98,613	(363)
(199)	(405,615)	(1,429,412)	(24,612)
-	-	11,184	-
-	-	15,388	-
391	139,701	149,032	50,833
-	440	660,441	176
-	(19,479)	(538,159)	(84)
-	(230)	(11,806)	(29,752)
192	(285,183)	(1,143,332)	(3,439)

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

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	118,779	17,495
Proceeds from Sale/Maturity of Investments	2,386,561	-
Purchases of Investments	(2,310,376)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(72,406)	2
NET CASH FROM INVESTING ACTIVITIES	122,558	17,497
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	25,398	22,939
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,601,643	734,471
Prior Period Adjustment (See Note 29)	(5,309)	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,621,732	$ 757,410
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (661,842)	$ 100,595
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	402,691	369
Investment/Rental Income and Other Revenue in Operating Income	-	-
Net Periodic Pension Cost	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	283,296	3,710
(Gain)/Loss on Disposal of Capital and Other Assets	(371)	-
Compensated Absences	26,461	-
Insurance Premiums and State Subsidy	-	-
Claims and General Insurance Expenses Paid	-	-
Interest and Other Expense in Operating Income	10,618	10
Provision for Bad Debts	-	-
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(178,523)	20,376
(Increase) Decrease in Inventories	1,640	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	720	-
Increase (Decrease) in Accounts Payable	55,693	2,014
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	493,017	4,279
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 433,400	$ 131,353
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	815	-
Capital Assets Acquired by Grants or Donations and Payable Increases	74,120	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	22,185	-
Loss on Disposal of Capital and Other Assets	4,112	-
Disposal of Capital Assets	12,746	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	39,972	239
Assumption of Capital Lease Obligation or Mortgage	12,789	-
Financed Debt Issuance Costs	1,224	-
Fair Value Change in Derivative Instrument	3,708	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
605	14,665	151,544	113
-	142,282	2,528,843	-
-	(35,211)	(2,345,587)	-
208	2,155	(70,041)	107
813	123,891	264,759	220
11,632	(26,701)	33,268	119
38,456	579,856	2,954,426	45,525
-	-	(5,309)	-
$ 50,088	$ 553,155	$ 2,982,385	$ 45,644
$ 142,822	179,450	$ (238,975)	$ (21,776)
443	26,999	430,502	29,167
-	(10,397)	(10,397)	-
-	-	-	-
-	51,088	338,094	4
-	(31)	(402)	49
(9)	554	27,006	143
-	-	-	-
-	-	-	-
-	3,890	14,518	3,063
-	-	-	-
(671)	(17,181)	(175,999)	(10,294)
(347)	1,909	3,202	152
44	(909)	(145)	(3,636)
(138)	(185,289)	(127,720)	(4,190)
12,488	43,760	553,544	11,019
$ 154,632	$ 93,843	$ 813,228	$ 3,701
-	1,708	2,523	1,870
-	1,265	75,385	-
-	-	22,185	-
4	1,207	5,323	313
-	-	12,746	-
-	2,476	42,687	172
-	-	12,789	20,230
-	-	1,224	-
-	-	3,708	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 84,486	$ 199,443	$ 495,848
Investments	-	633	-
Taxes Receivable, net	-	-	167,950
Other Receivables, net	2,174	18,369	333
Intrafund Receivables	8	-	-
Due From Other Funds	1,008	-	7,887
Inventories	-	-	5
Noncurrent Assets:			
Investments:			
Government Securities	-	27,052	-
Repurchase Agreements	-	686	-
Mutual Funds	-	5,751,132	-
Other Investments	-	762,241	-
Other Long-Term Assets	-	-	12,130
TOTAL ASSETS	87,676	6,759,556	$ 684,153
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	8,649
Accounts Payable and Accrued Liabilities	17,166	15,357	1,001
Due To Other Governments	-	-	293,451
Unearned Revenue	-	7,816	-
Claims and Judgments Payable	15,766	-	107
Other Current Liabilities	516	-	323,112
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	3,713	57,120
Accrued Compensated Absences	38	-	-
Other Long-Term Liabilities	-	-	713
TOTAL LIABILITIES	33,486	26,886	$ 684,153
NET POSITION:			
Held in Trust for:			
Pension/Benefit Plan Participants	54,190	-	
Individuals, Organizations, and Other Entities	-	6,732,670	
TOTAL NET POSITION	$ 54,190	$ 6,732,670	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,129,100
Member Contributions	89,076	-
Employer Contributions	289,096	-
Investment Income/(Loss)	346	31,078
Unclaimed Property Receipts	-	33,113
Other Additions	3,623	3,234
Transfers-In	8,173	-
TOTAL ADDITIONS	390,314	1,196,525
DEDUCTIONS:		
Distributions to Participants	-	285,583
Health Insurance Premiums Paid	156,849	-
Health Insurance Claims Paid	170,156	-
Other Benefits Plan Expense	26,175	-
Payments in Accordance with Trust Agreements	-	660,225
Other Deductions	21,964	-
Transfers-Out	7,199	86
TOTAL DEDUCTIONS	382,343	945,894
CHANGE IN NET POSITION	7,971	250,631
NET POSITION - FISCAL YEAR BEGINNING	46,219	6,482,550
Prior Period Adjustments (Note 29)	0	(511)
NET POSITION - FISCAL YEAR ENDING	$ 54,190	$ 6,732,670

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 211,598	$ 18,493
Contributions Receivable, net	-	34,036
Other Receivables, net	79,422	3
Due From Other Governments	3,081	-
Prepaids, Advances and Deposits	-	505
Total Current Assets	294,101	53,037
Noncurrent Assets:		
Restricted Cash and Pooled Cash	109,778	-
Restricted Investments	158,737	-
Restricted Receivables	2,532	-
Investments	-	1,524,867
Contributions Receivable, net	-	51,749
Other Long-Term Assets	898,355	-
Depreciable Capital Assets and Infrastructure, net	21	341
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,169,423	1,576,957
TOTAL ASSETS	1,463,524	1,629,994
DEFERRED OUTFLOW OF RESOURCES:	3,715	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	13,192	6,581
Due To Other Governments	200	-
Notes, Bonds, and COPs Payable	46,395	-
Other Current Liabilities	152,142	13,711
Total Current Liabilities	211,929	20,292
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	346,507
Notes, Bonds, and COPs Payable	548,350	-
Net Pension Liability	3,333	
Other Long-Term Liabilities	30,946	18,485
Total Noncurrent Liabilities	582,629	364,992
TOTAL LIABILITIES	794,558	385,284
DEFERRED INFLOW OF RESOURCES:	405	-
NET POSITION:		
Net investment in Capital Assets:	21	341
Restricted for:		
Expendable	-	723,887
Nonexpendable	-	451,210
Other Purposes	628,589	-
Unrestricted	43,666	69,272
TOTAL NET POSITION	$ 672,276	$ 1,244,710

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
$ 1,047	$ 9,303	$ 1,362	$ 12,769	$ 254,572
8,680	4,996	2,596	-	50,308
-	1,661	173	432	81,691
-	-	-	363	3,444
246	-	-	3,500	4,251
9,973	15,960	4,131	17,064	394,266
-	64	-	12,491	122,333
-	-	-	-	158,737
-	-	-	-	2,532
398,727	309,374	111,749	52,522	2,397,239
15,564	29,224	4,623	-	101,160
604	234	91	1,479	900,763
14	4	1,003	168,238	169,621
-	-	-	24,994	24,994
414,909	338,900	117,466	259,724	3,877,379
424,882	354,860	121,597	276,788	4,271,645
-	-	-	-	3,715
1,066	2,159	932	1,320	25,250
-	-	-	-	200
-	-	-	-	46,395
-	-	-	348	166,201
1,066	2,159	932	1,668	238,046
14,241	34,530	614	-	395,892
-	-	-	54,163	602,513
				3,333
798	10,401	137	-	60,767
15,039	44,931	751	54,163	1,062,505
16,105	47,090	1,683	55,831	1,300,551
-	-	-	-	405
14	4	1,003	192,743	194,126
210,007	116,766	21,932	-	1,072,592
165,763	166,814	83,892	-	867,679
-	-	-	4,175	632,764
32,993	24,186	13,087	24,039	207,243
$ 408,777	$ 307,770	$ 119,914	$ 220,957	$ 2,974,404

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

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:		
Fees	$ 33,586	$ -
Sales of Goods and Services	-	-
Investment Income (Loss)	7,261	-
Rental Income	-	-
Gifts and Donations	-	131,646
Federal Grants and Contracts	6,688	-
Other	24	89
TOTAL OPERATING REVENUES	47,559	131,735
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,478	-
Operating and Travel	14,639	22,792
Depreciation and Amortization	12	228
Debt Service	30,888	-
Foundation Program Distributions	-	109,204
TOTAL OPERATING EXPENSES	47,017	132,224
OPERATING INCOME (LOSS)	542	(489)
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	-	41,943
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)	-	41,943
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	542	41,454
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	44,211	-
Special Items (See Note 41)	-	-
TOTAL CONTRIBUTIONS AND TRANSFERS	44,211	-
CHANGE IN NET POSITION	44,753	41,454
NET POSITION - FISCAL YEAR BEGINNING	630,549	1,203,256
Prior Period Adjustments (See Note 29A)	-	-
Accounting Changes (See Note 29B)	(3,026)	-
NET POSITION - FISCAL YEAR ENDING	$ 672,276	$ 1,244,710

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ 1,900	$ -	$ -	$ 35,486
-	-	-	9,366	9,366
-	-	-	(1,648)	5,613
-	-	-	1,465	1,465
70,717	33,235	11,783	-	247,381
-	-	-	-	6,688
293	526	530	-	1,462
71,010	35,661	12,313	9,183	307,461
-	-	-	-	1,478
3,178	5,515	941	6,141	53,206
5	3	57	6,028	6,333
-	-	-	-	30,888
51,815	33,146	11,290	-	205,455
54,998	38,664	12,288	12,169	297,360
16,012	(3,003)	25	(2,986)	10,101
7,084	(1,981)	3,545	156	50,747
-	-	-	219	219
-	-	-	987	987
-	-	-	-	-
-	-	-	(3,375)	(3,375)
-	-	-	(13)	(13)
-	-	-	1,097	1,097
7,084	(1,981)	3,545	(929)	49,662
23,096	(4,984)	3,570	(3,915)	59,763
-	-	-	-	44,211
-	-	-	-	-
-	-	-	-	44,211
23,096	(4,984)	3,570	(3,915)	103,974
385,681	312,754	116,344	224,872	2,873,456
-	-	-	-	-
-	-	-	-	(3,026)
$ 408,777	$ 307,770	$ 119,914	$ 220,957	$ 2,974,404

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

(DOLLARS IN THOUSANDS)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 35,486			
Sales of Goods and Services	9,366			
Investment Income (Loss)	5,613	(5,613)		
Rental Income	1,465			
Gifts and Donations	247,381	(247,381)		
Federal Grants and Contracts	6,688	(6,688)		
Other	1,462	(1,437)		
TOTAL OPERATING REVENUES	307,461	(261,119)	46,342	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,478			
Operating and Travel	53,206			
Depreciation and Amortization	6,333			
Debt Service	30,888			
Foundation Program Distributions	205,455			
Other Expenses	-	3,390		
TOTAL OPERATING EXPENSES	297,360	3,390	300,750	EXPENSES
OPERATING INCOME (LOSS)	10,101			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	50,747	(50,747)		
Gifts and Donations	219	(219)		
Federal Grants and Contracts	987	(987)		
Gain/(Loss) on Sale or Impairment of Capital Assets	-	-		
Debt Service	(3,375)	3,375		
Other Expenses	(13)	13		
Other Revenues	1,097	(1,097)		
TOTAL NONOPERATING REVENUES (EXPENSES)	49,662	(49,662)		
		319,538	319,538	OPERATING GRANTS & CONTRIBUTIONS
		2,085	2,085	CAPITAL GRANTS & CONTRIBUTIONS
		36,759	36,759	UNRESTRICTED INVESTMENT EARNINGS
		-	-	PAYMENTS FROM THE STATE
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	59,763			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	44,211	(44,211)		
Special Items (See Note 41)	-		-	SPECIAL AND/OR EXTRAORDINARY ITEM
TOTAL CONTRIBUTIONS AND TRANSFERS	44,211	(44,211)		
CHANGE IN NET POSITION	103,974		103,974	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	2,873,456		2,873,456	NET POSITION - FISCAL YEAR BEGINNING
Prior Period Adjustments (See Note 29A)	-		-	
Accounting Changes (See Note 29B)	(3,026)		(3,026)	Accounting Changes (See Note 29)
NET POSITION - FISCAL YEAR ENDING	$ 2,974,404		$ 2,974,404	NET POSITION - FISCAL YEAR ENDING

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. NEW ACCOUNTING STANDARDS

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

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

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

During 2015, the Colorado Water Resources and Power Development Authority implemented GASB Statement No. 68.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

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

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

The following entities qualify as discretely presented component units:

Colorado Water Resources and Power Development Authority
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation
University of Northern Colorado Foundation

Other Component Units (Nonmajor):
Denver Metropolitan Major League Baseball Stadium District
Colorado Venture Capital Authority
HLC @ Metro, Inc.

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

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

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

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

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

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

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

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

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

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

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, 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):

General Fund

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

Capital Projects

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

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPE:

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

Pension and Benefit Trust Funds

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

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources

Social Assistance

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

Transportation

Department of Transportation

Component Units

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

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

The 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, 2015.

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

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

E. CAPITAL ASSETS

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

The following table lists the range of capitalization thresholds established by the State as well as lower thresholds adopted by some State agencies. State agencies are allowed to capitalize assets below established thresholds. The University of Colorado has adopted a $75,000 threshold for land and leasehold improvements as well as buildings and software.

(Amounts in Dollars)

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

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

(Amounts in Years)

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

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

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

F. UNEARNED REVENUE AND DEFERRED INFLOWS

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

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

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

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

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

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

Component Units

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

H. INSURANCE

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

The State insures its property through a combination of self-insurance and commercial insurance carriers and is self-insured against liability risks for both its officials and employees (see Note 21). It is self-funded for employee healthcare plans, however, in the healthcare instance, the risk resides with the employees because the State contribution to the plan is subject to appropriation each year, and employees are required to cover the balance of any premiums due. The State pays the actual costs of unemployment benefits paid to separated employees rather than unemployment insurance premiums.

I. NET POSITION AND FUND BALANCES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Spendable fund balance classifications include:

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

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

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

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

In the General Purpose Revenue Fund the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(1)(d) to reserve six and one-half 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 $267.0 million was committed for this purpose.

Committed balances also include earned augmenting revenue, such as insurance proceeds, that state agencies are not required to revert into the General Purpose Revenue 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 2015-16 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 2015-16, there was no unassigned fund balance because of the shortfall in the statutory reserve discussed in the Committed section of this note.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

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

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

B. INDIRECT COST ALLOCATION

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

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

C. OPERATING REVENUES AND EXPENSES

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

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

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

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

NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 126. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

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

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

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

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

Approved Medicaid Overexpenditures:

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

Approved State Department Subject to the $3.0 Million Limit:

- Administrative Courts Operating Expenses - The Department of Personnel and Administration overexpended reappropriated cash funds on this line item by $5,837 for one time construction expenditures for an office in Grand Junction.
- Department of Public Health and Environment Indirect Cost Assessment – An oversight occurred during the figure-setting process on several divisional indirect cost assessment appropriation amounts. The oversight, paired with an increase of the cash indirect rate from 25.7% to 27.5 % for fiscal year 2016, caused the assessment of indirect costs within many divisions to exceed the spending authority for indirect cost. The total cash amount overexpended was $921,838.
- CORE Operations – The Department of Education overexpended their reappropriated cash line by $121,724. This amount is equal to the combined federal appropriations in FY 2015 and FY 2016 for

CORE operations. The Department does not have a basis for assigning the costs to their Federal programs in proportion to the benefit provided as required by Federal regulations.

- CORE Operations – The Department of Military and Veterans Affairs overexpended a Federal fund line in the amount of $62,857. The departments cooperative agreement contract with National Guard Bureau specifically excludes indirect costs for other than specific payroll costs. The federal government is denying the costs because they and indirect and disallowed.
- CORE Operations – The Department of Natural Resources overexpended their cash line related to this appropriation by $88,683 to pay their Federal portion of costs related to the implementation of a new Statewide accounting system. The amount overexpended is equal to the combined federal appropriations for FY 2015 and FY 2016. The Department does not have any Federal partners to provide funding for this cost.

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

- Distribution to Local Public Health Agencies – This cash fund resided at the Department of Public Health and Environment but was repealed with the passing of House Bill 16-1408. Cleanup on the fund left the Department with a fund balance deficit of $529.
- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $2,886,656. Pursuant to C.R.S. 43-4-806 (4), the Transportation Commission loaned monies to the High Performance Transportation Enterprise. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater. The deficit this year has decreased from last year's amount of $3,294,462
- Aviation Fund – The Department of Transportation had a deficit fund balance in this fund in the amount of $5,189,122 related to lower than anticipated tax revenues resulting from low fuel prices.
- Division of Professions and Occupations Cash Fund The Department of Regulatory Agencies had a deficit fund balance in this fund of $471,306 due to unforeseen and inefficient permit activity revenue. Fees were increased for this fund in April 2016.
- Various – With the implementation of the new statewide financial system, CORE, there were 4 small dollar over expenditures individually totaling $3,482 due to timing mismatches.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2015-16 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, 2016:

- Department of Health Care Policy and Financing

  Health Care Expansion Fund - $227,350

  Medicaid Buy-In Cash Fund - $139,883

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

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

Since its passage in 1992, TABOR has required that annual revenues in excess of the constitutional limit be refunded to the taxpayers unless voters approve 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 2015-16 ESRC of $12,930.7 million.

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

In Fiscal Year 2015-16, a reclassification of revenue from federal sources and other adjustments for the prior year resulted in $14.1 million less revenue over the ESRC and a lower TABOR refund payable than originally stated for Fiscal Year 2014-15. These adjustments are reflected in the current Fiscal Year 2015-16 ESRC and refunds payable calculations.

Revenue in Fiscal Year 2015-16 subject to the ESRC was $12.880.8 million, which is $49.9 million under the $12,930.7 million ERSC, and $2,470.4 million over the original TABOR limit. TABOR refunds payable from Fiscal Year 2014-15 are $31.2 million.

Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $14,847.1 million -- $3,593.6 million during the initial five year revenue retention period, and an additional $11,253.5 million as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2015-16.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2015-16 that amount was $386.4 million.

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

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

The estimate of the needed reserve was based on the December 2015 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were less than estimated, the amount designated for the reserve was $275,691 more than required by the State Constitution. However, in the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

NOTE 9 Through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

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

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

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

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

At June 30, 2016, the treasurer had invested $7408.5million (fair value) of the pool and held $5.5 million of certificates of deposit.

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

Component Units

The Colorado Water Resources and Power Development Authority had cash deposits of $2,061,724 with bank balances of $2,073,112 at December 31, 2015. Of the booked amount, $250,000 was federally insured. The authority also reported as cash and cash equivalents $19.2 million held by the State Treasurer, $111.0 million held in COLOTRUST and CSAFE, and $189.1 million held in a third party, short-term, prime investment fund. COLOTRUST (Colorado Local Government Liquid Asset Trust) and CSAFE (Colorado Surplus Asset Fund Trust) are local government investment vehicles that qualify as 2a7-like investment pools, where the value of each share is maintained at $1.00. COLOTRUST, CSAFE and the third party investment fund have credit quality ratings of AAA, while cash held by the State Treasurer is not rated for credit quality.

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general-purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Higher Education Institutions and certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects;

when this occurs, a cash transaction is reported on the

- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.

- Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses.

- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the

Statement of Cash Flows.

amount reported for capital or other assets on the Statement of Net Position, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.

- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, and gain/(loss) on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Position.* Since no cash is received or disbursed in these transactions, they are reported as noncash.

- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and related liability balances reported on the *Statement of Net* Position. Therefore, these transactions are reported as noncash.

- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,375.3 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- $1,435.6 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount includes $220.4 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Position.* These long-term receivables are offset by deferred inflows on the *Balance Sheet – Governmental Funds*.
- $123.6 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- $24.9 million recorded in nonmajor special revenue funds, of which, approximately $11.5 million is from gaming tax, $11.1 million is tobacco tax, and $2.3 million is insurance premium tax.
- In addition, $58.1 million of Taxes Receivable, $33.2 million of Other Receivables, and $361.8 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of $1,210.7 million shown on the government-wide *Statement of Net Position* are net of $171.7 million in allowance for doubtful accounts and primarily comprise the following:

- $575.9 million of student and other receivables of Higher Education Institutions.
- $427.6 million of receivables recorded in the General Fund, of which $14.5 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $378.6 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $6.7 million of patient receivables.
- $114.4 million recorded by Other Governmental Funds including $43.5 million of tobacco settlement revenues expected within the following year, $8.7 million of rent and royalty receivables recorded by the State Lands Fund and $16.3 million from the Great Outdoors Colorado program recorded by Parks and Wildlife.
- $23.6 million recorded by the Resource Extraction Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $1.0 billion at December 31, 2015. During 2015, the authority made new loans of $106.2 million and canceled or received repayments for existing loans of $172.8 million.

University of Colorado Foundation contributions receivable of $34.0 million and $51.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2015, the amount reported as contributions receivable includes $97.2 million of unconditional promises to give which were offset by a $9.1 million allowance for uncollectible contributions and a $2.4 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2015, Contributions Receivable for the Colorado State University Foundation included contributions of $25.8 million, which were offset by $0.9 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, 2015, contributions from two donors represented approximately 41 percent of net contributions receivable for the foundation.

At June 30, 2015, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $34.2 million was offset by $3.9 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 48 percent of the foundation's contributions receivable at June 30, 2015, consists of a pledge from one donor and approximately $5.0 million is due from trusts held by others.

At June 30, 2015, combined current and noncurrent Contributions Receivable for the University of Northern Colorado Foundation was $7.5 million. It was offset by $0.3 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 82 percent of the foundation's contributions receivable at June 30, 2015 consists of a pledge from two donors.

NOTE 12 – INVENTORY

Inventories of $108.0 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

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

NOTE 13 – PREPAIDS AND ADVANCES

Prepaids and Advances of $96.3 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

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

NOTE 14 – INVESTMENTS

Primary Government

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

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

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

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

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

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2015 and 2014, the treasurer had $85.9 million and $59.2 million at fair value, respectively, of GOCO's funds on deposit and invested.

The investment earnings of the Unclaimed Property Tourism Trust Fund, a nonmajor special revenue fund, are assigned by law to the Colorado Travel and Tourism Promotion Fund, a nonmajor special revenue fund, to the State Fair, a nonmajor enterprise fund, and to the Agriculture Management Fund, a nonmajor special revenue fund.

As provided by State statute, the State Treasurer held $8.2 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

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

Colorado State University, reported in the Higher Education Institutions Fund, held $415,020 of hedge funds that were valued based on the net asset value reported by its hedge fund manager. 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 $1,713,951 of net realized gains from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2015-16.

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

(Amounts in Thousands)

Footnote Amounts		Carrying Amount
Deposits (Note 9)	$	1,200,413
Investments:		
Governmental Activities		8,359,370
Business-Type Activities		2,500,767
Fiduciary Activities		6,541,744
Less: Cash in Clearing Accounts		(2,167)
Total	$	18,600,127
Financial Statement Amounts		
Net Cash and Pooled Cash	$	6,008,552
Add: Warrants Payable Included in Cash		215,646
Total Cash and Pooled Cash		6,224,198
Add: Restricted Cash		2,382,312
Add: Restricted Investments		900,202
Add: Investments		9,093,221
Add: Unrealized Gain Not Posted		194
Total	$	18,600,127

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 $13.9 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The *Other* category of the Other Governmental funds comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for BEST issuances ($67.5 million reported in the Debt Service Fund, an Other Governmental Fund and $3.3 million related to investments in the Public School Fund. None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
INVESTMENT TYPE				
U.S. Government Securities	$ 3,633,085	$ -	$ 218,202	$ 3,851,287
Commercial Paper	846,606	-	-	846,606
Corporate Bonds	1,668,442	-	225,281	1,893,723
Asset Backed Securities	1,025,406	-	249,374	1,274,780
Mortgages Securities	4,919	8,205	161,855	174,979
Mutual Funds	230,000	-	3,170	233,170
Other	-	13,971	70,854	84,825
TOTAL INVESTMENTS	$ 7,408,458	$ 22,176	$ 928,736	$ 8,359,370

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: a variety of investments held by the University of Colorado Foundation ($325.7 million) and the Colorado School of Mines Foundation ($30.8 million); money market funds ($313.5 million); equity trusts ($288.1 million); repurchase agreements ($88.4 million); fixed income trusts ($42.4 million); municipal bonds ($20.9 million) and other investments ($10.2 million).

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

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

(Amounts in Thousands)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 385,491	$ -	$ 385,491	$ 27,685
Commercial Paper	2,000	-	2,000	-
Corporate Bonds	272,242	-	272,242	-
Corporate Securities	13,938	-	13,938	-
Repurchase Agreements	-	-	-	686
Asset Backed Securities	99,625	-	99,625	-
Mortgages Securities	60,619	-	60,619	-
Mutual Funds	513,265	15,263	528,528	5,751,132
Other	1,119,918	18,406	1,138,324	762,241
TOTAL INVESTMENTS	$ 2,467,098	$ 33,669	$ 2,500,767	$ 6,541,744
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 116,012	$ -	$ 116,012	$ 14,221
Corporate Bonds	133,232	-	133,232	-
Corporate Securities	-	-	-	-
Repurchase Agreements	-	-	-	-
Asset Backed Securities	68,542	-	-	-
Mortgages Securities	3,469	-	3,469	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 323,255	$ -	$ 252,713	$ 14,221

Credit Quality Risk

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

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

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

In addition, to the amounts shown in the following table:

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

(Amounts In Thousands)

	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	$ -	$ -	$ 73,291	$ -	$ 1,025,406	$ 230,000	$ -	$ -	$ -	$ 1,328,697
High Grade	795,328	-	682,386	-	4,919	-	-	-	-	1,482,633
Upper Medium	-	-	835,003	-	-	-	-	-	-	835,003
Lower Medium	-	-	77,762	-	-	-	-	-	-	77,762
Speculative	-	-	-	-	-	-	-	-	-	-
Short-term Ratings										
Highest	1,639,664	846,606	-	-	-	-	-	-	-	2,486,270
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ 14,509	$ -	$ 17,988	$ -	$ 60,606	$ 326,283	$ 186	$ -	$ 6,327	$ 425,899
High Grade	136,822	-	56,910	-	26,396	-	127	-	9,423	229,678
Upper Medium	-	-	104,764	-	4,328	-	274	-	660	110,026
Lower Medium	-	-	72,070	-	4,693	-	215	-	-	76,978
Speculative	-	-	2,732	-	1,403	-	10	-	-	4,145
Very Speculative	-	-	121	-	409	-	-	-	-	530
High Default Risk	-	-	66	-	2,181	-	-	-	-	2,247
Default	-	-	265	-	1,683	-	-	-	-	1,948
Short-term Ratings										
High	-	-	-	-	-	-	-	-	-	-
Unrated	30,621	-	16,321	88,365	57,846	26	180,763	-	4,467	378,409
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ 3,001	$ -	$ -	$ 686	$ -	$ -	$ -	$ -	$ -	$ 3,687
High Grade	14,221	-	-	-	-	-	-	-	-	14,221
Upper Medium	-	-	-	-	-	-	-	-	-	-
Lower Medium	-	-	-	-	-	-	-	-	-	-
Speculative	-	-	-	-	-	-	-	-	-	-
Very Speculative	-	-	-	-	-	-	-	-	-	-
High Default Risk	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-
Short-term Ratings										
Highest	-	-	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-	-	-
Good	-	-	-	-	-	-	-	-	-	-
Speculative	-	-	-	-	-	-	-	-	-	-
Default Risk	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-
Unrated	9,829	-	-	-	-	4,151,535	2,231,188	130,651	-	6,523,203
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ 24,917	$ -	$ 228,625	$ 2,856	$ -	$ -	$ -	$ 256,398
High Grade	152,575	-	134,987	-	135,536	876	-	-	3,308	427,282
Upper Medium	-	-	48,686	-	-	-	-	-	-	48,686
Lower Medium	-	-	16,691	-	-	-	-	-	-	16,691
Short-term Ratings										
Unrated	-	-	-	-	13,131	8,770	6,035	-	-	27,936
	2,796,570	848,606	2,164,960	89,051	1,567,162	4,720,346	2,418,798	130,651	24,185	14,760,329

Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 178,653,659	4.400
U.S. Treasury TIPS	1,811,031	6.500
U.S. Government Agency GSE Notes	96,338,001	6.860
Municipal Bonds	7,899,817	7.520
Corporate Bonds	151,680,196	7.800
Certificates of Deposit	1,240,736	3.970
Asset Backed Securities	95,930,347	13.350
Bond Mutual Funds	180,517,670	2.330
Colorado State University:		
Bond Mutual Funds	$ 977,129	2.600
Colorado School of Mines:		
Bond Mutual Funds-1	$ 970,824	5.700
Bond Mutual Funds-2	672,801	1.100
Bond Mutual Funds-3	439,883	0.800
Colorado Mesa University:		
U.S. Government Securities	$ 700,223	3.226
Corporate Bonds	994,280	3.480
Bond Mutual Funds	225,767	4.200
Taxable Municipal Bonds	492,103	3.060
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$ 670,733,666	5.870
Bond Mutual Fund-2	706,609,343	5.800
Bond Mutual Fund-3	427,713,477	0.096
Bond Mutual Fund-4	396,300,900	1.960
Bond Mutual Fund-5	192,365,571	7.900
Bond Mutual Fund-6	95,344,945	4.680
Bond Mutual Fund-7	46,001,943	5.800
Bond Mutual Fund -8	3,322,958	6.860

Foreign Currency Risk

Approximately 13.8% or $1.8 million of Colorado State University's investments are exposed to foreign currency risk in four international equity funds. By policy, fund managers are to be invested in diversified portfolios consisting primarily of equities from countries with developed markets.

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

Concentration of Credit Risk

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

Unrealized Gains and Losses

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

(Amounts in Thousands)

	Fiscal Year 2015-16	Fiscal Year 2014-15
Governmental Activities:		
Major Funds		
General-General Purpose	$ 2,897	$ (1,911)
General-Special Purpose	2,224	(116)
Resource Extraction	2,384	(252)
Highway Users Tax	2,350	(1,852)
Capital Projects-Regular	910	571
Capital Projects-Special	17	(4)
State Education	(188)	(2,156)
NonMajor Funds:		
State Lands	21,717	328
Other Permanent Trusts	35	(9)
Labor	(573)	(1,654)
Gaming	378	(111)
Tobacco Impact Mitigation	517	(24)
Resource Management	47	(34)
Environment Health Protection	422	(125)
Other Special Revenue	1,712	76
Unclaimed Property	5,018	502
Information Technology	81	(72)
Highways (Internal Service)	-	-
Administrative Courts	5	(2)
Legal Services	20	9
Other Internal Service	1	1
Business-Type Activities:		
Major Funds		
Higher Education Institutions	(72,406)	(26,192)
Lottery	208	(51)
NonMajor Funds:		
CollegeInvest	429	(243)
Wildlife	482	(77)
College Assist	515	(88)
State Fair Authority	-	-
Correctional Industries	21	(10)
State Nursing Homes	54	(5)
Prison Canteens	23	1
Petroleum Storage Tank	8	(16)
Transportation Enterprise	610	(219)
Other Enterprise Activities	13	(15)
Fiduciary:		
Pension/Benefits Trust	(232)	(20)
Private Purpose Trust	(188,237)	(184,464)
	$(218,538)	$(218,234)

Fair Value Measurements

To the extent available, the State's investments are recorded at fair value as of June 30, 2016. Fair value is the price that would be received to sell and asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.

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

The following table summarizes the State's investments within the fair value hierarchy at June 30, 2016:

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

Investments

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

Other – Uncategorized Investments

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

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

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

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

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

Component Units

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

Component Units – Non-Foundations

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

(Amounts in Thousands)

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

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

Credit Quality Risk

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

Interest Rate Risk

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

Concentration of Credit Risk

Component Units – Foundations

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

At June 30, 2015, the University of Colorado Foundation held $336.2 million of domestic equity securities, $415.0 million of international equity securities, $162.7 million of fixed income securities and $546.9 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, commodities and other investments. The foundation has adopted FASB guidance in valuing its investments. All but $38.8 million of the $546.9 million alternative investments value falls under FASB's level three fair value hierarchy, meaning that there is little if any market activity for the investments and without pricing information, determination of fair value requires significant judgment or estimation. Estimated 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 $38.7 million is net of $9.8 million of investment fees and comprises $18.2 million of interest, dividends and other income, $50.6 million of realized gains, and $20.3 million of unrealized losses.

At June 30, 2015, the Colorado State University Foundation held $197.2 million of equity securities, $161.8 million of alternative investments (comprising hedged equities, absolute return, private equity and alternative fixed income investments), $17.2 million of standard fixed income securities, and $22.5 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, 2015 the CSMF held $308.7 million of investments, which consisted of $280.7 million held as a long-term investment pool, $9.7 million in beneficial interests in endowments, $12.1 million in split-interest agreements, $4.7 million in gift annuity agreements and $1.5 million in long-term trusts. Of the $280.7 million held as a long-term investment pool, $29.3 million was held in fixed income securities and mutual funds, $130.7 million in domestic and international equities, $106.5 million in hedge funds and venture capital, and $14.2 million in cash equivalents.

Thirty-eight 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, 2015, the University of Northern Colorado Foundation held $44.2 million of equity securities, $25.5 million of fixed income securities, $29.6 million of alternative investments, $3.9 million of cash and other investments and $7.6 million in beneficial interest in trusts held by others. The foundation's investment income of $3.5 million is net of $0.3 million of management fees and comprises $1.9 million of interest and dividends and $1.9 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 $804.7 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 $220.4 million and $58.1 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the *Balance Sheet – Governmental Funds* but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by unearned revenue.

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

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

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

NOTE 17 – CAPITAL ASSETS

Primary Government

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

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

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	104,605	$ 6,275	$ -	$ 18	$ 110,898
Land Improvements	7,276	-	-	-	7,276
Collections	10,996	-	-	-	10,996
Other Capital Assets	1,063	-	-	747	1,810
Construction in Progress (CIP)	897,973	555,851	(690,881)	(15,522)	747,421
Infrastructure	946,314	2	17,314	-	963,630
Total Capital Assets Not Being Depreciated	1,968,227	562,128	(673,567)	(14,757)	1,842,031
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	47,916	1,713	554	(121)	50,062
Buildings	2,854,611	35,037	299,705	(1,837)	3,187,516
Software	296,936	58,517	11,883	(58,736)	308,600
Vehicles and Equipment	869,576	94,719	2,453	(58,408)	908,340
Library Materials and Collections	6,203	237	-	(694)	5,746
Other Capital Assets	38,004	1,350	(1,131)	(889)	37,334
Infrastructure	11,040,862	24	360,103	22,953	11,423,942
Total Capital Assets Being Depreciated	15,154,108	191,597	673,567	(97,732)	15,921,540
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(30,307)	(1,921)	-	73	(32,155)
Buildings	(877,177)	(78,373)	-	106	(955,444)
Software	(185,705)	(29,587)	-	286	(215,006)
Vehicles and Equipment	(516,586)	(67,238)	-	28,116	(555,708)
Library Materials and Collections	(4,313)	(462)	-	698	(4,077)
Other Capital Assets	(33,316)	(1,830)	-	128	(35,018)
Infrastructure	(3,734,054)	(372,674)	-	573	(4,106,155)
Total Accumulated Depreciation	(5,381,458)	(552,085)	-	29,980	(5,903,563)
Total Capital Assets Being Depreciated, net	9,772,650	(360,488)	673,567	(67,752)	10,017,977
TOTAL GOVERNMENTAL ACTIVITIES	11,740,877	201,640	-	(82,509)	11,860,008
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	525,125	22,407	5,435	-	552,967
Land Improvements	16,882	-	-	-	16,882
Collections	25,279	1,469	-	192	26,940
Construction in Progress (CIP)	1,180,434	944,837	(1,108,854)	(15,249)	1,001,168
Other Capital Assets	15,461	-	-	-	15,461
Infrastructure	25,414	-	12,520	-	37,934
Total Capital Assets Not Being Depreciated	1,788,595	968,713	(1,090,899)	(15,057)	1,651,352
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	636,701	6,646	68,670	965	712,982
Buildings	7,688,747	28,742	659,842	(7,347)	8,369,984
Software	201,390	19,417	7,415	(548)	227,674
Vehicles and Equipment	1,046,278	85,047	7,182	(55,511)	1,082,996
Library Materials and Collections	534,889	23,198	-	(1,517)	556,570
Other Capital Assets	4,146	-	-	-	4,146
Infrastructure	446,447	88,281	347,790	(27,546)	854,972
Total Capital Assets Being Depreciated	10,558,598	251,331	1,090,899	(91,504)	11,809,324
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(336,914)	(30,588)	-	40	(367,462)
Buildings	(2,691,639)	(262,432)	-	2,228	(2,951,843)
Software	(145,783)	(22,608)	-	(1,993)	(170,384)
Vehicles and Equipment	(753,361)	(81,566)	-	51,849	(783,078)
Library Materials and Collections	(404,013)	(20,405)	-	1,250	(423,168)
Other Capital Assets	(1,429)	(294)	-	-	(1,723)
Infrastructure	(40,416)	(12,607)	-	-	(53,023)
Total Accumulated Depreciation	(4,373,555)	(430,500)	-	53,374	(4,750,681)
Total Capital Assets Being Depreciated, net	6,185,043	(179,169)	1,090,899	(38,130)	7,058,643
TOTAL BUSINESS-TYPE ACTIVITIES	7,973,638	789,544	-	(53,187)	8,709,995
TOTAL CAPITAL ASSETS, NET	$ 19,714,515	$ 991,184	$ -	$ (135,696)	$ 20,570,003

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

(Amounts in Thousands)

		Depreciation Amount
GOVERNMENTAL ACTIVITIES		
	General Government	$ 20,354
	Business, Community and Consumer Affairs	4,095
	Education	31,845
	Health and Rehabilitation	20,479
	Justice	48,056
	Natural Resources	1,670
	Social Assistance	1,134
	Transportation	395,285
	Internal Service Funds (Charged to programs and BTAs based on usage)	29,167
Total Depreciation Expense - Governmental Activities		552,085
BUSINESS-TYPE ACTIVITIES		
	Higher Education Institutions	402,691
	Other Enterprise Funds	27,367
	State Lottery	443
Total Depreciation Expense - Business-Type Activities		430,501
Total Depreciation Expense Primary Government		$ 982,586

Component Units

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

HLC @ Metro, Inc., a nonmajor component unit, reported $40.7 million of depreciable capital assets net of depreciation. A nondepreciable capital asset for the use of land at below market rent, under an agreement with Metropolitan State University of Denver, carries a value of $5.0 million.

NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

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

Administration of the Plan

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

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

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available (see Note 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, except as discussed below, are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). Monthly benefits in the Judicial Division for retirements on or after July 1, 1999 for members hired on or before July 1, 1973 are calculated as 4 percent for the years 0-10, 1.66 percent for years 11-16, 1.5 percent for years 17-20, and 2.5 percent for years 21 and greater.

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

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

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

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

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

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

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in 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 limit the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent and remained at the rate through June 30, 2016.

Disability and Survivor Benefits

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

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

B. FUNDING POLICY

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

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

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

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

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

	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the State Division	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED)	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED)	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the State Division	15.53%	16.43%	16.43%	17.33%	17.33%	18.23%

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

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

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

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

C. PENSION RELATED BALANCES

At fiscal year ended 2016, the State of Colorado reported a liability of $1.1 billion for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The proportion of the net pension liability was based on contributions to the State and Judicial Divisions for the calendar year 2015 relative to the total contributions of participating employers to the State and Judicial Divisions.

At December 31, 2015, the State of Colorado’s proportion of the State Division was 95.71 percent, which was a decrease of 0.14 percent from its proportion measured as of December 31, 2014 (93.98 percent for the Judicial Division, which is an increase of 0.41 percent).

For the Fiscal Year 2015-16, the State of Colorado recognized pension expense for the State and Judicial Divisions of $924.5 million. For the State Division the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	146,237	546
Changes of assumptions or other inputs	-	145,272
Net difference between projected and actual earnings on pension plan investments	787,906	(29,720)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	118,679	120,855
Contributions subsequent to the measurement date	247,195	-
Total	$ 1,300,017	$ 236,953

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

(Amounts In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	5,238	-
Changs in assumptions and other inputs	26,209	-
Net difference between projected and actual earnings on pension plan investments	16,082	(905)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	558	26,209
Contributions subsequent to the measurement date	4,031	-
Total	$ 52,118	$ 25,304

Deferred outflows of resources totaling $251.2 million for the State Division and Judicial Division) related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the Fiscal Year ended 2016. For the State Division other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Amounts In Thousands)

Fiscal Year Ended	
2017	222,815
2018	234,875
2019	231,591
2020	178,657
2021	-
Thereafter	-

For the Judicial Division other amounts reported as deferred outflows of resources and deferred inflows of resources will result in pension expense of $15.1 million in Fiscal Years 2016-17 and 2017-18, $12.1 million in 2018-19; $4.7 million in Fiscal Year 2019-20; and $0 in Fiscal Year 2020-2021 and thereafter.

Actuarial Assumptions

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

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

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

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

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

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18 month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
    - Recognition of merit salary increases in the first projection year.
    - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
    - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
    - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The State Division's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation; ultimately support a long-term expected rate of return assumption of 7.50 percent.

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

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

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

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

Based on the previously discussed assumptions, for the State Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date. For the Judicial Division the fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.50 percent on plan investments was applied to all periods before 2041 and the Bond Buyer Obligation 10-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System, was applied on and after 2041 to develop the discount rate.

The following table shows the sensitivity of Colorado's proportionate share of the net pension liability to changes in the discount rate for the State Division and Judicial Division from 7.50 percent and 6.14 percent respectively to what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent and 5.14 percent respectively) or 1-percentage-point higher (8.50 percent and 7.14 percent respectively):

State Division

(Amount in Thousands)

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

Judicial Division

(Amount in Thousands)

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

D. OTHER PENSION CONTRIBUTIONS

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

Component Units

Employees of the Colorado Water Resources and Power Development Authority are covered under the State Division of PERA discussed above. During 2015 the Colorado Water Resources and Power Development Authority's adopted GASB Statements No. 68 and No 71, resulting in an adjustment to fiscal year beginning net position of $3.03 million. See Note 29B.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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

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

Primary Government

<u>PERA Health Care Trust Fund</u>

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

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

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

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

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

In the December 31, 2015, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included a 7.50 percent investment rate of return and discount rate, and an aggregate 3.90 percent projection of salary increases, both assuming a 2.80 percent inflation rate and real wage growth of 1.10 percent. Medical claims are projected to increase annually at various rates up to 5.25 percent based on different subsidy and premium options. The UAAL is being amortized as a level dollar amount on a level percent open basis over 30 years. Except for the discount rate these assumptions primarily affect plan assets available rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

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

<u>University of Colorado – Other Postemployment Benefits Plan</u>

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

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

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

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

(Amounts In Thousands)

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

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

(Amounts In Thousands)

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

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

Colorado State University – Other Postemployment Benefits Plans

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

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

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

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

As of the most recent actuarial valuation date of January 1, 2016, The RMPR was 102.2 percent funded, the RMPS was 48.8 percent funded, the URX 26.0 percent funded, and the LTD 65.7 percent funded with net assets of $40.7 million, $22.3 million, $0.6 million, and $7.9 million, respectively. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $39.8 million, $45.6 million, $2.3 million, and $12.1 million respectively, resulting in unfunded actuarial accrued liabilities of $0.9 million, $23.4 million, $1.7 million and $4.1 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $325.1 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 0.3 percent. 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 4 percent investment rate of return, and used a 3 percent inflation adjustment. The LTD plan also assumed a 4 percent salary increase, while the RMPR, RMPS and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary.

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

Other Programs

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

Component Units

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

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

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

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

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

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

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

B. EMPLOYEE DEFERRED COMPENSATION PLAN

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

C. OTHER RETIREMENT PLANS

<u>PERA 401k Plan</u>

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

PERA Defined Contribution Retirement Plan

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

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

	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16
Amortization Equalization Disbursement (AED)	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED)	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the State Division	6.40%	7.30%	7.30%	8.20%	8.20%	9.10%

Participating employees of the PERA defined contribution plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA defined contribution plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the Colorado Revised Statutes. As a result, forfeitures do not reduce pension expense. At December 31, 2015, the plan had a net position of $141.0 million and 5,403 participants.

The financial statements for the PERA Deferred Compensation Plan, the PERA 401k Plan, and the PERA Defined Contribution Plan can be found within PERA's financial statements as referenced at the beginning of Note 18.

Higher Education Optional Retirement Plans

Legislation in 1992 authorized State institutions of higher education the option of offering other retirement plans to their employees. At that time, certain employees had the choice of retaining their membership in PERA. As a result of the legislation, some employees of various institutions may be covered under defined contribution plans such as the Teachers Insurance and Annuity

Association-College Retirement Equities Fund (TIAA-CREF), the Variable Annuity Life Insurance Corporation (VALIC), or other similar plans. Generally these plans are available to faculty or other staff members who are not part of the State's classified employee system. Faculty members at the University of Colorado are also covered under Social Security.

Other State Retirement Plans

The State made contributions to other retirement plans of $173.4 million and $142.0 million during Fiscal Years 2015-16 and 2014-15, respectively. In addition, the State paid $123.6 million and $101.4 million in FICA and Medicare taxes on employee wages during Fiscal Years 2015-16 and 2014-15, respectively.

D. TERMINATION BENEFITS

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2015-16 85 faculty members participated in the program at a present value accrued cost of $7.2 million, with an assumed discount rate of 5 percent.

Component Units

Employees of the Colorado Water Resources and Power Development Authority may voluntarily contribute to the PERA 401k Defined Contribution Pension Plan discussed above.

NOTE 21 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. Per statute, individual Department property claims have a $5,000 deductible per occurrence. Claims brought under state law are limited to $350,000 per person and $990,000 per accident pursuant to the Colorado Governmental Immunity Act, CRS 24-10-101. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Workers compensation losses are self-insured per the Risk Management Act (CRS 24-30-1501); the State has purchased $50.0 million of excess insurance per occurrence ($10.0 million deductible). Property claims are self insured as well; $450.0 million of property loss insurance ($500,000 deductible). Flood insurance is also purchased for properties in flood zones designated by FEMA that may carry a higher deductible. The State has also purchased excess liability coverage for automotive liability outside Colorado for $5.0 million per occurrence ($2.0 million deductible), and $10.0 million of employee dishonesty loss coverage ($250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the State, except for the University of Colorado, Colorado State University (not including CSU-Pueblo), the University of Northern Colorado, Fort Lewis College, Colorado Mesa University, Western State Colorado University, Adams State University, and component units participate in the State Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for nonincremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate.

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

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

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $375,000 per individual. In Fiscal Year 2015-16, the State recovered approximately $2.1 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded $8.1 million of insurance recoveries during Fiscal Year 2015-16. Of that amount approximately $3.2 million was related to asset impairments that occurred in prior years. The remaining $4.8 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $2.1 million, as noted above), a Pension and Other Employee Benefits Fund, and $1.1 million by Higher Education in the Higher Education Institutions Fund.

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, $1.5 million per worker's compensation claim, and $1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $350,000 per person and $990,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2015-16, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The University manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $325,000 per person and $11.1 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2015-16 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $258,815 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2013-14 through 2015-16. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity and over $500,000 per claimant. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than $1.5 million per occurrence and $8.0 million in aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Years 2015-16, however, the University collected $500,263 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2013-14 through 2015-16.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $275,000. The related liability is based on underwriting review of claims history and current data. The University is self-insured for worker's compensation up to $500,000 and has purchased reinsurance for individual claims up to statutory limits. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $10.0 million and additional insurance purchased for claims up to $15.0 million, for a total of $25.0 million per occurrence. The University is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. The University also carries cyber risk liability insurance up to $5.0 million ($100,000 deductible for cyber extortion; $20,000 deductible for foreign notification; and $10,000 deductible for crisis management and public relations). The University also purchased $1.0 million of international liability insurance, $25.0 million of aviation liability insurance ($1,000 deductible), and $1.0 million of unmanned aerial vehicles liability insurance. There were no significant reductions in insurance coverage in Fiscal Year 2015-16, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal

Year 2005-06. The University has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($25,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $1.0 million of employee fraud insurance ($5,000 deductible), $500.0 million of property insurance ($25,000 deductible), and $2.0 million umbrella liability ($10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2015-16, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased $500,000 of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2015-16, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College has purchased blanket building and personal property insurance of $448.1 million ($10,000 deductible), $2.0 million of general liability ($0 deductible), $5.0 million of fine arts insurance ($2,500 deductible). The College has also purchased $1.0 million of employee dishonesty insurance ($10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2015-16, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance ($0 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance of $2,000,000 ($1,000 deductible). Before Fiscal Year 2012-13, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2012-13. There were no significant reductions in insurance coverage in Fiscal Year 2015-16, and the amount of settlements has not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of $500,000 per occurrence ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of $1.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2015-16	27,429	1,767	4,270	24,926
2014-15	23,395	10,599	6,565	27,429
2013-14	29,194	(2,094)	3,705	23,395
Workers' Compensation				
2015-16	130,357	36,072	32,757	133,672
2014-15	120,600	43,642	33,885	130,357
2013-14	119,689	32,911	32,000	120,600
Group Benefit Plans:				
2015-16	14,717	188,021	186,971	15,767
2014-15	14,248	183,548	183,079	14,717
2013-14	12,647	162,025	160,424	14,248

(Continued) Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2015-16	13,858	10,180	7,312	16,726
2014-15	14,445	8,684	9,271	13,858
2013-14	10,962	11,715	8,232	14,445
University of Colorado Denver:				
Medical Malpractice				
2015-16	9,498	2,883	912	11,469
2014-15	7,139	4,060	1,701	9,498
2013-14	5,448	3,798	2,107	7,139
Graduate Medical Education Health Benefits Program				
2015-16	1,799	7,233	7,366	1,666
2014-15	1,711	7,644	7,556	1,799
2013-14	1,386	8,595	8,270	1,711
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2015-16	28,660	46,729	48,629	26,760
2014-15	33,555	40,237	45,132	28,660
2013-14	32,540	40,337	39,322	33,555
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2015-16	56	367	68	355
2014-15	81	32	57	56
2013-14	101	69	89	81
Fort Lewis College:				
Worker's Compensation				
2015-16	13	15	28	-
2014-15	21	24	32	13
2013-14	3	18	-	21
General Liability				
2015-16	-	44	5	39
2014-15	-	-	-	-
2013-14	-	-	-	-
Colorado Mesa University:				
Workers' Compensation				
2015-16	28	220	28	220
2014-15	17	50	39	28
2013-14	67	26	76	17
General Liability				
2015-16	-	35	32	3
2014-15	-	548	548	-
2013-14	118	(30)	88	-
Western State Colorado University:				
Workers' Compensation				
2015-16	-		-	
2014-15	14	(11)	3	-
2013-14	110	-	96	14
General Liability				
2015-16	-		-	
2014-15	-	-	-	-
2013-14	20	(20)	-	-

Component Units

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability. There were no significant reductions in insurance coverage and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

NOTE 22 – LEASE COMMITMENTS

Primary Government

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as noncancellable for financial reporting purposes.

At June 30, 2016, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 5,559	$ 117,020	$ 121,546
Business-Type Activities	-	40,032	51,427
Total	$ 5,559	$ 157,052	$ 172,973

At June 30, 2016, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 62	$ 209	$ 271
Business-Type Activities	-	11	11
Total	$ 62	$ 220	$ 282

During the year ended June 30, 2016, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 25	$ 25
Total	$ -	$ 1,473	$ 1,473

Colorado State University Research Foundation (CSURF), a related party, is a not-for-profit Colorado corporation, established to aid and assist the institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. Support provided by the Foundation to the institutions (Colorado State University and Colorado State University – Pueblo) includes patent and licensing management, finance and acquisition of research and educational facilities, and acquisition and management of equipment and land. Colorado State University paid CSURF $1.2 million in Fiscal Year 2015-16 for leased space, and at June 30, 2015 had total future lease obligations for leased space of $7.3 million. It also paid CSURF $4.2 million during the fiscal year for equipment and vehicles and had total future lease obligations for leased equipment and vehicles of $22.6 million.

In Fiscal Year 2015-16, the Community College of Aurora made operating lease payments of approximately $2.2 million to the Community College of Aurora Foundation, which is the landlord for the Community College's main campus.

For Fiscal Year 2015-16, the State recorded building and land rent of $58.3 million for governmental-type activities, $24.6 million for business-type activities and $36 thousand for fiduciary activities. The State also recorded equipment and vehicle rental expenditures of $11.0 million and $40.0 million for governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State's fleet management program.

The State recorded $4.2 million of capital lease interest costs for governmental activities and $1.7 million for business-type activities.

The State entered into approximately $19.2 million of capital leases related to the State's fleet management program, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2016, for existing leases were as follows:

(Amounts in Thousands)

Fiscal Year(s)	Operating Leases		Capital Leases			
			Governmental Activities		Business-Type Activities	
	Governmental Activities	Business-Type Activities	Principal	Interest	Principal	Interest
2017	$ 45,769	$ 26,495	$ 12,517	$ 2,435	$ 9,132	$ 1,677
2018	43,663	23,203	9,344	2,133	6,838	1,456
2019	37,948	18,745	8,572	1,943	5,342	1,279
2020	29,565	16,061	8,759	1,746	4,618	1,130
2021	26,949	12,098	8,999	1,553	3,681	991
2022 to 2026	97,325	33,348	24,027	4,842	21,362	3,064
2027 to 2031	5,325	12,674	11,260	1,729	6,153	408
2032 to 2036	1,017	653	3,605	235	-	-
2037 to 2041	208	568	165	-	-	-
2042 to 2046	136	441	-	-	-	-
2047 to 2051	61	176	-	-	-	-
2052 to 2056	61	-	-	-	-	-
Thereafter	627	-	-	-	-	-
Present Value of Minimum Lease Payments And Imputed Interest	$ 288,654	$ 144,462	$ 87,248	$ 16,616	$ 57,126	$ 10,005

Component Units

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2018. Total rental expense for the year ended December 31, 2015 was $129,483. The total minimum rental commitment as of December 31, 2015 is $361,697.

Effective October 1, 1999, the University of Colorado Foundation entered into an agreement to lease the building in which it operates. According to the lease terms, payments were to be paid through September 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 pledge was fulfilled and the Foundation accounted for the gift as a $3,323,000 permanently restricted endowment and a $177,000 temporarily restricted asset.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2018. The total rental expense for the year ended June 30, 2015 was $166,253. The total minimum rental commitment under the leases was $195,566 at June 30, 2015.

NOTE 23 – SHORT-TERM DEBT

On July 23, 2015 the State Treasurer issued $600.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2015A. The notes were due and payable on June 28, 2016, at a coupon rate of 1.667 percent. The total interest related to this issuance was $9.3 million; however, the notes were issued at a premium of $7.7 million, resulting in net interest costs (including the cost of issuance) of $1.7 million and a yield of 0.278 percent. The notes were issued for cash management purposes and were repaid by June 28, 2016, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On July 21, 2015, the State Treasurer issued $165.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2015A. The notes were due and payable on June 29, 2016, at a coupon rate of 1.545 percent. The total interest related to this issuance was $2.4 million; however, the notes were issued at a premium of $1.9 million, resulting in net interest costs (including cost of issuance) of $707,046 or 0.293 percent. The notes matured on June 29, 2015 and were repaid.

On January 12, 2016, the State Treasurer issued $339.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2015B. The notes were due and payable on June 29, 2016, at a coupon rate of 2.103 percent. The total interest related to this issuance was $3.3 million; however, the notes were issued at a premium of $2.9 million, resulting in net interest costs (including cost of issuance) of $537,973 or 0.231 percent. The notes matured on June 29, 2016, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2016:

	(Amount in Thousands)			
	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 600,000	$ (600,000)	$ -
Education Loan Anticipation Notes	-	504,000	(504,000)	-
Total Governmental Activities Short-Term Financing	-	1,104,000	(1,104,000)	-
Total Short-Term Financing	$ -	$ 1,104,000	$ (1,104,000)	$ -

NOTE 24 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Primary Government

Various institutions of higher education, the State Nursing Homes, History Colorado, the Judicial Branch, and the Departments of Corrections, Transportation, Agriculture, Treasury, and Labor and Employment have outstanding notes, bonds, and/or Certificates of Participation (COPs) for the purchase of equipment or to construct facilities or infrastructure. Except for the Department of Corrections which receives Capital Projects Fund appropriations for lease payments related to COPs, specific user revenues are pledged for the payments of interest and future retirement of the obligations. The State is not allowed by its Constitution to issue general obligation debt except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies; additional restrictive limitations related to the valuation of taxable property also apply.

During Fiscal Year 2015-16 the State's governmental activities had $128.8 million of federal and State revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the State's business-type activities had $1,760.3 million in available net revenue after operating expenses to meet the $407.5 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 35.)

During Fiscal Year 2015-16 the State recorded $247.3 million of interest costs, of which $72.6 million was recorded by governmental activities and $174.7 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $10.6 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $17.5 million of interest on Certificates of Participation issued by the Judicial Branch, and $27.4 million 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 $144.3 million of interest on revenue bonds issued by institutions of higher education, $12.2 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $14.4 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $3.7 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2016, are as follows:

(Amounts in Thousands)

	Governmental Activities							
Fiscal	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 126,100	$ 2,680	$ 2,090	$ 275	$ 42,805	$ 47,143	$ 170,995	$ 50,098
2018	-	-	2,135	231	43,990	45,956	46,125	46,187
2019	-	-	2,175	187	45,280	44,627	47,455	44,814
2020	-	-	2,220	142	26,465	43,284	28,685	43,426
2021	-	-	2,270	95	49,520	102,637	51,790	102,732
2022 to 2026	-	-	2,315	48	254,445	177,579	256,760	177,627
2027 to 2031	-	-	-	-	341,615	127,086	341,615	127,086
2032 to 2036	-	-	-	-	254,805	60,915	254,805	60,915
2037 to 2041	-	-	-	-	80,540	16,415	80,540	16,415
2042 to 2046	-	-	-	-	22,655	2,240	22,655	2,240
Subtotals	126,100	2,680	13,205	978	1,162,120	667,882	1,301,425	671,540
Unamortized Prem/Discount	1,825	-	-	-	22,542	-	24,367	-
Totals	$ 127,925	$ 2,680	$ 13,205	$ 978	$ 1,184,662	$ 667,882	$ 1,325,792	$ 671,540

(Amounts in Thousands)

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
	Business-Type Activities							
2017	$ 242,629	$ 182,823	$ 2,075	$ 1,388	$ 21,755	$ 15,594	$ 266,459	$ 199,805
2018	122,018	176,367	1,109	1,257	22,805	14,546	145,932	192,170
2019	127,884	171,618	528	1,225	23,760	13,398	152,172	186,241
2020	130,004	166,315	583	1,210	24,660	12,239	155,247	179,764
2021	136,082	161,174	497	1,196	25,815	11,086	162,394	173,456
2022 to 2026	721,696	720,350	49,188	8,494	132,941	35,489	903,825	764,333
2027 to 2031	771,939	547,329	-	-	83,475	7,690	855,414	555,019
2032 to 2036	786,164	357,320	-	-	-	-	786,164	357,320
2037 to 2041	638,225	171,603	-	-	-	-	638,225	171,603
2042 to 2046	246,945	49,480	-	-	-	-	246,945	49,480
2047 to 2051	53,615	15,156	-	-	-	-	53,615	15,156
2052 to 2056	44,070	4,637	-	-	-	-	44,070	4,637
Subtotals	4,021,271	2,724,172	53,980	14,770	335,211	110,042	4,410,462	2,848,984
Unamortized Prem/Discount	267,865	-	(12)	-	37,451	-	305,304	-
Unaccreted Interest	(8,075)	-	-	-	-	-	(8,075)	-
Totals	$ 4,281,061	$ 2,724,172	$ 53,968	$ 14,770	$ 372,662	$ 110,042	$ 4,707,691	$ 2,848,984

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs on its variable rate debt. See Note 28 for additional information.

Assuming current interest rates are applied over the term of the debt, at June 30, 2016, the Colorado School of Mines' aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Colorado School of Mines' Interest Rate Swap Agreement

Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2017	$ 675	$ 122	$ 1,283	$ 2,080
2018	975	119	1,255	2,349
2019	550	117	1,232	1,899
2020	575	115	1,213	1,903
2021	575	113	1,194	1,882
2022 to 2026	4,800	527	5,541	10,868
2027 to 2031	11,250	480	4,298	16,028
2032 to 2036	14,100	200	2,106	16,406
2037 to 2041	6,035	17	183	6,235
Totals	$ 39,535	$ 1,810	$ 18,305	$ 59,650

The original principal amount of the State's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,488,500	$ 21,075	$ 1,297,527	$ 2,807,102
Business Type Activities	5,545,857	58,980	466,203	$ 6,071,040
Total	$ 7,034,357	$ 80,055	$ 1,763,730	$ 8,878,142

Component Units

In April 2014 the University of Colorado Foundation set up a one-year, committed, unsecured line of credit for $10 million with a bank. The credit line contains annual loan covenants and carries an interest rate tied to the Daily One Month LIBOR plus 150 basis points. No amounts were outstanding at June 30, 2015.

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2015, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2015	$ 45,650	$ 32,368	$ 78,018
2016	46,870	30,458	77,328
2017	46,445	28,303	74,748
2018	44,470	26,134	70,604
2019	42,970	24,083	67,053
2020 to 2024	185,575	93,306	278,881
2025 to 2029	135,170	57,358	192,528
2030 to 2034	127,970	29,883	157,853
2035 to 2039	38,825	4,350	43,175
2040 to 2044	6,440	779	7,219
Total Future Payments	$ 720,385	$ 327,022	$ 1,047,407

The original principal amount for the outstanding bonds was $1,058.4 million. Total interest paid during 2015 was $30.9 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds are insured as to payment of principal and interest by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The Water Resources Revenue Bonds, Series 2004B, 2004E and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2008A, 2009A, 2010A, 2011A and 2013A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The Water Resources Revenue Bonds Series 2014A are insured as to payment of principal and interest by Build America Mutual Assurance Company. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2015, it had $9.3 million of these bonds outstanding.

Metropolitan State University of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.9 million were issued to finance the University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2015, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
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	1,300	3,038	4,338
2021 to 2025	7,165	14,198	21,363
2026 to 2030	8,535	11,965	20,500
2031 to 2035	10,390	8,980	19,370
2036 to 2040	12,750	5,227	17,977
2041 to 2043	10,475	899	11,374
Total Future Payments	$ 54,475	$ 56,915	$ 111,390

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2015-16:

(Amount in Thousands)

	Restated Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 3,054	$ 9,315	$ (2,972)	$ 9,397	$ 9,307
Accrued Compensated Absences	162,002	16,118	(12,088)	166,032	11,522
Claims and Judgments Payable	347,467	1,554	(26,668)	322,353	46,343
Capital Lease Obligations	172,329	29,916	(31,722)	170,523	29,079
Bonds Payable	289,789	-	(161,864)	127,925	126,100
Certificates of Participation	1,227,828	-	(43,166)	1,184,662	42,805
Notes, Anticipation Warrants, Mortgages	15,250	45	(2,090)	13,205	2,090
Net Pension Liability	5,565,526	727,682	-	6,293,208	-
Other Long-Term Liabilities	423,809	262,863	(271,003)	415,669	-
Total Governmental Activities Long-Term Liabilities	8,207,054	1,047,493	(551,573)	8,702,974	267,246
Business-Type Activities					
Deposits Held In Custody For Others	43,739	42,420	(43,739)	42,420	42,400
Accrued Compensated Absences	289,560	52,128	(25,562)	316,126	22,761
Claims and Judgments Payable	41,460	3,846	(5,649)	39,657	-
Capital Lease Obligations	54,281	12,789	(9,944)	57,126	9,132
Derivative Instrument Liabilities	9,515	3,937	(230)	13,222	-
Bonds Payable	4,242,726	475,740	(397,871)	4,320,595	243,304
Certificates of Participation	399,231	1,557	(28,127)	372,661	21,755
Notes, Anticipation Warrants, Mortgages	28,317	26,913	(1,261)	53,969	2,075
Net Pension Liability	3,579,748	376,992	-	3,956,740	-
Other Postemployment Benefits	241,779	47,354	-	289,133	-
Other Long-Term Liabilities	85,182	1,676	(56,658)	30,200	-
Total Business-Type Activities Long-Term Liabilities	9,015,538	1,045,352	(569,041)	9,491,849	341,427
Fiduciary Activities					
Deposits Held In Custody For Others	464,415	348,442	(429,412)	383,445	322,612
Accrued Compensated Absences	62	-	(24)	38	-
Other Long-Term Liabilities	671	713	(671)	713	-
Total Fiduciary Activities Long-Term Liabilities	465,148	349,155	(430,107)	384,196	322,612
Total Primary Government Long-Term Liabilities	$ 17,687,740	$ 2,442,000	$ (1,550,721)	$ 18,579,019	$ 931,285

The beginning balance was restated to include $43.7 million in business-type activities in deposits held in custody. Previously no long term deposits held in custody were recorded in business-type activities; however at June 30, 2016, the Parks and Outdoor Recreation Cash Fund at the Department of Natural Resources recorded $20,000 of long term deposits held in custody.

Accrued compensated absences and net pension liabilities of both governmental activities and the business-type activities are normally liquidated using resources of the fund that are responsible for paying the employee's salary. As a result, the resources of nearly all of the State's funds are used to liquidate the compensated absence and net pension liabilities.

The amounts shown in the schedule above for the changes in Net Pension Liability are netted as increases for the governmental and business type activities because that information is not readily available. See Note 18 for additional pension information.

The amounts shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, Other Post Employment Benefits in business-type activities and Other Long-Term Liabilities in both governmental activities and business type activities.

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See notes 19 and 21 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

Governmental activities include internal service funds which apply full accrual accounting, and as a result, additions to Capital Lease Obligations shown above include amounts that are not shown as capital lease proceeds on the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds*

At June 30, 2016, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $415.7 million shown for governmental activities primarily comprises:

- $242.3 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $150.3 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $3.1 million of unclaimed property liabilities estimated to be due to claimants.

The $30.2 million (including $1.6 million Due to Component Units) shown for business-type activities primarily comprises $28.5 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($7.8 million and $18.5, respectively).

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	$ 768,410	$ 37,115	$ (85,140)	$ 720,385	$ 45,650
Other Long-Term Liabilities	$ 152,655	$ 121,753	$ (83,731)	$ 190,677	$ 121,063

Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Drinking Water and Water Pollution Control Funds, accounting for $23.3 million of the $30.9 million total. Other long-term liabilities of the Water Operations Fund were $7.6 million. Forty-seven percent of total, other long-term liabilities ($14.4 million) were related to project costs payable – amounts not yet requisitioned – on loans made to local government borrowers.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), two charitable lead trusts, a pooled life income fund, charitable remainder trusts held by others, and perpetual trusts. Charitable gift annuity assets are immediately available to the foundation. After termination of charitable remainder trust agreements, the related assets revert to the foundation to create an endowment to support university activities. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Position – Component Units.* Actuarially determined life expectancies and applicable rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift.

Changes in the value of investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. At June 30, 2015, the foundation held $44.1 million of split interest agreement investments with $20.6 million of related liabilities and reported $6.3 million of net beneficial interest in charitable trusts held by others.

At June 30, 2015, the University of Colorado Foundation held $354.8 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, 2015, the Colorado State University Foundation held $14.2 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units*, this liability is reported as Deposits Held in Custody.

At June 30, 2015, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $16.8 million; related liabilities of $10.1 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 $10.1 million mentioned above and total $4.9 million. At June 30, 2015, CSMF reported $34.5 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

NOTE 26 – DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2015-16, debt was defeased in both governmental and business-type activities.

At June 30, 2016, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Treasury	$ 133,435
Business-Type Activities:	
University of Colorado	519,380
Colorado State University	274,315
Colorado School of Mines	31,160
Western State College	9,225
Colorado Mesa University	28,445
Adams State College	16,415
Fort Lewis College	36,425
Total	$ 1,048,800

The Board of Regents of the University of Colorado issued $156,810,000 of its Tax-Exempt University Enterprise Refunding Revenue Bonds, Series 2016B-1 to partially defease its 2011A Enterprise Revenue Bonds. The defeased debt had an interest rate of 5.07 percent, and the new debt had an interest rate of 2.84 percent. The remaining term of the debt was 25 years and the estimated debt service cash flows decreased by $17,989,915. The defeasance resulted in an economic gain of $13,445,062 and book loss of $15,802,343 that will be amortized as an adjustment of interest expense over the remaining 25 years of the new debt.

The Board of Trustees of the Colorado School of Mines issued $21,600,000 of its Institutional Enterprise Revenue and Refunding Bonds, Series 2016 to partially defease its 2009A Enterprise Refunding and Improvement Revenue Bonds and 2009C Institutional Enterprise Revenue Refunding Bonds. The defeased debt had an interest rate of 3.00 to 5.00 percent, and the new debt had an interest rate of 2.00 to 5.00 percent. The remaining term of the debt was 9.5 years and the estimated debt service cash flows decreased by $2,672,310. The defeasance resulted in an economic gain of $2,222,094 and book loss of $2,503,746 that will be amortized as an adjustment of interest expense of the reaming 9.2 years of the new debt.

The State Board for Community Colleges and Occupation Education issued $2,925,000 of its Systemwide Revenue Bonds, Series 2016 to defease its 2003 Systemwide Revenue Bonds. The defeased debt had an interest rate of 3.375 to 4.125 percent, and the new debt had an interest rate of 1.5 to 4.0 percent. The remaining term of the debt was 15 years and the estimated debt service cash flows decreased by $452,421. The defeasance resulted in an economic gain of $452,421 and a book loss of $9,337 that will be amortized as an adjustment of interest expense over the remaining 15 years of the new debt.

The Board of Directors of the Auraria Higher Education Center issued $5,845,000 of its Auraria Parking Enterprise Revenue Refunding Bonds, Series 2016 to partially defease its 2006 Auraria Parking Enterprise Revenue Refunding Bonds. The defeased debt had an interest rate of 4.366 percent, and the new debt had an interest rate of 1.8 percent. The remaining term of the debt was 10 years and the estimated debt service cash flows decreased by $835,419. The defeasance resulted in an economic gain of $762,556 and a book loss of $293,338 that will be amortized as an adjustment of interest expense over the remaining 10 years of the new debt.

The Board of Directors of the Auraria Higher Education Center issued $7,415,000 of its Auraria Student Fee Revenue Refunding Bonds, Series 2016 to partially defease its 2006 Auraria Student Fee Revenue Refunding Bonds. The defeased debt had an interest rate of 4.077 percent, and the new debt had an interest rate of 1.4

percent. The remaining term of the debt was 5 years and estimated debt service cash flows decreased by $452,363. The defeasance resulted in an economic gain of $435,332 and a book loss of $196,770 that will be amortized as an adjustment of interest expense over the remaining 5 years of the new debt.

The Board of Trustees of Fort Lewis College issued $11,250,399 of its Enterprise Revenue Refunding Bonds, Series 2016A to partially defease its 2007A Dorm Revenue Bonds. The defeased debt had an interest rate of 4.71 percent, and the new debt had an interest rate of 2.55 percent. The remaining term of the debt was 18 years and estimated debt service cash flows decreased by $1,474,650. The defeasance resulted in an economic gain of $1,225,192 and a book loss of $937,119 that will be amortized as an adjustment of interest expense over the remaining 18 years of the new debt.

The Board of Trustees of Fort Lewis College issued $28,122,534 of its Enterprise Revenue Refunding Bonds, Series 2016B to partially defease its 2007B1 Student Union Center Revenue Bonds. The defeased debt had an interest rate of 4.87 percent, and the new debt had an interest rate of 3.03 percent. The remaining term of the debt was 23 years and estimated debt service cash flows decreased by $3,967,154. The defeasance resulted in an economic gain of $3,460,827 and a book loss of $2,482,061 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

Various State agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund-level *Statement of Net 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, 2016 was $155.2 million ($5 million of which was a current liability). Superfund sites account for approximately $154.5 million ($4.2 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $57 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant, estimated at $2.3 million annually. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2016, the State has received $5.0 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $64.8 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction commenced in 2013. Current operating and maintenance costs are borne 100 percent by the State. The State's share of the costs to complete the remaining remediation projects is estimated to total $2.7 million through 2018. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill located at the headwaters of the Left Hand Creek Watershed in the mountains west of Boulder of approximately $5.5 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. Two remedial design projects on surface and subsurface water have been completed. The cost-sharing ratio of 10 percent State, 90 percent EPA, is expected to end in 2018 at which time the State assumes 100 percent of the cost. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $18.1 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plant from 2014 to 2016. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 28 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of assets by the entity that is applicable to a future reporting period, and deferred inflows of resources represent an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2016.

(Amounts in Thousands)

	Governmental Activities	Business-Type Activities
Deferred Outflow of Resources:		
Derivative Instruments	-	6,104
Refunding Losses	4,115	171,995
Pensions:		
Investment Earnings	503,348	300,640
Decreases in Proportionate Share	100,974	18,262
Changes in Assumptions	26,209	-
Contributions After the Measurement Date	152,266	98,959
Pensions:		
Experience Gains	93,876	57,599
	880,788	**653,559**
Deferred Inflow of Resources:		
Nonexchange Transactions	338	595
Refunding Gains	-	897
Unavailable Governmental Revenue	378	4
Service Concession Arrangements	-	142,361
Pensions:		
Experience Losses	407	140
Changes in Assumptions	72,229	46,834
Investments	(28,521)	(2,104)
Increases in Proportionate Share	61,610	59,245
	106,441	**247,972**

A. DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A Refunding Bonds issued in 2010. This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the Statement of Net Position, and accordingly, the State recognized a deferred outflows $6.1 million as of June 30, 2016.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $39.5 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan Stanley), which was 0.13 percent at June 30, 2016. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2016 was $13.2 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

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

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the swap agreement counterparty's (Morgan Stanley) credit quality rating and the ability of the counterparty to withstand credit market turmoil. As of June 30, 2016, Morgan Stanley's credit rating is A3 by Moody's and BBB+ by Standards & Poor's.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices.

B. REFUNDING GAINS AND LOSSES

Refunding gains and losses on debt refunding transactions are recorded as deferred inflows or deferred outflows, respectively, and generally amortized over the life of the new debt. On June 30, 2016, deferred outflows in governmental activities related to unamortized refunding losses included $2.0 million in the Department of Transportation and $2.0 million in the Department of Corrections. All of the unamortized refunding gains and losses in business-type activities were in Higher Education Institutions.

C. UNAVAILABLE GOVERNMENTAL REVENUE

Deferred Inflows are recorded for unavailable revenue in governmental funds that result from long-term receivables. The majority of the deferred inflow balance is recognized as revenue over time in the government-wide Statement of Activities. The deferred inflow balance represents residual timing differences in recognizing the related revenue, primarily related to long-term taxes receivable.

D. NONEXCHANGE TRANSACTIONS

Deferred inflows are recorded for grant receipts when all of the eligibility requirements for the grant have been met except the time requirement. As of June 30, 2016, the Department of Health Care Policy and Financing, a governmental activity, held $0.3 million and Colorado State University, a business-type activity, held $0.6 million in receipts awaiting the passage of time.

E. SERVICE CONCESSION ARRANGEMENTS

Service Concession Arrangements are arrangements between a government and a governmental or nongovernmental entity in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. Deferred inflows totaling approximately $142 million were related to Service Concession Arrangements at the High Performance Transportation Enterprise. Refer to Note 39 for additional information on Service Concession Arrangements.

F. PENSIONS

Primary Government

Changes in Assumptions include differences between assumed and actual economic and demographic conditions. Related deferred inflow or outflow balances are amortized over the remaining service life of active and inactive employees.

Investment Earnings include the difference between expected and actual earnings and include differences between assumed and actual rates of return. Balances are amortized over a five year period.

Experience Losses includes the differences between items such as assumed and actual salaries, benefits, and mortality, disability, and retirement rates. The related balances are amortized over the remaining service life of active and inactive employees.

Increases/Decreases in Proportionate Share represent the difference between the employer share of a cost-sharing multiple-employer defined benefit plan in the current versus prior year. This is assessed at the pension plan employer level, which generally represents State Agencies or divisions thereof. The related balances are amortized over the remaining service life of active and inactive employees.

Contributions After the Measurement Date represent contributions after the pension plan's fiscal year end and the State's fiscal year end. The expenses related to these deferred outflows are recognized in full in the subsequent fiscal year.

Additional information about the State's pension plans can be found in Note 18.

Component Unit

The Colorado Water Resources and Power Development Authority recorded $3.5 million as a deferred outflow of resources for costs and losses of issuing current and advance refunding bonds, and $254,882 for pension contributions and pension investment earnings. The Authority also recorded $0.4 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:

Governmental activities decreased by $793,411 in the Regular Capital Construction Fund, when the Colorado State University-Pueblo corrected a recording error from Fiscal Year 2014.

Business-Type activities decreased by $5,309,091 in the Higher Education Institutions Fund, when the Western State Colorado University failed to record a Fiscal Year 2010 sale of the University Center.

Governmental activities decreased by $5,991,979 in the General Fund when the Department of Health Care Policy and Financing recorded an outstanding disallowance from a 2000 to 2006 agreement with Denver Health and Hospital Authority.

Although not reflected as a change in Governmental activities, the Information Technology Internal Service Fund was decreased by $15,294,135 and the Financial and Human Resources Information Technology Systems Fund was increased by $15,294,135 when legislation created a new Fund within the Department of Personnel and Administration to manage the State’s Financial and Human Resources Systems. This activity was transferred from the Governor’s Office of Information Technology.

	Government-Wide Statements					
			Major Governmental Fund		Major Proprietary Fund	
Subject	Governmental Activities	Business-Type Activities	General Fund	Capital Projects Fund	Higher Education Institutions	Internal Service Funds
Capital Projects Correction	(793,411)			(793,411)		
Western State University		(5,309,091)			(5,309,091)	
General Fund Correction	(5,991,979)		(5,991,979)			
Information Technology Fund	(15,294,135)					(15,294,135)
Financial & Human Resources Information Technology Systems	15,294,135					15,294,135
	(6,785,390)	(5,309,091)	(5,991,979)	(793,411)	(5,309,091)	-

B. ACCOUNTING CHANGES

Component Unit

During 2015, the Colorado Water Resources and Power Development Authority adopted GASB Statements No. 68 and No. 71. As a result of the implementation, the Authority reduced its fiscal year beginning net asset value by $3.0 million as follows: $ (3,182,700) for its share of PERA’s net pension liability, and $156,737 for the deferred outflow of resources for contributions made after the measurement date.

NOTE 30 – FUND BALANCE

On the *Balance Sheet – Governmental Funds*, the fund balance comprises the following (See Note 6I for additional details.):

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$139,099	$ 319,164	$ 18,321
Business, Community and Consumer Affairs	-	41,065	-
Education	358,383	12,829	-
Health and Rehabilitation	-	20,862	-
Justice	332	7,973	-
Natural Resources	-	2,702	-
Social Assistance	-	46,791	-
TOTAL	$497,814	$ 451,386	$ 18,321
RESOURCE EXTRACTION:			
General Government	$ 66,000	$ -	$ -
Business, Community and Consumer Affairs	-	263,672	-
Education	-	7,466	-
Natural Resources	-	920,946	-
TOTAL	$ 66,000	$ 1,192,084	$ -
HIGHWAY USERS TAX:			
General Government	$ 59,223	$ 25,738	$ -
Health and Rehabilitation	3,778	-	-
Justice	920	3,573	-
Transportation	911,010	17,037	-
TOTAL	$974,931	$ 46,348	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 424,734	$ -
Education	-	5,075	-
Health and Rehabilitation	-	1,030	-
Justice	5	3,435	-
Natural Resources	-	142	-
Social Assistance	-	445	-
TOTAL	$ 5	$ 434,861	$ -
STATE EDUCATION:			
Education	$304,326	$ -	$ -
TOTAL	$304,326	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$162,085	$ 389,257	$ -
Business, Community and Consumer Affairs	65,663	287,595	-
Education	-	89,832	-
Health and Rehabilitation	20,596	114,908	-
Justice	-	185,210	-
Natural Resources	6,666	-	-
Social Assistance	860	108,809	-
Transportation	-	-	-
TOTAL	$255,870	$ 1,175,611	$ -

The significant fund balances held for restricted purposes as of June 30, 2016, include:

- $358.4 million in the General Fund in the Education function includes $357.0 million related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $911 million in the Highway Users Tax Fund in the Transportation function from motor fuels tax and fees that pursuant to Article X, Section of the State Constitution is restricted for highway construction and maintenance.
- $304.3 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.

The significant fund balances held for committed purposes as of June 30, 2016, include:

- $319.2 million in the General Fund in the General Government function includes $267.10 million that represents the portion of the $532.1 million representing the 5.7 percent statutory reserve available on a GAAP basis (see Note 6I).
- $263.6 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function includes $254.1 million – $56.9 million from severance tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments and $197.2 from severance tax receipts by the Department of Local Affairs.
- $920.9 million in the Resource Extraction Fund in the Natural Resources function includes $464.7 million that represents cash balances and loans receivable for loans issued to local governments by the Colorado Water Conservation Board and $403.5 million represents cash and long term severance tax loans receivables.
- $424.7 million primarily in the Capital Projects funds in the General Government function represents cash and receivables related to appropriated multi-year capital projects.
- $389.3 million in the Other Governmental Funds in the General Government function primarily represents $220.5 million in the Unclaimed Property Funds and $79.3 million in Tobacco Litigation Settlement Funds.
- $287.6 million in Other Governmental Funds in the Business, Community and Consumer Affairs function primarily represents $84.4 million in the Major Medical Fund, $51.0 million in the Limited Gaming Fund, $21.0 million in the Workmen's Compensation Fund, $22.8 million in the Clean and Renewable Energy Fund, and $25.6 million in the Employment Support Fund.
- $114.9 million in the Other Governmental Funds in the Health and Rehabilitation function primarily represents $28.0 million in the Natural Resources Damage Recovery Fund, $15.6 million in the Small Communities Water and Wastewater Grant Fund, $11.2 million from the Hazardous Substances Response Fund, and $5.1 million the Natural Disaster Cash Fund.
- The $185.2 million in Other Governmental Funds in the Justice function primarily represents $9.7 million in the Disaster Emergency Fund in the Department of Public Safety, $14.7 million in the Supreme Court Committee Fund, $10.4 million in the Victims Assistance Fund, and $11.4 million in the Victims Compensation Fund.

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(1)(d), the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as five and six-tenths percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2015-16 there was no use of the reserve. As of June 30, 2016, on a legal budgetary basis the reserve was $466.0 million. On a GAAP basis only $267.0 million was available for the reserve (see Note 6I).

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at $5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

NOTE 32 – MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances, boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D, the Hospital Provider Fee Oversight Advisory Board (OAB) has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2015-16, the maximum amount that could be kept in reserve was $68 million although the OAB lowered the target reserve to $5 million for that year. The reserve acts as a buffer to minimize the need for mid-year fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.

NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2016, were:

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SELLER'S/LENDER'S RECEIVABLE	General Fund	Resource Extraction	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund				
General Purpose	$ -	$ 96	$ 29	$ -
Special Purpose	35,781	-	-	-
Resource Extraction	1,134	-	-	60
Highway Users	-	-	-	953
Capital Projects				
Regular Capital Projects	49,800	-	-	-
Special Capital Projects	650	-	-	-
Higher Education Institutions	14,016	565	444	-
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Labor	-	-	-	-
Tobacco Impact Mitigation	23	-	-	-
Environment and Health Protection	-	-	-	-
Other Special Revenue	19	3,250	123	-
PERMANENT FUNDS:				
State Lands Trust Nonexpendable	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	-	-	-	-
Correctional Industries	34	-	-	-
INTERNAL SERVICE FUNDS:				
Information Technology	16,362	-	16	329
Legal Services	83	-	19	-
FIDUCIARY FUNDS:				
Group Benefit Plans	48	-	3	-
Other Fiduciary	-	-	-	-
TOTAL	$ 117,950	$ 3,911	$ 634	$ 1,342

(Amounts in Thousands)

BUYER'S/BORROWER'S PAYABLE

Higher Education Institutions	Unemploy-ment Insurance		State Lottery	All Other Funds	Total
$ 752	$ -		$ -	18,641	$ 19,518
-	-		20,837	10,558	67,176
-	-		-	17,705	18,899
-	-		-	4,080	5,033
-	-		-	6	49,806
-	-		-	-	650
-	-		-	782	15,807
-	-		-	531	531
-	-		-	98	121
3	-		-	22	25
-	-		-	7,664	11,055
-	-		-	11	11
-	-		3,192	137	3,329
1,123	-		-	-	1,158
-	133		-	1,830	18,670
-	-		-	9	111
919	-		-	38	1,008
-	-		7,887	-	7,887
$ 2,797	$ 133	$ -	$ 31,916	$ 62,112	$ 220,795

All of the material receivables and related payables shown in the schedule on the previous two pages are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The General Purpose Revenue Fund receivable of $18.6 million from All Other Funds is comprised of $15.5 million of receivables from the Limited Gaming Fund.

The Special Purpose General Fund receivable of $10.6 million from All Other Funds primarily includes $10.4 million from the School Capital Construction Assistance Fund.

The Special Purpose General Fund receivable of $35.8 million from the General Purpose Revenue Fund primarily includes $35.6 million in personal services and operating line item reversions, payable to the State Employee Reserve Fund.

The Special Purpose General Fund receivable of $20.8 million from the State Lottery Fund primarily consists of a payable recorded by the Conservation Trust Fund for $12.8 million, and to the Building Excellent Schools Today Grant Program in the amount of approximately $8.0 million.

The Resource Extraction Fund receivable of $17.7 million from All Other Funds primarily includes $17.4 million of loans from the Division of Parks and Wildlife Fund.

The Regular Capital Projects receivable of $49.8 million from the General Purpose Revenue Fund is comprised of a statutory transfer into the Capital Construction Fund on June 30, 2016.

The Information Technology Internal Service Fund receivable of $16.4 million consists of transfers from the General Fund to the Information Technology Revolving Fund for reversions and various projects.

The Higher Education Institution Funds receivable of $14.0 million from the General Purpose Revenue Fund primarily consists of transfers between the Department of Higher Education and various Institutions of Higher Education.

NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2016, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund:			
General Purpose	$ 3,421,964	185	$ 203,282
Special Purpose	99,805	4,027	-
Resource Extraction	45,313	-	-
Highway Users Tax	9,806	-	-
Capital Projects:			
Regular Capital Projects	-	-	1,431
Special Capital Projects	-	-	-
State Education	42,208	-	-
Higher Education Institutions	5,682	-	-
Lottery	65,499	-	-
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	430	276	-
Gaming	16,141	-	-
Tobacco Impact Mitigation	3,152	-	-
Resource Management	85	-	-
Environment and Health Protection	11,725	-	-
Unclaimed Property	8,173	-	-
Other Special Revenue	67,598	-	-
PERMANENT FUNDS:			
State Lands Trust	87,050	-	-
Other Permanent Trust	-	-	-
ENTERPRISE FUNDS:			
Wildlife	7,967	-	-
College Assist	82	-	-
State Fair	106	-	-
Correctional Industries	865	-	-
State Nursing Homes	2,783	-	-
Prison Canteens	86	-	-
Other Enterprise	537	-	-
INTERNAL SERVICE FUNDS:			
Central Services	741	-	-
Information Technology	429	-	-
Capitol Complex	1,415	-	-
Administrative Courts	138	-	-
Legal Services	2,913	-	-
Other Internal Service	345	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	172	-	-
Other Fiduciary	86	-	-
TOTAL	$ 3,903,296	$ 4,488	$ 204,713

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 325,864	$ 25,615	$ 221,762	$ 159,581	$ 4,358,253
$ 500	-	-	11,133	115,465
-	-	15,544	10,187	71,044
3,175	-	-	168,722	181,703
8,210	-	163,941	(71)	173,511
-	-	-	6,684	6,684
-	-	7,749	-	49,957
-	-	2,169	-	7,851
-	-	-	14,791	80,290
-	-	-	4,613	5,319
1,000	-	6,923	11,760	35,824
7,046	-	-	14,170	24,368
-	-	-	119	204
-	-	-	713	12,438
-	-	-	64,568	72,741
-	-	-	23,588	91,186
-	-	748	6,834	94,632
-	-	-	179	179
-	-	-	17,986	25,953
-	-	-	-	82
-	-	-	-	106
-	-	-	-	865
-	-	-	4	2,787
-	-	-	-	86
-	-	-	40	577
-	-	-	595	1,336
-	-	-	-	429
-	-	-	358	1,773
-	-	-	-	138
-	-	-	73	2,986
-	-	-	-	345
-	-	-	7,027	7,199
-	-	-	-	86
$ 345,795	$ 25,615	$ 418,836	$ 523,654	$ 5,426,397

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 for $3,369.7 million, to the Capital Projects Fund of $325.9 million for controlled maintenance and capital projects, and into the Higher Education Institutions of $221.8 million (primarily for student financial aid, occupational education, and job training).

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

Additional transfers-out of the General Purpose Revenue Fund for $25.6 million to the State Education Fund and $203.3 million to the Highway Users Tax Fund and other related highway funds.

Transfers-out from the special-purpose funds within the General Fund primarily comprise of $94.1 million in from the Public School Fund to the Charter School Institute Fund and an $11.0 million disbursement from the School Capital Construction Assistance Fund to the Debt Service fund for payment on outstanding certificates of participation issued by the Building Excellent Schools Today program.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $41.6 million transfer from the Mineral Leasing Fund to the State Public School Fund. Transfers to the Higher Education Fund include $12.0 million from the Federal Mineral Leasing Revenues Fund to the Lease-Purchase Cash Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes $169.9 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation. Miscellaneous transfers out totaling $1.7 million make up the rest of the balance.

The Capital Construction Fund transfers-out include $163.9 million to Institutions of Higher Education representing spending on state-funded capital projects managed by the institutions and $6.3 million to the Department of Correction's Debt Service Fund for payment towards outstanding certificates of participation related to some of its prisons.

The State Education Fund transfers-out includes $34 million to the Early Literacy Fund in All Other Funds.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises $57.4 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds. Additionally, $14.8 million was transferred to the Division of Parks and Wildlife in All Other Funds.

The Gaming transfers-out includes a distribution of limited gaming revenues to the General Purpose Revenue Fund of $15.5 million and $7.5 million to the Creative Industries Cash Fund in the Governor's Office of Economic Development and International Trade.

The Tobacco Impact Mitigation Fund includes transfers-out to All Other Funds of $12.4 million represents funding from the Tobacco Litigation Settlement Moneys Health Education Fund.

The Unclaimed Property transfers out include a transfer of $63.9 million to the Adult Dental Fund in the Department of Health Care Policy and Financing in All Other Funds.

The Other Special Revenue Fund transfers-out primarily include transfers of $40.8 million from the Retail Marijuana Excise Tax Fund to the School Capital Construction Assistance Fund – a special purpose fund, $5.3 million to support programs in the Department of Public Safety and $5.8 million to support programs in the Department of Human Services; and $10.5 million for federal and indirect cost allocations. Additionally, the transfers-out to All Other Funds includes transfers of $11.8 million from the Justice Center Cash Fund to the Debt Service Fund for payment on the outstanding certificates of participation related to the Ralph L. Carr Justice Center.

The State Lands Trust transfer-out to the special-purpose General Funds includes $86.8 million to the School Capital Construction Assistance fund.

NOTE 35 – DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Net donor restricted endowment appreciation totaled $14.1 million, which includes depreciation of investment value for some institutions of higher education.

The University of Colorado reported net appreciation on endowment investments of $13.4 million that was available for spending. The university reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

NOTE 36 – PLEDGED REVENUE

Various institutions of higher education, the Department of Labor and Employment, and the Highway Users Tax

Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2015-16, the following pledges were in place:

The Department of Transportation pledged $128.8 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 8.2 percent of the total revenue stream, and $128.8 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $106.8 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and $625.2 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged $125.0 million of Unemployment Insurance (UI) Premium collections to secure $127.3 million of principal and interest on debt issued to stabilize unemployment insurance rates. The debt was issued in Fiscal Year 2013-14, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and $127.3 million of the pledge commitment (principal and interest) remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 2002-03 and furthest maturity date of Fiscal Year 2054-55. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $1,571.6 million. Individually significant Higher Education Institution pledges include:

- $1,064.8 million pledged by the University of Colorado to secure $127.8 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was issued in Fiscal Year 2015-16 and has a final maturity date of Fiscal Year 2045-46. The pledged revenue represents approximately 75.5 percent of the revenue stream, and $2.4 billion of the pledge (principal and interest) remains outstanding.
- $242.2 million pledged by Colorado State University to secure $59.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2054-55. The pledged revenue represents 100 percent of the total revenue stream, and $1.8 billion of the pledge (principal and interest) remains outstanding.
- $57.1 million pledged by the Colorado School of Mines to secure $14.5 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 55.0 percent of the total student fee and auxiliary revenue streams and 100% of the tuition and facilities fee revenues. $204.3 million of the pledge (principal and interest) remains outstanding.
- $29.7 million pledged by Metropolitan State University of Denver to secure $6.0 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents 100 percent of the total revenue stream, and $158.1 million of the pledge (principal and interest) remains outstanding.
- $25.1 million pledged by Colorado Mesa University to secure $12.4 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents approximately 56.0 percent of the revenue stream and $358.0 million of the pledge (principal and interest) remains outstanding.
- $31.6 million pledged by the University of Northern Colorado to secure $10.0 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 35.4 percent of the total auxiliary and student fee revenue streams and also represents 100.0 percent of gross tuition revenues. $200.1 million of the pledge (principal and interest) remains outstanding.

- $16.7 million pledged by Colorado State University – Pueblo to secure $5.3 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the revenue stream, and $165.8 million of the pledge (principal and interest) remains outstanding.

- $8.8 million pledged by the Fort Lewis College to secure $3.4 million of current principal and interest on debt issued to finance construction new residence hall, expansion and renovation of the student center, and various energy conservation improvements. The 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 38.5 percent of the revenue stream, and $73.6 million of the pledge (principal and interest) remains outstanding.

- $8.3 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 39.7 percent of the revenue stream, and $182.3 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements: Principal	Interest	Total
Department of Transportation	$ 1,566,285	$ (1,437,505)	$ 128,780	$ 126,100	$ 2,680	$ 128,780
Higher Education Institutions	1,984,082	(455,553)	1,528,529	103,957	157,999	261,955
Labor - Unemployment Insurance	124,965	-	124,965	124,965	2,312	127,277
Statewide Bridge Enterprise	106,810	-	106,810	-	18,234	18,234
	$ 3,782,142	$ (1,893,058)	$ 1,889,084	$ 355,022	$ 181,225	$ 536,246

NOTE 37 – SEGMENT INFORMATION

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the State's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the State's segments are separately reported on the government-wide *Statement of Activities.* The following paragraphs describe the State's segments.

University Physicians Incorporated (UPI) is a not-for-profit entity that performs the billing, collection, and disbursement functions for professional services provided by the University of Colorado Denver teaching hospital. UPI is also a component unit of the State that is blended into the Higher Education Institutions Fund. In addition, UPI provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a related party unit of the State.

The Auraria Higher Education Center's parking segment charges students, faculty and staff fees for the use of parking lots and structures. The Center's student facilities segment charges fees to students for the use of its facilities. This segment is part of the Higher Education Institutions Enterprise.

The following page presents condensed financial information for the State's segments.

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2015

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 219,146	$ 6,021	$ 9,240
Other Assets	182,406	5,065	348
Capital Assets	44,112	48,593	22,990
Total Assets	445,664	59,679	32,578
DEFERRED OUTFLOW OF RESOURCES	-	110	322
LIABILITIES:			
Current Liabilities	57,589	3,169	4,229
Noncurrent Liabilities	10,194	42,146	31,317
Total Liabilities	67,783	45,315	35,546
DEFERRED INFLOW OF RESOURCES	-	8	22
NET POSITION:			
Net Investment in Capital Assets	32,549	4,654	(2,662)
Restricted for Permanent Endowments:			
Restricted Net Position	-	4,505	2,231
Unrestricted	345,332	5,307	(2,237)
Total Net Position	$ 377,881	$ 14,466	$ (2,668)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,220
Sales of Goods and Services	680,035	9,611	17,890
Other	-	-	50
Total Operating Revenues	680,035	9,611	23,160
OPERATING EXPENSES:			
Depreciation	4,125	2,396	1,941
Other	625,251	5,579	20,319
Total Operating Expenses	629,376	7,975	22,260
OPERATING INCOME (LOSS)	50,659	1,636	900
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	4,612	164	15
Gifts and Donations	(15,029)	-	-
Other Nonoperating Revenues	(6)	-	-
Debt Service	(203)	(1,233)	(897)
Other Nonoperating Expenses	-	(2,375)	(6,963)
Total Nonoperating Revenues(Expenses)	(10,626)	(3,444)	(7,845)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers- Out	-	(1,195)	(1,448)
Total Contributions, Transfers, and Other	-	(1,195)	(1,448)
CHANGE IN NET POSITION	40,033	(3,003)	(8,393)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	337,848	17,469	5,725
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 377,881	$ 14,466	$ (2,668)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 67,273	$ (1,159)	$ 2,889
Noncapital Financing Activities	(15,029)	(1,195)	(103)
Capital and Related Financing Activities	(7,664)	(2,378)	(2,114)
Investing Activities	(12,814)	(35)	27
NET INCREASE (DECR.) IN CASH AND POOLED CASH	31,766	(4,767)	699
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	67,125	10,482	4,536
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 98,891	$ 5,715	$ 5,235

NOTE 38 – COMPONENT UNITS

The State reports eight component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity, Statement No. 39 – Determining Whether Certain Organizations Are Component Units, and Statement No. 61 – The Financial Reporting Entity: Omnibus-An Amendment to GASB Statements No. 14 and No. 34. The State's component units are separated into major, and nonmajor below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Section of the Comprehensive Annual Financial Report.

A. MAJOR COMPONENT UNITS

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. It is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. Its primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The Authority incurred $2.1 million in expenses for the State during 2015 for two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. During Fiscal Year 2014-15, 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 2014-15, the foundation transferred $51.6 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income. During Fiscal Year 2014-15, the foundation transferred, $33.1 million to the University, $14.0 million for capital projects.

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 2014-15, the foundation granted $9.4 million to the University and paid $1.7 million to the University for contract expenses. At June 30, 2015 the Foundation owed the University $0.9 million.

B. NONMAJOR COMPONENT UNITS

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

The Venture Capital Authority (VCA) was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority $50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to the sale, and recognizes it as insurance companies apply the credits over a ten-year period. The related revenue is reported as Gifts and Donations on the *Statement of Revenues, Expenses, and Changes in Net Position - Component Units* to reflect the contribution of capital by the State.

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund I LP, originally thru June 2015 and extended to June 2017 (unless otherwise terminated), for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agri-technology and medical device industries, and retail. As of December 31, 2015, the VCA has contributed approximately $21.8 million or 100 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to $25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2015, the VCA has contributed approximately $22.7 million or 89 percent of its total funding commitment to Colorado Fund II, LP.

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

NOTE 39 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

University of Colorado Denver Anschutz Medical Campus enters into related-party transactions with University of Colorado Health (UCHealth) under contracts that support the University's medical education mission. During Fiscal Year 2015-16, under these contracts, UCHealth paid the University $92.5 million and the University paid UCHealth $12.9 million. Not included in these amounts are $0.6 million in reimbursements during the fiscal year made by UCHealth to the University for salaries and benefits of state classified employees who work at UCHealth, and for whom the University is responsible. At June 30, 2016 the University had accounts receivable from UCHealth for $7.4 million, and had no accounts payable to UCHealth.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust members, who are the University of Colorado, UCHealth and University Physicians, Inc. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2015-16 the Trust paid medical claims on behalf of the University of $169.0 million. The University contributed $174.5 million to the Trust and its employees contributed $22.5 million. At June 30, 2016 the University had accounts receivable from the Trust for $8,000 and accounts payable to the Trust for $272,000.

The Colorado State University – Pueblo Foundation was established to benefit Colorado State University Pueblo. The Foundation transferred $7.5 million in cash and $354,684 in in-kind assets to the University in Fiscal Year 2015-16. At June 30, 2016 the University had an account receivable from the Foundation for $550,438.

The Adams State University Foundation provides scholarships and work-study grants to students, and program development grants to Adams State University. The Foundation provided $1.4 million in scholarships, grants and operating expense reimbursements during Fiscal Year 2015-16.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2015-16, the Foundation awarded $1.2 million in scholarship funds directly to students. Also in Fiscal Year 2015-16, the Colorado Mesa University Real Estate Foundation donated $3.4 million in property to the University. The University made operating transfers to the Foundation for $324,811 and transferred $3.4 million to the Colorado Mesa University Real Estate Foundation.

The Fort Lewis College Foundation exists to support Fort Lewis College. During Fiscal Year 2015-16 the Foundation funded $927,873 for scholarships and passed through $2.8 million in grants for program support.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided $2.7 million of funding to the University in Fiscal Year 2015-16. The foundation also reimbursed the University $268,771 for services provided by University employees and left un-remimbursed $307,950 of these services. At June 30, 2016 the Foundation owed the University $544,302.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The Foundation transferred $5.1 million to the University in Fiscal Year 2015-16.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of the Community College of Aurora, the Community College of Denver, Arapahoe Community College, Lamar Community College, Pikes Peak Community College, Pueblo Community College and Red Rocks Community College, none of these foundations made annual transfers to their related community colleges in excess of $500,000.

In Fiscal Year 2015-16, the Arapahoe Community College Foundation transferred $563,037 in scholarships and grants to Arapahoe Community College.

The Community College of Aurora paid $1.6 million to the Community College of Aurora Foundation for the transfer of the Centretech Campus to the College. This amount was for the $1.8 million cost less the $200,000 the Foundation held as a maintenance reserve plus closing costs.

The Community College of Denver Foundation provided $538,919 to the Community College of Denver for scholarships and $183,585 in pass through grant funding and support for other activities.

The Lamar Community College Foundation transferred $427,911 to Lamar Community College to be used for spending on a capital construction project, and $198,029 for scholarships and other activities.

Pikes Peak Community College Foundation provided $832,236 to Pikes Peak Community College in the form of reimbursements for direct expenditures, financial aid support and grant funds. The College in turn provided $246,411 of operating support to the Foundation.

The Pueblo Community College Foundation provided Pueblo Community College $736,307 in the form of scholarships, grants, construction funds, program funding and discretionary funds.

The Red Rocks Community College Foundation provided $969,190 to Red Rocks Community College. Of this amount, $389,518 was for scholarships and $295,298 was for the construction of the Arvada Health Professions and Science Building. The rest of the funds were for grants, special projects and support of operating expenses. The College provided $226,924 to the Foundation for operating expenses.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2015-16, the board funded $25.3 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2016, GOCO owed the Department of Natural Resources $16.5 million.

The Colorado 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 2015-16, History Colorado had billed the Colorado Historical Foundation $25,686 and has an account receivable from the Foundation for that amount.

The Colorado Health Benefit Exchange, operating as Connect for Health Colorado, is a related party to the State through the Department of Health Care Policy & Financing. During Fiscal Year 2015-16 the Colorado Health Benefit Exchange reimbursed the State $2.9 million for software programming and other information technology expenses.

Colorado Housing and Finance Authority (CHFA) is a related party to the State in three different activities as follows:

- The Colorado Housing and Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds three CHFA bonds with a face value of $4.9 million as of June 30, 2016. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2025 through 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Colorado Energy Office State Energy Plan grant that provides loans for energy efficiency or renewable energy projects. The outstanding loan balance at CHFA on June 30, 2016 was $5,791,810. In Fiscal Year 2015-16, the Energy Office paid CHFA $28,487 in administrative fees for this service.
- Under CRS 8-77-103.5 CHFA is authorized "…to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of $624,805,000. Bond payments are funded by employers' unemployment insurance premiums. The bonds are special, limited obligations of the Authority, payable and secured by assets held in a trust estate which consists of pledged revenue and principal funded by the State's unemployment compensation fund. Pledged revenues in the trust consist, at least in part, of employer's unemployment insurance premiums. The bonds do not create a financial obligation of the Authority beyond payment of principal and interest. As of June 30, 2016 $124,965,000 of bonds was outstanding. The Department of Labor and Employment paid CHFA $62,000 in administration fees in Fiscal Year 2015-16 for this arrangement.

Component Units

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2015, VCA's investments in Colorado Fund I and Colorado Fund II totaled $23.4 million and $29.2 million respectively.

NOTE 40 - SERVICE CONCESSION ARRANGEMENTS

In February 2014, the High Performance Transportation Enterprise (HPTE), a portion of the nonmajor Transportation Enterprise, entered into a 50 year concession agreement with Plenary Roads Denver (Plenary). In March 2014, HPTE transferred the operations of the I-25 high occupancy toll (HOT) lanes to Plenary. Plenary has the right to collect tolls for both the 1-25 HOT lane US-36 managed lanes and raise the toll rate, with approval of the HPTE Board. If the HPTE Board does not approve the requested rate, HPTE must compensate Plenary for the loss of revenue.

Plenary financed, designed, and constructed US-36 Phase I and Phase II tolled and managed lanes which were completed and placed into service on July 22, 2015 and March 31, 2016, respectively. As of June 30, 1016 HTPE's assets totaled $259.3 million.

With the completion of Phase I, Plenary assumed the obligation for HPTE's existing $54.0 million loan secured through the Transportation Infrastructure Finance and Innovation Act. Plenary also assumed responsibility for maintaining the managed lanes.

NOTE 41 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund, Institutions of Higher Education, and Colorado Department of Transportation Funds primarily the Highway Users Tax Fund include multi-year encumbrances of $27.9 million, $186.3 million and $1.2 billion, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

NOTE 42 – FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees (formerly the Metropolitan State College of Denver Board of Trustees) approved the incorporation of a special purpose nonprofit corporation to be known as HLC @ Metro, Inc. The HLC @ Metro Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately $55.0 million in revenue bonds in October 2010, loaning the proceeds to HLC @ Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open to the general public. Should HLC @ Metro Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2016, no liability was recorded by the University as HLC @ Metro Inc. was deemed fully capable of making its debt payments.

NOTE 43 – CONTINGENCIES

The Colorado Governmental Immunity Act (CGIA) sets upper limits on State liability at $350,000 per individual and $990,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.1 billion, of the $8.3 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net position of the College Assist program of $104.1 million.

At June 30, 2016, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $197.8 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds. Individual claims in exceeding $5.0 million include three claims for refunds of $13.3 million to $40.6 million income taxes. The Department of Revenue will vigorously defend these claims. The likelihood of an unfavorable outcome is uncertain.

Various notes and bonds have been issued by state school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold state property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.3 billion are outstanding. Of this amount, $1 billion is covered by private insurance.

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Department of Health Care Policy and Financing alleging that the hospital provider fee is a tax, not a fee; therefore, requiring a vote of the people. The plaintiff challenge the fee imposed in Fiscal Years 2011, 2012 and 2013, and seek a refund of all revenue collected, kept, or spent unconstitutionally, plus interest. Approximately $2.65 billion has been collected in fees. The Complaint was filed on June 26, 2015. The Colorado Department of Health Care Policy and Financing filed a motion to dismiss arguing that the hospital provider fee is a fee and not a tax. The Motion is fully briefed and is pending before the district court. The Colorado Department of Health Care Policy and Financing will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

The Centers for Medicare and Medicaid Services (CMS) conducted an onsite visit of the Pueblo Regional Centers (PRC) and sent the Colorado's Department of Health Care Policy and Financing (HCPF) a report of its findings and requested a development of corrective action plan. CMS claimed that Health Care Policy and Financing (HCPF) violated federal administrative requirements regarding administration of the Medicaid Home and Community based services waiver program for developmentally disabled for approximately 60 individuals. CMS alleged violations of federal rules that involve the provision of services to those individuals between November 1, 2014 and November 2015 and seeks disallowance of payments to HCPF for services provided at PRC. HCPF submitted its proposed corrective action plan on September 26, 2016, and expects ongoing discussion with CMS. HCPF intends to dispute portions of disallowed amounts along with some of the other sanctions. The likelihood of an unfavorable outcome is uncertain. There is a possibility that the losses could reach greater than $5 million.

The State of New Mexico filed suit against The State of Colorado claiming that Colorado contributed to mine waste disposal in the Upper Animas Mining District near Silverton, Colorado creating an imminent and substantial endangerment to the citizens and environment of Utah and New Mexico. Waste discharges also deposited contaminated sediments in Utah's San Juan River which may impact groundwater quality. Any judgment for damages would be covered by Risk Management. Utah and New Mexico see injunctive relief to achieve "complete remediation of the contaminated rivers, the abatement and cessation of further releases from [the Upper Animas mining district], and the prevention of future catastrophes like the August 5, 2016 Gold King Mine blowout." Both New Mexico and the Navajo Nation have filed suit against the Environmental Protection Agency, its contractors, and others in federal district court in New Mexico. Colorado is not defendant in those lawsuits. Mediation efforts have been unsuccessful. The State will vigorously defend its interests, although, the likelihood of an unfavorable outcome is uncertain. No dollar amount has been stated against Colorado. Depending on weather other responsible parties contribute to the cleanup costs and natural resources damages costs, the State could incur in excess of $100 million.

The National Federation of Independent Businesses (NFIB), has filed suit against the Colorado Secretary of State alleging that §§ 24-21-104 and 24-21-104.5, C.R.S. violate TABOR. These provisions allocate fees collected by the Secretary's Business and Licensing Division to a cash fund, and authorize appropriations from that cash fund to the Secretary's Elections Division and to counties to support election functions. NFIB seeks a refund of allegedly unconstitutionally collected registration fees, and the imposition of penalties, interest, fees, and costs in accordance with Colorado Constitution Article X, § 1. The complaint does not seek a precise monetary award; The State's estimate of exposure is approximately $20 million. The parties filed cross-motions for summary judgment in Denver District Court. After full briefing and oral argument, on November 3, 2015, the District Court granted summary judgment in the Secretary's favor. The Court did not decide whether the fees are taxes. NFIB has filed a timely appeal to the Colorado Court of Appeals, and the Court has not set a briefing schedule. The Secretary will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 43, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 44 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 1, 2016, the Land Holding Venture, LLC (LHV) transferred its ownership interest in various vacant land holdings and in a residential home to University of Colorado Property Corporation, Inc (CUPCO) which were carried at $4,054,000 as of June 30, 2016. On the same date, LHV transferred its interest in an option agreement to purchase vacant land to CUPCO carried at $15,659,000.

On July 1, 2016, the University Of Colorado Real Estate Foundation (CUREF) assigned its single share in University of Colorado United Kingdom Foundation Limited (CU UK) to the University of Colorado Foundation. The net assets of CU UK of $956,000 were consolidated into CUREF as of June 30, 2016.

On August 1, 2016, the University of Colorado Real Estate Foundation (CUREF) transferred its membership interest in 18th Avenue to the University. 18th Avenue's net assets of $1,705,000 were consolidated into CUREF as of June 30, 2016. In addition, 33rd Street sold real property to the University, subject to existing leases, under terms of a purchase and sale agreement dated October 31, 2013, and amended July 26, 2016 where the two parties executed a binding commitment to sell real property on August 1, 2016 ("the closing date"), which was close as schedule.

On July 7, 2016, Land Holding Venture (LHV, LLC) executed a binding commitment to sell real property to a third party for $1,200,000, subject to certain contingencies. LHV, LLC transferred the same real property to CUPCO on July 13, 2016, subject to the purchase and sale commitment. The carrying value of this property was $600,000 as of June 30, 2016.

On July 31, 2016, all assets from Partnership Holding venture (PHV LLC) to the University of Colorado Foundation and from Campus Village Apartments (CVA II) to CUPCO, PHV LLC and CVA II were dissolved as of July 31, 2016.

On July 8, 2016, the Auraria Higher Education Center issued of $1,720,903 from Series 2015 Student Fee Tax-Exempt Bonds to reimburse construction costs of the Tivoli Park/Quadrangle project. On August 31, 2016, the Auraria Higher Education Center drew down an additional $601,609 of the 2015A proceeds for the purpose of financing construction of the Tivoli Park/Quad, the Tivoli Patio and Coffee Lounge, and other future student gathering spaces throughout campus. The repayment of the bonds is funded by a $5 per student, per semester fee.

On July 21, 2016, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2016A. The notes mature on June 29, 2017. The total due on that date includes $275 million in principal and $7,980,556 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of $6,434,250, an average coupon rate of 3.09%, and a true interest cost of 0.59%.

On July 26, 2016, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2016A. The notes mature on June 27, 2017. The total due on that date includes $600 million in principal and $11,952,778 in interest. The GTRAN was issued with a premium of $8,603,000, an average coupon rate of 2.17%, and a true interest cost of 0.60%.

On September 16, 2016, the Campus Village Apartments (CVA) and the plaintiff mutually agreed to limit the monetary risks arising from the uncertainty of the appeal decision. The agreement provided payment to the plaintiff of $6,150,000 made by CUREF on behalf of CVA. The parties will continue to litigate the issues in dispute until a decision is made by the appeals court. In the event the appeals court returns a decision reversing the verdict and vacating the judgment, CVA will have no further payment obligation. If the appeals court remands the case to the district court for rehearing, the plaintiff agrees to dismiss the original claims, as well as pending newer claims. If the appeals court affirms the district court's judgment, CVA agrees to pay the plaintiff an additional $100,000, and the plaintiff agrees to acknowledge that the judgment has been satisfied and will dismiss all claims.

On September 29, 2016, the Western State Colorado University issued $26,995,000 in Auxiliary Facilities Revenue Refunding Bonds, Series 2016, with an average interest rate of 3.69%. The proceeds of the issue were used to refund the Series 2009 Revenue Bonds and a portion of the Series 2010A Institutional Enterprise Revenue Bonds. The 2016 Refunding bonds begin to mature on May 15, 2017 in increasing amounts through May 15, 2039. The bonds are collateralized by a pledge of certain revenues of the auxiliary facilities system.

On October 6th, the Board of Governors of the Colorado State University System authorized the sale of 2016 Bonds for Improvement Projects with a maximum principal amount of $100,000,000 and 2016 Refunding Project with a maximum principal amount of $230,000,000, with a maximum true interest cost not to exceed 6% (tax-exempt and taxable) and a maturity not later than March 1, 2056.

B. OTHER

The University of Northern Colorado is planning to issue $30,000,000 of 30-Year fixed rate Enterprise Revenue Bonds in late October 2016 for the Construction of the Campus Commons

Component Units

The Colorado Water Resources and Power Development Authority has formalized a plan to issue approximately $55.0 million in debt on May 12, 2016 to refund nine bond issues.

On May 10, 2016 the Denver Metropolitan Major League Baseball Stadium District sold land, the Delgany Property, with the consent of the Colorado Rockies Baseball Club. The land was to be used for additional parking, which was never completed. The sale amount was $3.7 million.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,726,778	
Income Taxes			6,006,993	
Other Taxes			255,700	
Federal Grants and Contracts			10	
Sales and Services			425	
Interest Earnings			14,368	
Other Revenues			22,999	
Transfers-In			274,601	
TOTAL REVENUES AND TRANSFERS-IN			9,301,874	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 10,006	$ 10,006	9,952	$ 54
Corrections	780,620	763,813	757,809	6,004
Education	3,567,985	3,478,443	3,477,872	571
Governor	41,668	34,935	34,381	554
Health Care Policy and Financing	2,507,458	2,492,619	2,476,744	15,875
Higher Education	857,416	856,383	856,067	316
Human Services	814,405	821,778	812,014	9,764
Judicial Branch	481,075	480,761	478,097	2,664
Labor and Employment	8,009	7,587	7,518	69
Law	15,258	15,284	14,440	844
Legislative Branch	43,297	43,297	43,297	(0)
Local Affairs	20,470	20,405	20,217	188
Military and Veterans Affairs	8,285	8,295	7,819	476
Natural Resources	27,672	27,672	27,349	323
Personnel & Administration	11,712	10,926	10,831	95
Public Health and Environment	48,015	47,015	46,577	438
Public Safety	125,171	119,777	113,796	5,981
Regulatory Agencies	1,923	1,923	1,904	19
Revenue	74,122	74,261	73,997	264
Treasury	9,067	9,038	6,821	2,217
SUB-TOTAL OPERATING BUDGETS	9,453,634	9,324,218	9,277,502	46,716
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,974	827	1,147
Corrections	3,451	35,730	11,536	24,194
Education	7,600	10,940	1,364	9,576
Governor	11,389	45,946	9,924	36,022
Higher Education	65,226	289,903	158,253	131,650
Human Services	16,657	46,731	11,877	34,854
Military and Veterans Affairs	667	8,166	3,870	4,296
Personnel & Administration	11,654	20,724	10,638	10,086
Public Health and Environment	-	323	126	197
Public Safety	-	11,111	7,918	3,193
Revenue	-	93,838	10,411	83,427
Transportation	500	500	500	-
Treasury	-	13	-	13
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	117,144	565,899	227,244	338,655
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,570,778	$ 9,890,117	9,504,746	$ 385,371
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (202,872)	

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS
BUDGET AND ACTUAL - APPROPRIATED CASH FUNDED
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 31,562	
Income Taxes			522,600	
Other Taxes			85,259	
Tuition and Fees			684,381	
Sales and Services			1,298,517	
Interest Earnings			30,091	
Other Revenues			639,959	
Transfers-In			1,064,481	
Capital Contributions			1,908	
TOTAL REVENUES AND TRANSFERS-IN			4,358,758	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 30,447	$ 30,882	28,388	2,494
Corrections	71,139	68,255	56,762	11,493
Education	1,202,513	1,164,556	1,093,247	71,309
Governor	223,375	223,540	208,846	14,694
Health Care Policy and Financing	998,386	1,130,312	1,115,353	14,959
Higher Education	745,154	752,150	720,581	31,569
Human Services	232,274	212,267	168,219	44,048
Judicial Branch	148,277	147,723	124,632	23,091
Labor and Employment	70,516	67,364	58,588	8,776
Law	59,670	59,407	53,157	6,250
Legislative Branch	1,344	1,344	1,191	153
Local Affairs	14,908	14,879	13,245	1,634
Military and Veterans Affairs	2,081	2,081	1,789	292
Natural Resources	178,758	182,624	159,158	23,466
Personnel & Administration	115,571	123,711	109,063	14,648
Public Health and Environment	199,073	198,787	175,643	23,144
Public Safety	205,113	206,078	185,236	20,842
Regulatory Agencies	83,368	83,122	73,841	9,281
Revenue	189,455	188,821	118,343	70,478
State	21,570	21,570	20,397	1,173
Transportation	35,822	34,822	32,907	1,915
Treasury	14,754	14,754	14,378	376
SUB-TOTAL OPERATING BUDGETS	4,843,568	4,929,049	4,532,964	396,085
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	2,945	261	2,684
Corrections	660	1,322	-	1,322
Governor	(814)	19,706	1,119	18,587
Higher Education	39,276	174,507	8,917	165,590
Human Services	980	142	126	16
Judicial Branch	147	8,698	317	8,381
Labor and Employment	25,263	30,231	2,880	27,351
Natural Resources	11,157	30,457	8,510	21,947
Personnel & Administration	2,850	15,903	1,061	14,842
Public Health and Environment	192	26,864	4,352	22,512
Public Safety	1,145	6,060	3,067	2,993
Transportation	-	500	500	-
Treasury	-	237	-	237
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	80,856	317,572	31,110	286,462
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 4,924,424	$ 5,246,621	4,564,074	682,547
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (205,316)	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS
BUDGET AND ACTUAL - APPROPRIATED FEDERALLY FUNDED
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 5,532,846	
TOTAL REVENUES AND TRANSFERS-IN			5,532,846	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Health Care Policy and Financing	$ 5,104,365	$ 5,172,782	5,088,440	$ 84,342
Human Services	424,825	449,494	411,478	38,016
Military and Veterans Affairs	-	970	583	387
Public Health and Environment	21,866	21,866	16,936	4,930
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,551,056	5,645,112	5,517,437	127,675
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,551,056	$ 5,645,112	5,517,437	$ 127,675
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 15,409	

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

UNAUDITED

REQUIRED SUPPLEMENTARY INFORMATION
RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES			
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS
BUDGETARY BASIS:				
Revenues and Transfers-In Appropriated (Required Supplementary Information):				
General	$ 9,046,731	$ -	$ -	$ 255,143
Cash	633,925	44,087	244,477	17,951
Federal	5,529,557	-	-	828
Sub-Total Revenues and Transfers-In Appropriated	15,210,213	44,087	244,477	273,922
Revenues and Transfers-In Non-Appropriated (Supplementary Information):				
General	892,251	-	-	-
Cash	3,892,849	458,773	2,093,225	78,282
Federal	2,461,776	101,526	842,408	7,050
Sub-Total Revenues and Transfers-In Non-Appropriated	7,246,876	560,299	2,935,633	85,332
Total Revenues and Transfers-In Appropriated and Non-Appropriated	22,457,089	604,386	3,180,110	359,254
Expenditures/Expenses and Transfers-Out Appropriated (Required Supplementary Information):				
General Funded	9,277,501	-	-	227,245
Cash Funded	510,974	42,296	233,346	17,838
Federally Funded	5,515,433	-	-	828
Expenditures/Expenses and Transfers-Out Appropriated	15,303,908	42,296	233,346	245,911
Expenditures/Expenses and Transfers-Out Non-Appropriated(Supplementary Information):				
General Funded	970,428	-	-	-
Cash Funded	3,841,777	261,683	2,174,299	7,722
Federally Funded	2,460,207	101,562	731,982	7,165
Expenditures/Expenses and Transfers-Out Non-Appropriated	7,272,412	363,245	2,906,281	14,887
Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated	22,576,320	405,541	3,139,627	260,798
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Appropriated	(93,695)	1,791	11,131	28,011
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Non-Appropriated	(25,536)	197,054	29,352	70,445
BUDGETARY BASIS ADJUSTMENTS:				
Increase/(Decrease) for Unrealized Gains/Losses	5,121	2,384	2,350	927
Increase for Budgeted Non-GAAP Expenditures	-	-	-	-
Increase/(Decrease) for GAAP Expenditures Not Budgeted	444,342	139,076	897,298	(305)
Increase/(Decrease) for GAAP Revenue Adjustments	(486,559)	(395,013)	(897,270)	(67)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	(156,327)	(54,708)	42,861	99,011
GAAP BASIS FUND BALANCES/NET POSITION:				
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	1,175,388	1,367,206	988,560	336,680
Prior Period Adjustments (See Note 29A)	(5,992)	-	-	(793)
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 1,013,069	$ 1,312,498	$ 1,031,421	$ 434,898

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**
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,301,874
	554,434	1,597,762	710,500	13,821	434	207,436	331,144	2,787	4,358,758
	-	1,289	-	-	-	1,172	-	-	5,532,846
	554,434	1,599,051	710,500	13,821	434	208,608	331,144	2,787	19,193,478
	-	-	-	-	-	-	-	-	892,251
	-	1,601,243	2,193,742	610,091	596,657	409,456	43,072	1,585,430	13,562,820
	-	211,812	186	24,148	-	408,007	-	-	4,056,913
	-	1,813,055	2,193,928	634,239	596,657	817,463	43,072	1,585,430	18,511,984
	554,434	3,412,106	2,904,428	648,060	597,091	1,026,071	374,216	1,588,217	37,705,462
	-	-	-	-	-	-	-	-	9,504,746
	902,038	1,574,696	710,704	10,070	40,958	195,340	323,212	2,602	4,564,074
	-	2	-	-	-	1,174	-	-	5,517,437
	902,038	1,574,698	710,704	10,070	40,958	196,514	323,212	2,602	19,586,257
	-	-	-	-	-	-	-	-	970,428
	34,025	1,371,255	2,164,361	493,018	143,570	199,553	42,631	1,327,637	12,061,531
	-	175,877	15,908	24,146	-	400,054	-	-	3,916,901
	34,025	1,547,132	2,180,269	517,164	143,570	599,607	42,631	1,327,637	16,948,860
	936,063	3,121,830	2,890,973	527,234	184,528	796,121	365,843	1,330,239	36,535,117
	(347,604)	24,353	(204)	3,751	(40,524)	12,094	7,932	185	(392,779)
	(34,025)	265,923	13,659	117,075	453,087	217,856	441	257,793	1,563,124
	(189)	29,273	-	2	208	1,837	107	1,362	43,382
	-	-	-	-	-	-	-	-	-
	-	622,363	18,926	(2,688)	(412,707)	(10,800)	(29,611)	1,994	1,667,888
	-	(734,717)	411	10,130	(438)	(10,085)	(1,804)	(2,735)	(2,518,147)
	-	-	129,701	-	-	-	-	-	129,701
	(381,818)	207,195	162,493	128,270	(374)	210,902	(22,935)	258,599	493,169
	686,258	2,292,698	2,874,814	622,258	(19,946)	1,020,702	(250,115)	6,528,769	17,623,272
	-	-	(5,309)	-	-	-	-	(508)	(12,603)
	$ 304,440	$ 2,499,893	$ 3,031,998	$ 750,528	$ (20,320)	$ 1,231,604	$ (273,050)	$ 6,786,860	$ 18,103,839

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 $387.9 million of the GAAP General Fund balance of $1,013.1 million on the *Balance Sheet – Governmental Funds.*

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The general fund surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive general fund surplus on the budgetary basis. This schedule includes both appropriated and nonappropriated activity. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed in the following paragraphs.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The ending general fund surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components* presented in the Supplementary Section of the Comprehensive Annual Financial Report.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. *(See Note 8A beginning on page 45 for information regarding the Old Age Pension expenditure at the Department of Revenue.))*

In order to measure the general fund surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and reduce the ending general fund surplus balance in the line item titled "State Controller Approved Rollfowards" because the related balances are not available for subsequent appropriation.

In order to properly state the amounts reverted, most restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule, with the exception of unspent appropriations related to unreleased prior year Medicaid overexpenditure restrictions.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS

BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,999,700	$ 2,922,600	$ 2,893,838		
Other Excise Taxes	94,500	102,200	101,874		
Individual Income Tax, net	6,164,400	6,015,000	5,993,003		
Corporate Income Tax, net	692,300	599,900	606,441		
Estate Tax	-	-	-		
Insurance Tax	260,600	289,300	280,345		
Parimutuel, Courts, and Other	25,200	23,200	26,319		
Investment Income	17,000	9,400	12,440		
Gaming	-	-	15,464		
TOTAL GENERAL PURPOSE REVENUES	10,253,700	9,961,600	9,929,724		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	10,006	10,006	9,952	$ 54	$ 106
Corrections	780,620	763,813	757,832	5,981	-
Education	3,567,985	3,478,443	3,477,852	591	339
Governor	41,668	35,501	34,418	1,083	2,514
Health Care Policy and Financing	2,507,458	2,499,449	2,481,523	17,926	2,619
Higher Education	857,693	857,165	856,849	316	54
Human Services	814,405	830,292	820,528	9,764	8,481
Judicial Branch	481,075	480,761	478,097	2,664	87
Labor and Employment	8,009	8,287	7,754	533	278
Law	15,258	15,284	14,443	841	-
Legislative Branch	43,297	43,297	43,297	-	316
Local Affairs	24,721	26,918	25,463	1,455	55
Military and Veterans Affairs	8,285	8,295	7,901	394	-
Natural Resources	27,672	27,672	27,349	323	6
Personnel & Administration	11,712	10,926	10,831	95	1,103
Public Health and Environment	48,015	50,289	49,851	438	-
Public Safety	125,171	119,777	113,796	5,981	1,365
Regulatory Agencies	6,073	6,073	6,054	19	-
Revenue	165,641	275,791	274,138	1,653	198
State	-	-	-	-	55
Transportation	-	102	102	-	-
Treasury	141,910	141,881	139,571	2,310	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	9,686,674	9,690,022	9,637,601	$ 52,421	$ 17,576
Variance Between Actual and Estimated Budgets	21,206	(97,301)	-		
TOTAL ESTIMATED BUDGET	9,707,880	9,592,721	9,637,601		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	545,820	368,879	292,123		
EXCESS AUGMENTING REVENUES			17,576		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	16,400	24,300	8,637		
Transfers-Out To Various Cash Funds	(56,300)	(116,500)	(64,969)		
Transfer-Out to Capital Projects - General Fund	(309,200)	(270,700)	(270,630)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to Highway Users Fund	(205,100)	(199,200)	(199,200)		
Transfers-Out to the State Education Fund	(25,300)	(25,300)	(25,321)		
TOTAL TRANSFERS	(580,000)	(587,900)	(551,983)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	(34,180)	(219,021)	(242,284)		
BEGINNING GENERAL FUND SURPLUS	-	113,131	113,131		
Release of Prior Year Statutory Reserve (6.5%)	576,500	576,490	576,485		
Establish Current Year Statutory Reserve (5.6%)	(611,320)	(520,700)	(465,994)		
Release of Contractually Restricted Energy Performance Leases			1,267		
Contractually Restricted Energy Performance Leases			(332)		
GAAP Revenues/(Expenditures) Not Budgeted			(1,019)		
Release of Assigned Prior Year State Controller Approved Rollfowards			20,731		
State Controller Approved Rollfowards			(18,321)		
Release of Prior Year Proposition AA Refund Restricted Account		58,000	58,000		
Prior Period Adjustment (see Note 29)			(5,992)		
ENDING GENERAL FUND SURPLUS	$ (69,000)	$ 7,900	35,672		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2016-17 for Budget			(90,493)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2016-17 for Budget			(98,890)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2016-17 for Budget			(627)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			59,096		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			2,897		
NonSpendable			45,406		
Restricted			57,132		
Committed			267,049		
Assigned			18,321		
Unassigned			-		
Shortfall in GAAP Basis Statutory Reserve			92,345		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 387,908		

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

UNAUDITED

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS

With the implementation of a new financial system, Colorado Operations Resource Engine (CORE), in Fiscal Year 2014-15, the budget schedules are now presented as appropriated and nonappropriated for each category. The appropriated schedules are part of the Required Supplementary Information (RSI) section while the nonappropriated schedules are part of the Supplementary Information (SI) section.

The three budget-to-actual schedules in the RSI show revenues and expenditures that are legislatively appropriated, excluding informational only appropriations that do not require action of the legislature but are included in the appropriations bills for informational purposes only (see pages 124 to 126). These schedules are presented in the budgetary fund structure discussed below.

The budgetary fund types used by the State differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the State that have been designated to support specific expenditures. Federal funds are primarily made up of revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated by the General Assembly.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.
- Pension expense related to unfunded pension liabilities are not recognized on a budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of the State government, with the exception of custodial funds and federal moneys not requiring matching state funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure and institution of higher education capital projects.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 40. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission. In Fiscal Year 2015-16, the Department of Transportation capitalized project expenditures of $450.6 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act and special bills, excluding informational only appropriations. The column titled Final Spending Authority includes the original appropriation and supplemental appropriations of the Legislature.

Spending occurs outside of the legislative appropriations process primarily for custodial purposes, federally-funded activity for which there is no general-purpose revenue matching requirement, statutory transfers, and other miscellaneous budgetary items. Additional budget-to-actual schedules related to nonappropriated activity are included in the Supplementary Section of the Comprehensive Annual Financial Report.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A. Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments".

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 128) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 124 to 126) and how nonappropriated revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 8 to 26).

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

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments."

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

E. OUTSTANDING ENCUMBRANCES

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

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

A. PROPORTIONATE SHARE OF PENSION LIBILITY AND CONTRIBUTIONS

Proportionate Share:

The State's defined benefit pension plan is administered by the Public Employees' Retirement Association (PERA). The plan is a cost-sharing multiple-employer plan. The schedule below presents the State's (primary government's) proportionate share of the net pension liability for its retirement plan. The amounts presented for each Division for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Additionally, information is not available for fiscal years prior to 2014.

(Amounts In Thousands)

	2016		2015		2014	
	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division
State's proportion of the net pension liability (asset)	95.71%	93.98%	95.85%	93.60%	95.86%	93.44%
State's proportionate Share of Net Pension liability (asset)	$ 10,079,249	$ 172,828	$ 9,015,773	$ 129,500	$ 8,539,181	$ 102,756
State's covered-employee payroll	$ 2,717,027	$ 51,896	$ 2,530,865	$ 50,596	$ 2,476,598	$ 46,957
State's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	370.97%	333.03%	356.23%	255.95%	344.79%	218.83%
Plan fiduciary net position as a percentage of the total pension liability	127.82%	150.82%	148.98%	201.98%	156.94%	252.48%

Contributions:

The following schedule presents a ten year history of the State's (primary government's) contribution to PERA for the State and Judicial Divisions:

State Division

(Amounts In Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contributions	$ 593,526	$ 466,883	$ 400,783	$ 363,541	$ 272,631	$ 253,250	$ 287,989	$ 273,522	$ 236,644	$ 233,634
Contributions in relation to the contractually required contributions	(593,526)	(466,883)	(400,783)	(363,541)	(272,631)	(253,250)	(287,989)	(273,522)	(236,644)	(233,634)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered-employee payroll	$3,303,501	2,607,999	2,509,123	2,410,612	2,531,325	2,350,584	2,718,245	2,587,514	2,237,641	N/A
Contributions as a percentage of covered-employee payroll	17.97%	17.90%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%	N/A

Judicial Division

(Amounts In Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contributions	$ 8,043	$ 7,306	$ 5,431	$ 4,927	$ 3,695	$ 3,432	$ 3,903	$ 3,707	$ 3,207	$ 3,166
Contributions in relation to the contractually required contributions	(8,043)	(7,306)	(5,431)	(4,927)	(3,695)	(3,432)	(3,903)	(3,707)	(3,207)	(3,166)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered-employee payroll	$ 58,882	53,488	34,003	32,668	34,304	31,855	36,837	35,065	30,324	N/A
Contributions as a percentage of covered-employee payroll	13.66%	13.66%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%	N/A

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

Not applicable for Fiscal Year 2016.

NOTE RSI-3 – OTHER POSTEMPLOYMENT BENEFIT INFORMATION

As required by GASB Statements No 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other post-employment benefit plans.

Under the standards, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 19 on page XX for additional information regarding the plans listed in the schedule.

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:							
2015-16	7/1/2015	$ -	$ 523,409,000	$ 523,409,000	0.0%	$ 1,336,248,000	39.2%
2014-15	7/1/2014	$ -	$ 523,409,000	$ 523,409,000	0.0%	$ 1,336,248,000	39.2%
Restated 2013-14	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,253,260,000	32.5%
2012-13	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
Colorado State University:							
RMPR							
2015-16	1/1/2016	$ 40,739,061	$ 39,842,947	$ 896,114	102.3%	$ 325,054,595	0.3%
2014-15	1/1/2015	$ 36,988,354	$ 36,252,781	$ (735,573)	102.0%	$ 305,287,641	-0.2%
2013-14[2]	1/1/2014	$ 36,329,003	$ 34,013,693	$ (2,315,310)	106.8%	$ 285,017,218	-0.8%
RMPS							
2015-16	1/1/2016	$ 22,275,345	$ 45,646,475	$ 23,371,130	48.8%	N/A	N/A
2014-15	1/1/2015	$ 21,554,455	$ 51,483,575	$ 29,929,120	41.9%	N/A	N/A
2013-14[2]	1/1/2014	$ 19,696,918	$ 50,077,254	$ 30,380,336	39.3%	N/A	N/A
URX							
2015-16	1/1/2016	$ 594,366	$ 2,285,901	$ 1,691,535	26.0%	N/A	N/A
2014-15	1/1/2015	$ 581,396	$ 2,749,825	$ 2,168,429	21.1%	N/A	N/A
2013-14[2]	1/1/2014	$ 497,968	$ 2,840,945	$ 2,342,977	17.5%	N/A	N/A
LTD							
2015-16	1/1/2016	$ 7,926,531	$ 12,071,325	$ 4,144,794	65.7%	N/A	N/A
2014-15	1/1/2015	$ 7,506,099	$ 12,016,221	$ 4,510,122	62.5%	N/A	N/A
2013-14[2]	1/1/2014	$ 5,350,150	$ 11,569,893	$ 6,219,743	46.2%	N/A	N/A

[1] The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.

[2] In Fiscal Year 2013-14, Colorado State University transferred assets into a qualified trust for its RMPR, RMPS, URX and LTD plans.

Colorado State University's Statements of Net Positions and Statements of Changes in Plan Net Position, and Schedule of Employer Contributions are presented below.

Colorado State University
Post Employment Benefit Plan Statements
As of and for the Period Ended June 30, 2016

	RMPR	RMPS	URX	LTD
STATEMENT OF PLAN NET POSITION				
Assets:				
Cash and Pooled Cash	$ 40,728,334	$ 22,269,479	$ 594,209	$ 7,924,444
Employee Receivables	-	-	-	-
Interest and Dividend Receivables	10,727	5,865	156	2,087
Liabilities:				
Accrued Payables	340	185	5	65
Total Net Position	$ 40,738,721	$ 22,275,159	$ 594,360	$ 7,926,466
STATEMENT OF CHANGES IN PLAN NET POSITION				
Additions:				
Contributions from Employers	$ 4,508,681	$ 1,967,812	$ 120,248	-
Contributions from Members	-	-	29,864	1,409,459
Net Investment Income from Interest and Dividends	81,591	48,675	1,352	16,908
Net Investment Income from Investment Expense	(3,758)	(2,246)	(62)	(780)
Deductions:				
Benefits & Refunds Paid to Members & Beneficiaries	775,077	1,266,180	$ 67,844	$ 921,777
Administrative Expense	60,762	27,176	70,587	83,382
Change in Net Position	$ 3,750,675	$ 720,885	$ 12,971	$ 420,428
Net Position - Fiscal Year Beginning	36,988,046	21,554,274	581,389	7,506,038
Net Position - Fiscal Year Ending	$ 40,738,721	$ 22,275,159	$ 594,360	$ 7,926,466
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
Annual Required Contribution	$ 4,508,681	$ 1,967,812	$ 120,248	$ 1,190,005
Percent Contributed	100.0%	100.0%	100.0%	118.4%

APPENDIX D

OSPB SEPTEMBER 2016 REVENUE FORECAST

[OSPB's December 2016 Revenue Forecast is expected to be released on December 20, 2016. A copy of the December 2016 Revenue Forecast will be available at drive.google.com/file/d/0B0TNL0CtD9wXZVZ4RVZQLXJhRFk/view.]

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COLORADO
Office of State Planning & Budgeting

September | 2016

The Colorado Economic Outlook

Economic and Fiscal Review

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Front page photos courtesy of Colorado Tourism.

Summary

- General Fund revenue increased 1.7 percent in FY 2015-16, a sharp drop from the robust 9.2 percent growth rate one year earlier. The oil and gas industry's contraction, along with weaker investment gains and lower corporate profits, all combined to reduce General Fund revenue growth. With these factors largely behind us, General Fund revenue will increase 4.5 percent in FY 2016-17 and a 5.0 percent increase is forecast for FY 2017-18. Notably, these growth rates are lower compared with most previous years of the current expansion; economic growth is forecast to remain moderate for the state and growth in corporate income tax revenue and investment gains are expected to be constrained.

- Relative to June's forecast, General Fund revenue for FY 2016-17 was reduced by $160.6 million, or 1.5 percent, due mostly to lower expectations for sales and use taxes and corporate income tax collections. The FY 2016-17 ending General Fund balance is projected to be $226.5 million below the required reserve level. The Governor is required to take budget-balancing actions when the ending balance is projected to be under half of its required amount. For FY 2016-17, under current law, half of the required reserve amounts to $317.4 million, $90.9 million less than the ending reserve projected by this forecast.

- Under this forecast and current law, General Fund appropriations subject to the limit in FY 2017-18 can increase only 1.2 percent over the FY 2016-17 amount. Total General Fund and State Education Fund expenditures combined can grow just 0.3 percent in FY 2017-18, assuming that the negative factor in the School Finance Act is maintained at its current level.

- Cash fund revenue in FY 2016-17 is projected to be $189.9 million, or 6.3 percent, lower than FY 2015-16, as a decrease in revenue from the Hospital Provider Fee and miscellaneous cash funds will offset modest growth in revenue from many of the other major categories of cash funds. Cash fund revenue will increase 14.5 percent in FY 2017-18 as the budget restriction on the Hospital Provider Fee expires and severance tax revenue increases.

- TABOR revenue came in $26.7 million below the cap in FY 2015-16 and is projected to be $158.8 million under the cap in FY 2016-17. TABOR revenue is expected to be above the cap by $175.4 million in FY 2017-18 and $221.8 million in FY 2018-19. The FY 2017-18 refund amount of $195.0 million expected in this forecast includes the projected $175.4 million exceeding the Referendum C cap plus $19.6 million that needs to be refunded from FY 2014-15 due to the reclassification of the revenue transferred to the Adult Dental Fund from the Unclaimed Property Fund.

- Colorado's economy remains in expansion. The urban areas along the Front Range have among the lowest unemployment rates in the country, with the Denver metro area having the lowest unemployment rate among large U.S. metro areas. The oil and gas industry's deep contraction that contributed to slowing in the overall economy appears to have reached a bottom, though industry activity is expected to remain at subdued levels. Even so, the absence of the large decline in spending in the economy going forward will help overall economic conditions. Further, data shows renewed growth in new business formation in Colorado, a key ingredient for economic and job growth. Sustained growth in housing construction and home sales, albeit still at comparatively low levels, will also add to employment and spending in the economy. However, due in part to continued tight labor market conditions, the state's economic growth will remain at a more moderate pace than earlier in the expansion.

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

- Although there are no clear indications of an economic downturn, there is heightened uncertainty related to developments in Europe, the upcoming presidential election, and the stance of monetary policy. Such uncertainty, especially when combined with adverse shocks to the economy, can lead to a pullback in spending and investment, and on a large enough scale, losses in jobs and income and a subsequent decline in revenue to the State.

The Economy: Issues, Trends, and Forecast

The following section discusses overall economic conditions in Colorado, nationally, and around the world. The OSPB forecast for economic conditions is largely unchanged from the June 2016 Colorado Economic Outlook. This section includes an analysis of:

- Economic, labor market, and housing market conditions in Colorado (page 5)
- Economic, labor market, and housing market conditions for the nation (page 18)
- International economic conditions and trade (page 30)

Trends and forecasts for key economic indicators **—** A summary of key economic indicators with their recent trends and statistics, as well as forecasts, is provided at the end of this section. The summary of indicators is intended to provide a snapshot of the economy's performance and OSPB's economic projections, which are informed by the following analysis of the economy.

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

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

Economic risks **—** The economic expansion is now in its eighth year, a long expansion by historical standards. However, economic research indicates that the length of an expansion is not a reliable indicator of when a recession will begin. As discussed in the following analysis, there are no clear indications of an economic downturn in the United States or Colorado. However, there remains heightened uncertainty related to the upcoming presidential election, as well as concerns over the future of the European Union after Britain's decision to withdraw, popularly known as "Brexit." Heightened uncertainty can lead to lower expectations for economic growth and a pullback in spending and investment. In addition, the stance of monetary policy will be important to monitor in coming months as the Federal Reserve has signaled additional monetary policy tightening in the near future. Financial conditions deteriorated surrounding last December's monetary tightening, and may occur again, especially if tightening occurs amidst modest economic growth and low inflation. Further, the U.S. dollar's strong appreciation starting in 2014 that contributed to weakening in exports and industrial production was associated with the monetary tightening. Finally, bond prices remain historically high and to the extent those prices weaken, the resulting increase in interest rates used for residential and commercial lending would likely dampen economic activity.

Colorado Economy

Colorado's economy remains in solid expansion. Growth is broad-based across most industries and the labor market remains strong. The urban areas along the Front Range continue to have among lowest unemployment in the country, with the Denver metro area having the lowest unemployment rate among large U.S. metro areas (areas with more than one million people) in July. However, the state's tight labor market is constraining business expansion and thus overall economic growth. Further, the tepid national and global economies and persistent weakness in the oil and gas industry is tempering economic growth for the state. Nonurban areas with agricultural- and energy-dependent economies continue to struggle with low commodity prices, though there has been some modest improvement in these regional economies of late.

Colorado's economy remains in solid expansion despite facing several headwinds of late.

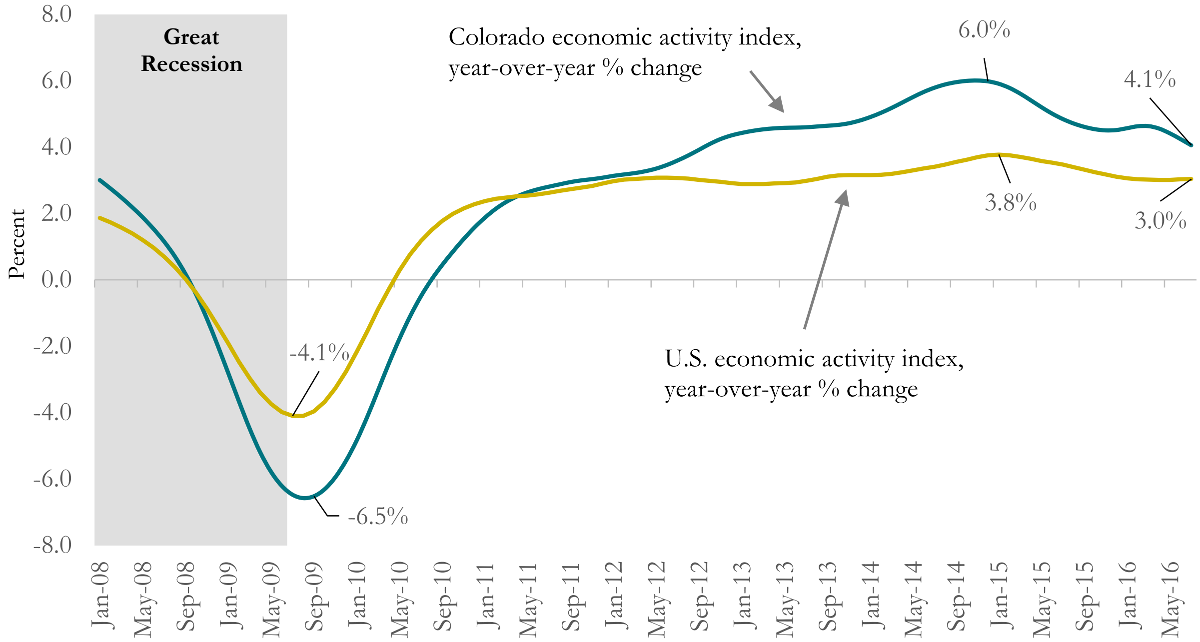
Economic expansion is expected to continue for Colorado at a moderate pace. Colorado's favorable attributes have made the state's economy resilient to the many headwinds that it has faced the past several years. The state continues to have population growth, a high skilled workforce, and a diverse base of growing technology-intensive and business services industries. This mixture helps produce more successful enterprises which lead to further economic growth. Moreover, data shows renewed growth in new business formation in Colorado, a key ingredient for economic and job growth. Sustained growth in housing construction and home sales, albeit still at comparatively low levels, will also add to employment and spending in the economy.

The absence of a large decline in spending in the economy from a contracting oil and gas industry going forward will help overall economic conditions. However, the state's economic growth will remain at a more moderate pace than the robust growth seen earlier in the expansion.

The oil and gas industry's deep contraction that contributed to slowing in the overall economy appears to have reached a bottom, though industry activity is expected to remain at subdued levels. Even so, the absence of the large decline in spending in the economy going forward will help improve overall economic conditions. However, the state's economic growth will remain at a more moderate pace than its robust level earlier in the expansion.

A measure of overall economic activity for Colorado shows continued moderation in growth **—** Figure 1 shows Colorado's Coincident Economic Activity Index compared to the U.S. overall since the Great Recession. Colorado's economic growth remains slower since early-2015, though still stronger than the nation as a whole.

Figure 1. Coincident Economic Activity Index, Year over Year % Change, 2008 to July 2016



Source: Philadelphia Federal Reserve Branch

The State Coincident Economic Activity Index is one of the most up most up-to-date broad measure of state economic activity. The index tends to match growth in a state's gross domestic product (GDP) over time by combining four state-level indicators to track current economic conditions – employment, average hours worked in manufacturing, the unemployment rate, and inflation-adjusted wage and salary disbursements.

***Colorado's gross domestic product also shows growth despite the contraction in industrial sectors, particularly the oil and gas industry* —** The U.S. Bureau of Economic Analysis recently reported that Colorado's real, or inflation-adjusted, gross domestic product (GDP) grew 3.0 percent in the first quarter of 2016, with broad-based gains across several industries, though mining, utilities, and transportation and warehousing continued to show weakness due in part to persistently low commodity prices and the downturn in the oil and gas industry.

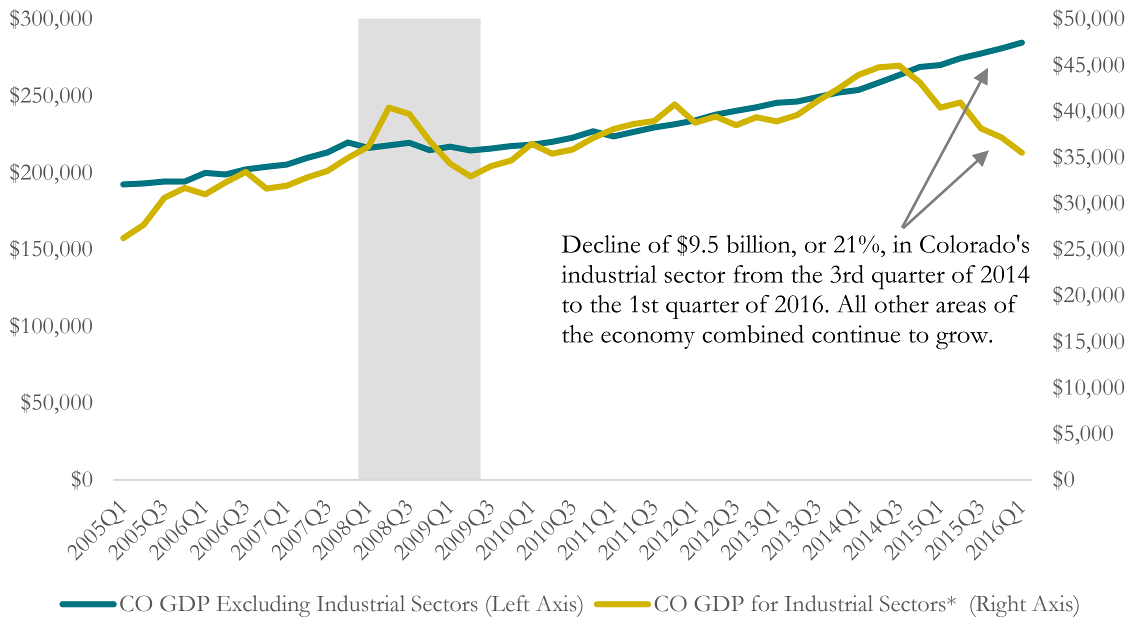
The state's GDP for its industrial sector declined by $9.5 billion, or 21.0 percent, from the third quarter of 2014 through the first quarter of 2016. Despite this large drop in economic activity, the GDP of the rest of the economy over the same period grew by $21.0 billion, or 8.0 percent.

Most of the slowdown in Colorado's economy has been concentrated in the industrial sector, which includes the manufacturing, mining, and utilities industries, with the decline driven almost entirely by the contraction in the oil and gas industry. Figure 2 shows the nominal, or non-inflation-adjusted, value of Colorado's GDP broken out by its industrial sector and all other industries.

The state's GDP for its industrial sector declined by $9.5 billion, or 21.0 percent, from the third quarter of 2014 through the first quarter of 2016; all of this decline was in the mining industry, while manufacturing and utilities were essentially flat. Despite this large drop in economic activity, the GDP for the rest of the economy over the same period grew by $21.0 billion, or 8.0 percent. Industries in these sectors, such as financial activities, professional, scientific, and technical services, construction, and health care, represent a much larger portion of economic activity in the state — about 90 percent of total state GDP. These same trends have occurred at the national level as discussed on page 23.

The decline in industrial sectors nationwide was driven to a greater extent than in Colorado by weakness in manufacturing. The state's relatively better performance in the manufacturing industry is due to its higher concentration of advanced manufacturing activities, such as renewable energy-related products, computer and electronic products, and aerospace-related product manufacturing. These types of manufacturing have been less adversely impacted by the strengthening dollar and weaker global conditions than manufacturing has nationally.

Figure 2. GDP of the Industrial Sector and All Sectors in the Colorado Economy, $s in Millions

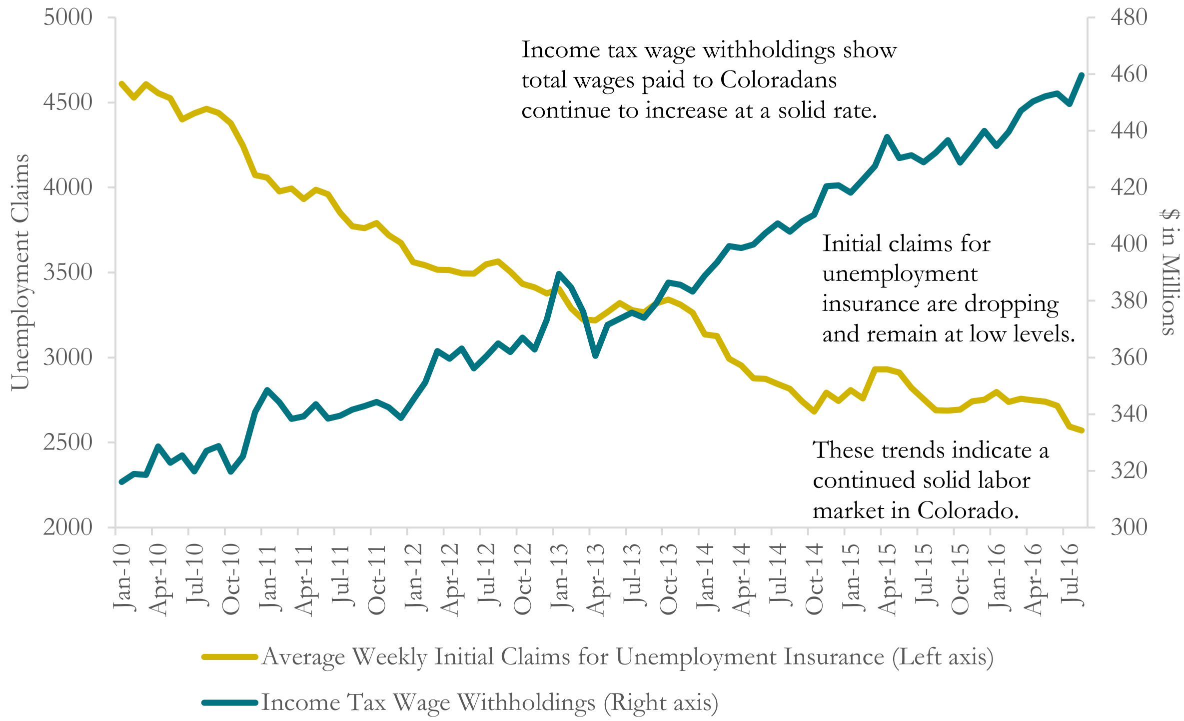


*Industrial sectors include manufacturing, mining, and utilities.

Source: U.S. Bureau of Economic Analysis and OSPB calculations. Shading indicates recession period.

Data on unemployment insurance claims and income tax wage withholdings indicate that the overall demand for workers in Colorado is strong — Figure 3 shows the trends in initial unemployment insurance claims and income tax wage withholdings, two near-real-time indicators of the condition of the labor market. Income tax wage withholdings are a proxy for total wages paid to Coloradans, and data through August shows renewed strength after posting slower growth over the course of last year. Initial claims for unemployment insurance, a measure of the level of layoffs in the economy, remain at low levels through August. Both of these data trends indicate that employers continue to have high demand for workers in the state's expanding economy.

Figure 3. Indicators of Colorado's Overall Labor Market



*Seasonally Adjusted, Three-month moving average

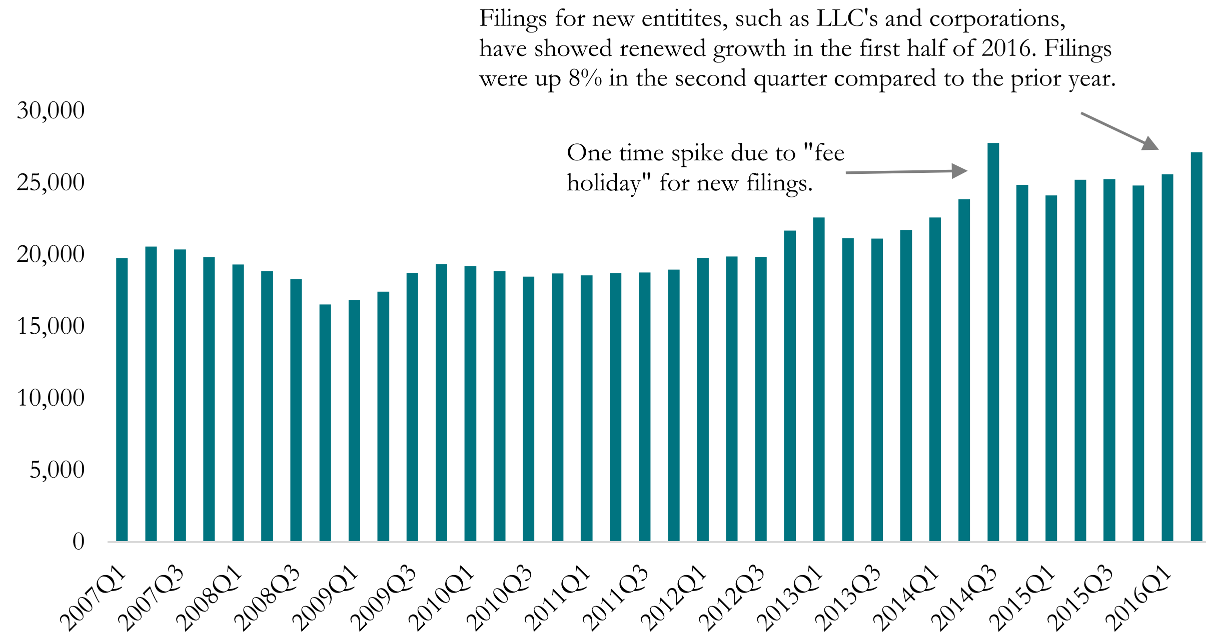
Source: Colorado Department of Revenue, Colorado Department of Labor and Employment, and OSPB calculations

***New business formation appears positive, an indicator that economic expansion will continue* —** A large part of economic and job growth comes from young businesses that grow when they are successful in developing new products and business practices. Colorado continues to experience higher levels of new business formation and entrepreneurship than most other economies, a key reason for its better economic performance than other states. The Kauffman Foundation, a leading organization for research and advocacy for entrepreneurship, recently ranked Colorado 5th among the 25 largest states in its 2016 Index of Startup Activity.

Renewed strength in new business formation is expected to help support continued economic growth for the state.

As shown in Figure 4, growth in new business formation is showing renewed strength in the first half of 2016 after slowing during the course of 2015. Data from the Colorado Secretary of State showed that filings of new entities formed to do business in the state, which mostly consist of limited liability companies and corporations, increased 7.9 percent above the second quarter of 2015. There were over 27,000 new entities filings in the second quarter, close to 2,000 more than in the same quarter a year ago. This activity will help support continued economic growth for the state.

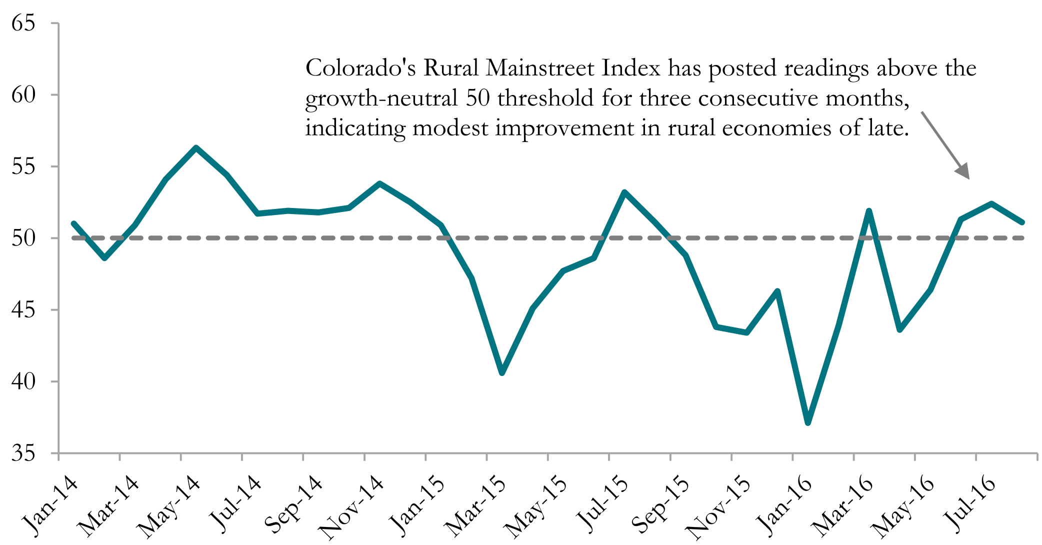
Figure 4. New Entity Filings to do Business in Colorado



Source: Colorado Secretary of State, OSPB calculations; data is seasonally adjusted

Rural areas continue to struggle overall, though there is some indication of modest improvement of late — Colorado's Rural Mainstreet Index, published by Creighton University, measures economic activity in rural areas by surveying community banks on current economic conditions and their economic outlooks. Index readings above the 50 level signifies growth. After being below the 50 level for much of 2015 and 2016 due largely to persistently low commodity prices, the index has posted readings modestly above 50 for three consecutive months through August, as shown in Figure 5.

Figure 5. Colorado's Rural Mainstreet Index

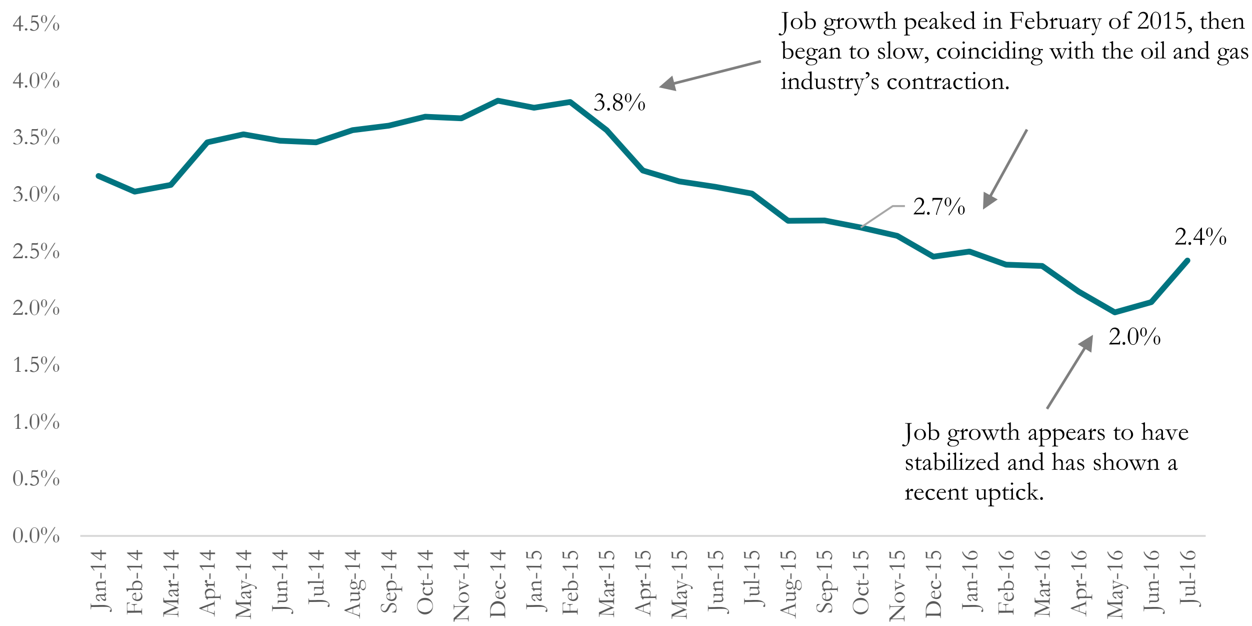


Source: Creighton University

Tight labor market conditions are constraining job growth in the state – The state's sustained economic expansion is generating employment gains across most industries. Most of the contraction in the oil and gas industry that contributed to slower overall growth for the state appears to be over. However, tight labor market conditions are constraining job growth.

Figure 6 shows the monthly year-over-year job growth for the state since the beginning of 2014. Growth peaked in February 2015 at 3.8 percent and slowed over the course of 2015 and into 2016. However, the slowdown ended in recent months and there has been an uptick in the year-over-year growth rate. Through July, Colorado added 61,500 jobs, growth of 2.4 percent, over the prior year's level.

Figure 6. Colorado Year-over-Year Employment Growth



Source: Bureau of Labor Statistics, Colorado Department of Labor and Employment estimates of expected forthcoming revisions to employment data, OSPB Calculations

Unemployment data provides evidence of the state's tight labor market conditions. The statewide unemployment rate of 3.8 percent in July was tied for 8th lowest among states. The U-6 rate for Colorado, which is a broader measure of unemployment, ranked 6th lowest in the most recent data.

The state has among the lowest unemployment levels in the country. However, tight labor market conditions are making it difficult for businesses to find the labor they need to maintain operations and for expansion.

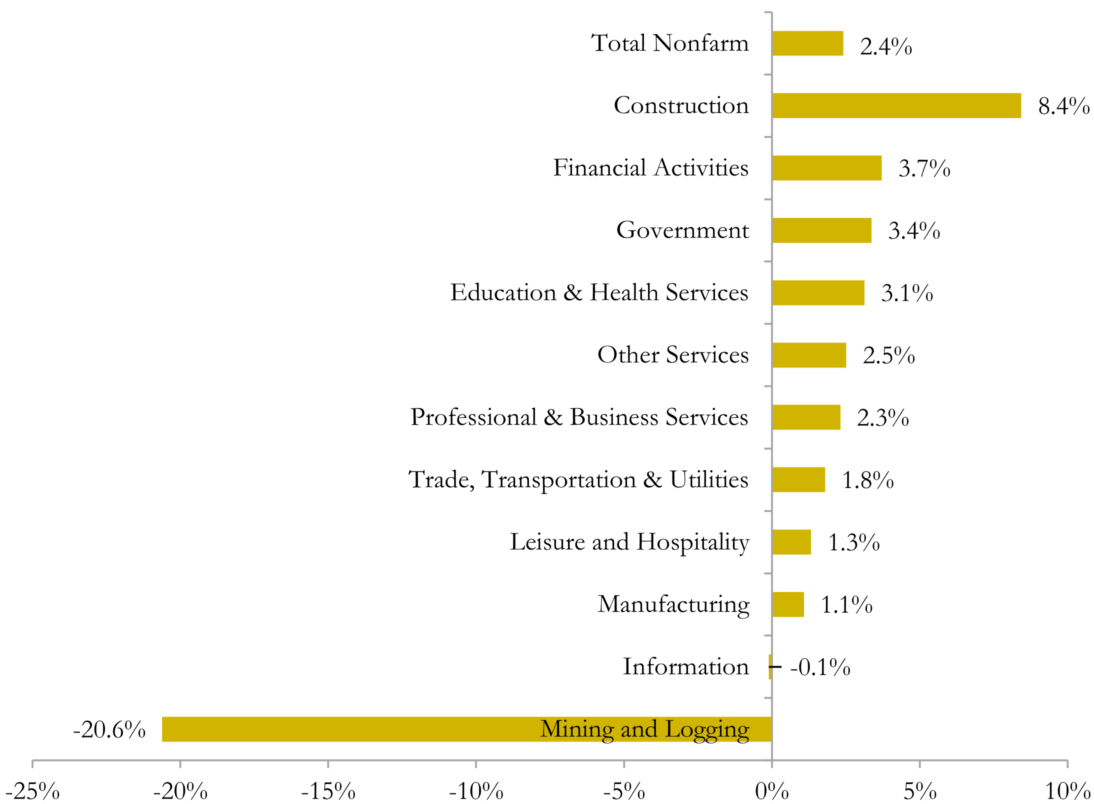
Tight labor market conditions are making it more difficult for businesses to find the labor they need to maintain operations and for expansion. These conditions are occurring in wide-ranging sectors, including information technology, health care, engineering, manufacturing, and construction. According to a report from the Conference Board concerning online help-wanted ads, the ratio of unemployed persons to online ads was 0.91 for the state in July, tied for 4th lowest in the country. A ratio below one indicates there are more job openings posted online than unemployed individuals and is a measure of labor market tightness.

Employment growth continues across most sectors in Colorado – All of the major industries in the state posted year-over-year job growth in July besides the mining and information sectors. Due to the increasing activity in nonresidential and housing construction in the state, the construction industry is experiencing the most growth at 8.4 percent above July 2015 levels.

Excluding the mining and information sectors, all of the major industries in the state posted job growth in July from a year ago. The construction industry is experiencing the most growth.

As discussed on page 6, the industrial sector of the state's economy, which includes the mining, manufacturing, and utilities industries, has been in a downturn since the end of 2014 primarily due to the oil and gas industry's contraction; thus, job growth in the sector has been adversely impacted. In the mining industry, which is dominated by oil and gas activities, employment levels were down 20.6 percent in July from a year ago, and were 32.8 percent lower than their peak level at the end of 2014, a decline of 11,700 jobs. In contrast to the national economy, manufacturing in the state continues to post gains over levels a year ago, though at a subdued rate. Colorado's nonindustrial sectors, which comprise by far the largest portion of the state's employment base, are posting broad-based gains, including in financial activities, government, education and health services, professional and business services, and leisure and hospitality.

Figure 7. Colorado Year-over-Year Employment Growth by Sector, July 2016

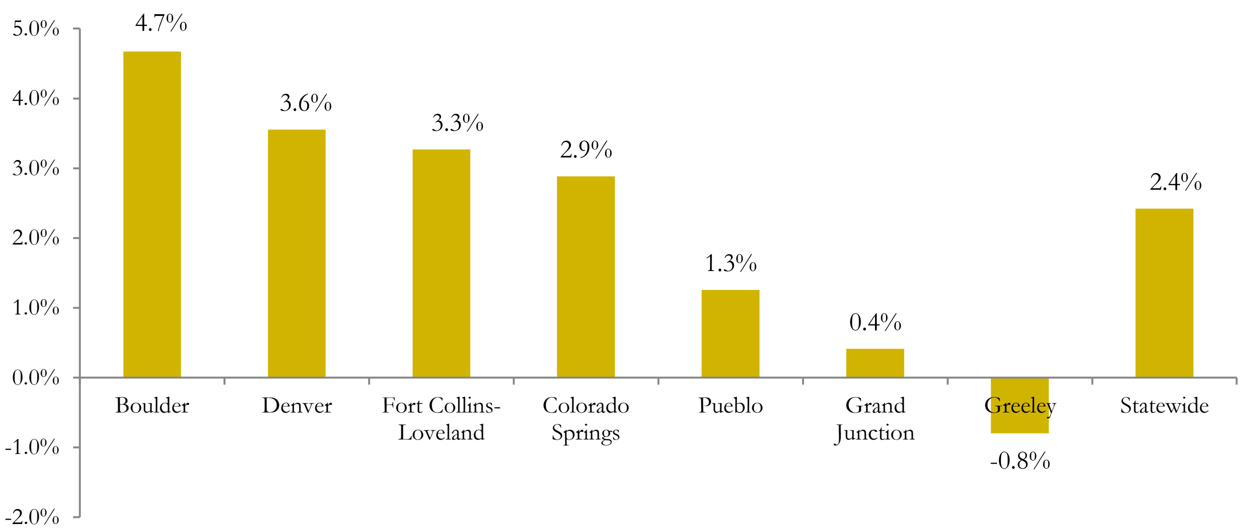


Source: Bureau of Labor Statistics, Colorado Department of Labor and Employment estimates of forthcoming revisions to employment data, OSPB Calculations

Job growth over the past year was stronger in Boulder, Denver, Fort Collins-Loveland, and Colorado Springs than in other Colorado metro areas; these areas all had job growth faster than the statewide average due to their diversity of industries and greater population gains.

Job growth differs across the state, with most gains occurring in the central and northern Front Range regions – As shown in Figure 8, job growth over the past year was much stronger in Boulder, Denver, Fort Collins-Loveland, and Colorado Springs than in other metro areas of the state. These cities all had job growth faster than the statewide average, with Boulder nearly doubling the statewide rate. These faster growing areas have more diversity of industries and greater population growth helping fuel their job gains. Greeley has experienced a loss of jobs over the past year due to the contraction in the oil and gas industry after experiencing among the fastest job growth in the country in 2014 due to the boom. Grand Junction and Pueblo have experienced slower growth throughout the current economic expansion.

Figure 8. Year-over-Year Employment Growth by Colorado Metro Area, July 2016



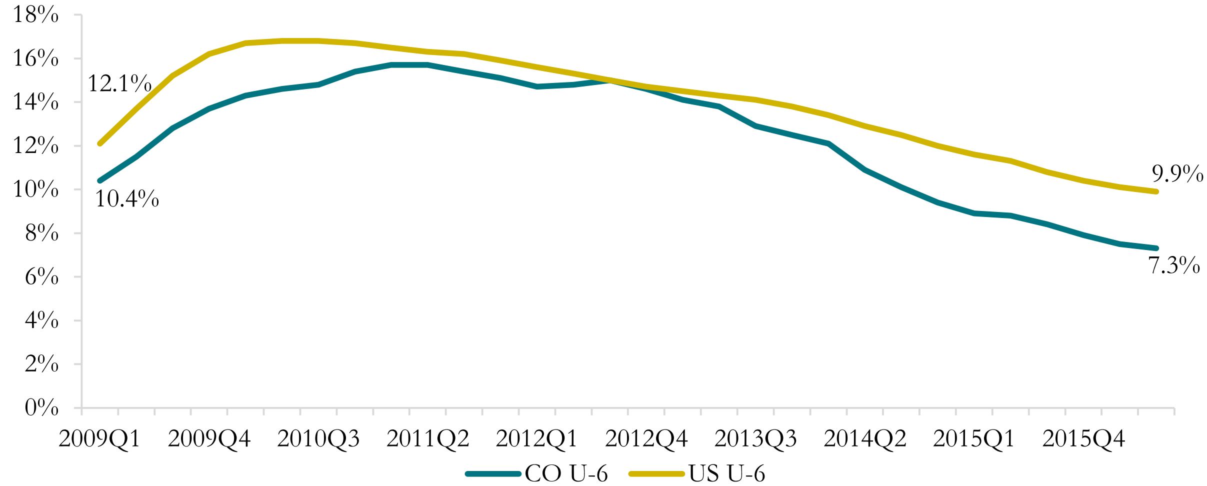
Source: Colorado Department of Labor and Employment

Unemployment measures in Colorado continue to show a high demand for labor in most areas of the state – The official statewide unemployment rate (U-3) ticked up to 3.8 percent in July after dropping below 3.0 percent earlier this year; it is over a percentage point lower than the national average and is tied for the 8th lowest among states.

After dropping below 3.0 percent, Colorado's U-3 unemployment rate ticked up to 3.8 percent in July, tied for 8th lowest among states. The state's broader U-6 measure of unemployment is near its lowest level reached during the previous expansion.

Broader unemployment measures also show lower levels of labor underutilization in the state. As Figure 9 illustrates, the broader U-6 measure, which includes marginally attached workers (workers who currently are not working nor looking for work but indicate that they would like to work and have looked within the past 12 months) and people working part-time for economic reasons (workers who have part-time jobs but would like to work full-time), remains below the national average. Colorado's average U-6 rate over the third quarter of 2015 through second quarter of 2016 was 2.6 percentage points lower than the national average. The state's 7.3 percent U-6 rate was 6th lowest among states, and just 0.1 percentage point above its lowest point during the previous expansion.

Figure 9. Broad Measure of Unemployment (4-quarter moving average)

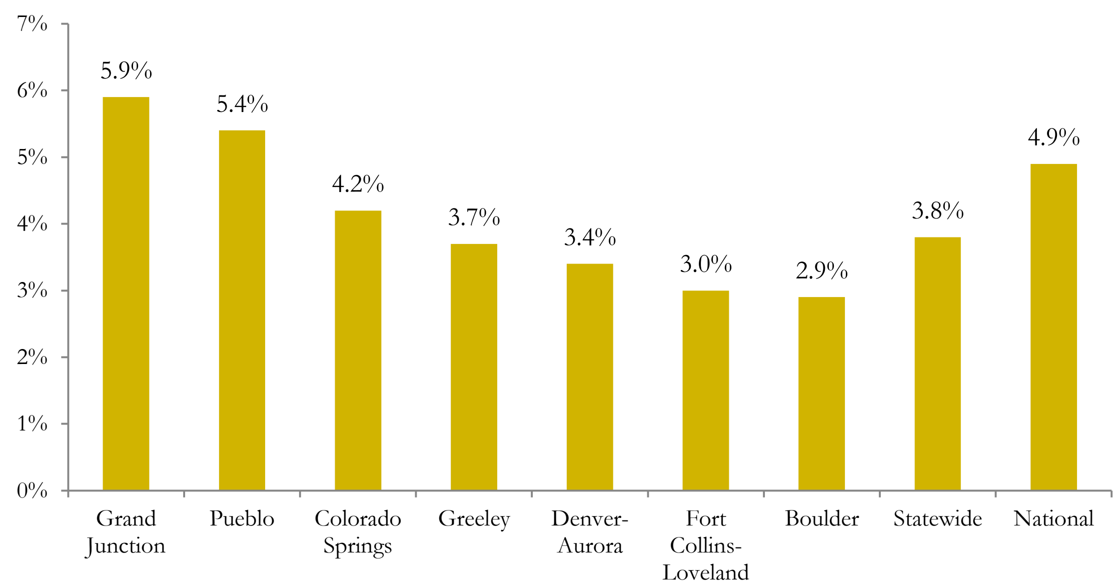


Source: U.S. Bureau of Labor Statistics

The urban areas along the Front Range have among the lowest unemployment in the country, with the Denver metro area having the lowest unemployment rate among large U.S. metro areas.

Figure 10 shows unemployment rates across Colorado metro areas for July 2016. As the figure demonstrates, Colorado's northern Front Range areas have the lowest unemployment rates in the state. Boulder and Fort Collins-Loveland had among the lowest unemployment rates in the country in July; they were tied with the 9th lowest rate of all 387 metro areas. Denver ranked 23rd lowest, and had the lowest unemployment rate among large U.S. metro areas (areas with more than one million people).

Figure 10. Unemployment Rates by Colorado Metro Area, July 2016



Source: Bureau of Labor Statistics

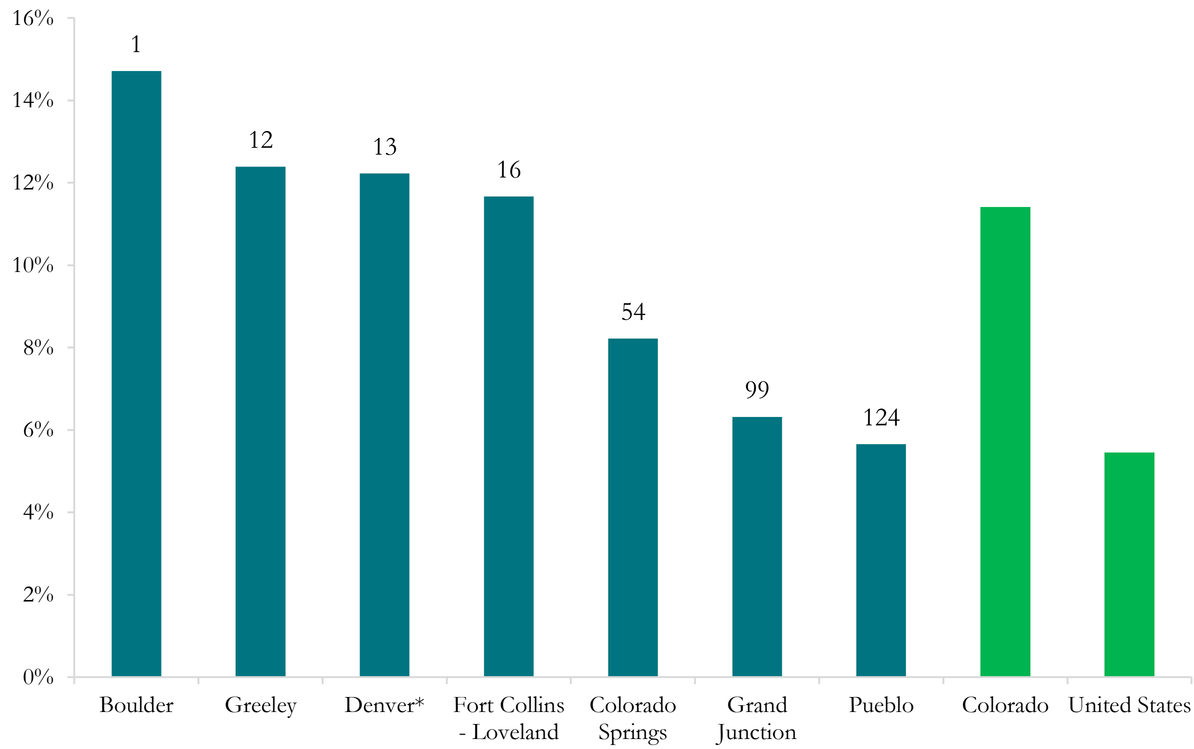
Housing costs continue to increase, especially for the fast-growing areas along the northern Front Range — Most of Colorado's urban areas have stronger home price appreciation than the nation overall. Figure 11 shows the Federal Housing Finance Agency's House Price Index (all transactions index) for Colorado cities and the nation overall through the second quarter of 2016. The northern Front Range metro areas continue to be ranked in the top 20 for home-price appreciation, with Boulder having the highest home price growth in the country.

A persistent low level of homes for sale and a growing population continue to place upward pressure on prices. According to the Colorado Real Estate Association, there were 26,454 homes on the market statewide in July, a decrease of 21.2 percent from a year ago. This represents a three-month supply, which is the number of months it would take for all the current homes for sale on the market to sell; roughly six months of supply is considered a balanced level.

The northern Front Range metro areas continue to be ranked in the top 20 for home-price appreciation, with Boulder having the highest home price growth in the country.

The low supply level indicates that buyers continue to dominate the market, outpacing the number of sellers, and driving up prices. These trends are expected to continue, especially along the Front Range, due to continued population growth. However, increased new housing construction and a more moderate economic expansion are expected to slow the price gains going forward.

Figure 11. Percent Change in Home Prices, Second Quarter 2015 to Second Quarter 2016, Rank among 402 large U.S. cities shown above bars



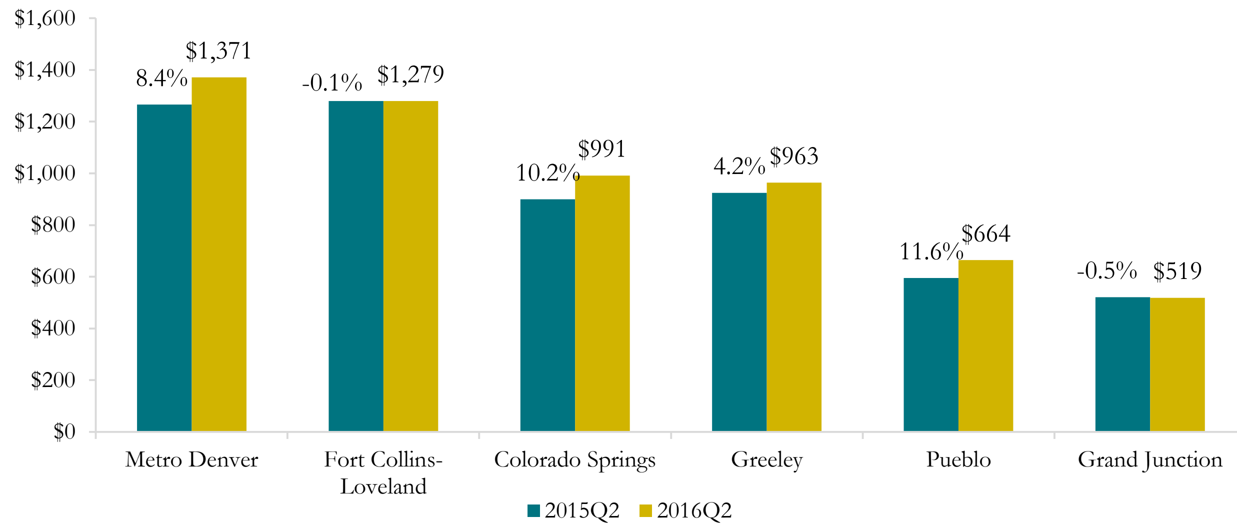
*Includes Aurora and Lakewood
Source: Federal Housing Finance Administration, OSPB Calculations

Rents continue to rise in most metropolitan areas though there are recent signs of moderation – As shown in Figure 12, rents for multi-family units in most Colorado's large urban areas rose over the past year, however growth rates varied across regions. Colorado Springs and Pueblo experienced the largest gains, while Fort Collins-Loveland and Grand Junction had minor declines in the average rent levels. The average rent level also varies dramatically across the state, with rents in some areas of Metro Denver, such as the Boulder-Broomfield area, roughly three times higher than those in Grand Junction.

Average rents continue to rise in most Colorado urban areas, though rent growth is beginning to moderate in the Denver metro area due to new rental inventory.

Despite the contraction in the oil and gas industry, Greeley continues to see growth in housing prices as the area offers more affordable housing alternatives than other areas along the Front Range. Colorado Springs is experiencing growth in rents and home prices for the same reason. The rapid rent increases in the Denver metro area that have been sustained over the past several years are beginning to moderate as more multi-family housing units come online. However, robust in-migration and new household formation should result in continued moderate growth in average rental rates.

Figure 12. Average Rent in Second Quarter of 2015 and Second Quarter of 2016, Percent Change in Rent and Average Rent in Second Quarter 2016 Shown Above Bars



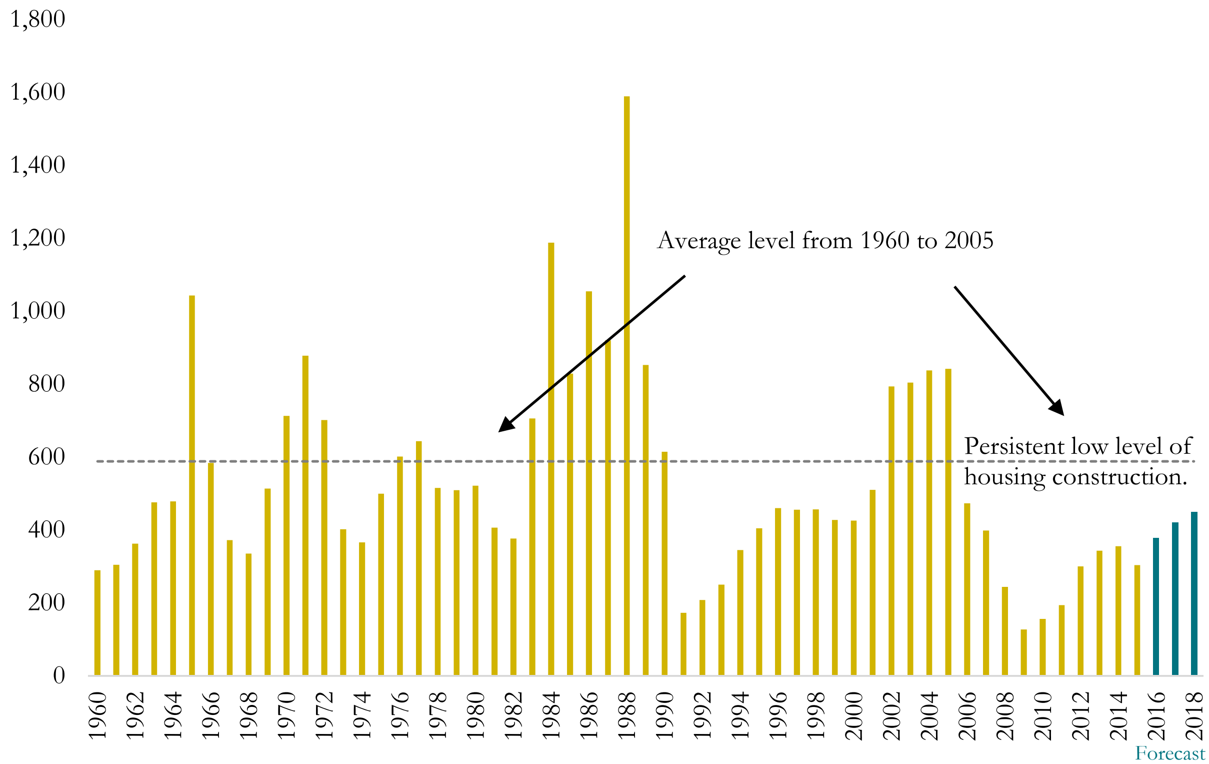
Source: Colorado Division of Housing, Apartment Association of Metro Denver

New housing construction is at persistently low levels, which will add continued upward pressure to housing costs – New housing construction dropped to low levels during the Great Recession, and construction activity has rebounded only gradually. Figure 13 shows the annual number of permits for housing units in relation to 1,000 change in the state's population since 1960, including a forecast through 2018.

New housing construction continues to be at low levels. It is taking time for the housing industry to rebuild its capacity for new housing development in the aftermath of the Great Recession.

It is taking time for the housing industry to rebuild its capacity for new housing development in the aftermath of its massive contraction during the Great Recession. The industry continues to experience substantial labor shortages and many builders went out of business. Further, builders report higher costs for homebuilding, and financing for housing development and home buying remains more cautious after the housing boom and bust in the 2000s. The gradual rebound from low levels will cause continued upward pressure on housing costs, especially in fast-growing regions.

Figure 13. Annual Housing Permits Per 1,000 Change in Colorado Population



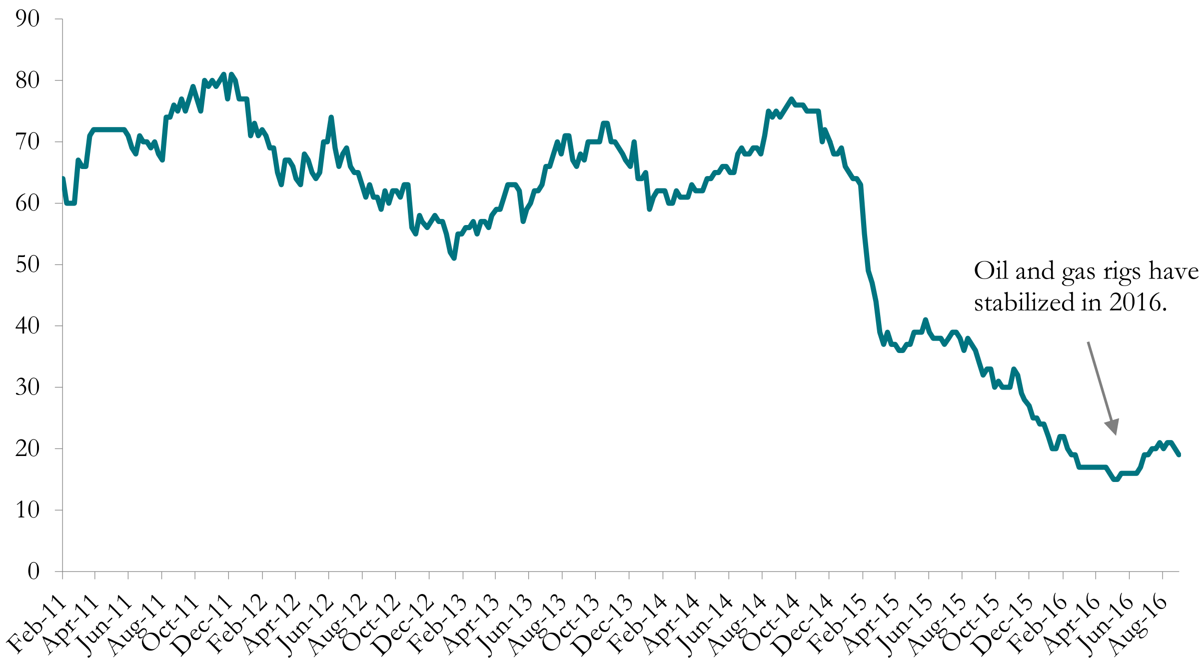
Source: U.S. Census Bureau, State Demography Office, OSPB calculations

Demand for housing is expected to support continued growth in housing construction, providing economic benefits to the state – Strong demand for housing is expected to continue due to growth in population and household formation, especially along the Front Range. Due to this demand and the persistent low supply, new housing construction is expected to continue to grow through the remainder of the forecast period, generating gains in employment and spending. Growth in housing construction has historically tended to be a reliable leading indicator of economic growth. However, the constraints that are weighing on new housing construction will take time to unwind, and thus the economic gains from new housing construction will continue to be less robust, at least in the near term, than in previous expansions.

The oil and gas contraction appears to have bottomed, though industry activity is expected to remain at subdued levels with persistently low energy prices.

Oil and gas industry activity remains subdued – The oil and gas industry contraction appears to have mostly bottomed, though industry activity is expected to remain at subdued levels with persistently low energy prices. Initial claims for unemployment insurance by workers in the industry are at levels well below a year ago, and have dropped over the past few months after being elevated in the first part of the year. However, employment losses are expected to continue at a modest pace. Further, as shown in Figure 14, the number of oil and gas rigs operating in Colorado has remained relatively stable at low levels for most of this year. After averaging 68 in 2014 and 38 in 2015, rigs in operation around the state averaged 20 in August, the same level as the beginning of the year. Ongoing reduced earnings from commodity prices continue to make it difficult for oil and gas producers, and expectations are for more mergers, acquisitions, and bankruptcies to occur through the end of the year.

Figure 14. Oil and Gas Operating Drilling Rigs in Colorado



Source: Baker Hughes

After falling below $30 a barrel earlier this year, the West Texas Intermediate crude oil price hovered in the mid $40s a barrel over the summer months. The U.S. Energy Information Agency projects prices to rise very slowly and reach $60 a barrel by the end of 2017; low natural gas prices are expected to follow a similar trajectory. However, there is a high degree of uncertainty in the trajectory of oil and gas prices as the world energy market is materially influenced by international political developments.

The ongoing imbalance between the high levels of supply in relation to weakened demand is expected to take time to unwind. In July, a Kansas City Federal Reserve Bank survey of the oil and gas industry in the Tenth Federal Reserve District, which comprises Kansas, Colorado, Nebraska, and Oklahoma, indicated that oil prices needed to average roughly $64 per-barrel for operators to increase drilling activity substantially.

Mining industry GDP in the state declined 56.6 percent, or $10.8 billion, from the second quarter of 2014 to the first quarter of 2016.

The value of the mining industry's GDP in the state declined 56.6 percent, or $10.8 billion from the second quarter of 2014 to the first quarter of 2016, the latest data available from the U.S. Bureau of Economic Analysis. This large drop in spending in the economy slowed economic activity in Colorado, but not nearly as much as in other major oil and gas producing states. Although subdued oil and gas industry activity in Colorado will provide little support to economic growth in the near term, the absence of such a large decline in spending and economic activity in the state is expected to bolster overall growth compared with the past two years.

U.S. Economy

The U.S. economy continues to expand at a modest pace – The national economy continued its pace of modest growth in the first half of the year. Weak business investment and net exports led to an annualized GDP growth rate of just 1.0 percent in the first half of 2016; solid consumer spending and the steady labor market helped offset the weakness in other sectors.

According to the Federal Reserve's September "Beige Book," businesses and other contacts across the country indicated that economic expansion continued at a modest to moderate pace in July and August, with most contacts expecting growth to accelerate to a moderate pace over the next few months. Federal Reserve contacts also reported tight labor market conditions across most districts, with moderate wage increases.

The Institute for Supply Management's (ISM) Non-Manufacturing Index (NMI) fell to a 2016 low of 51.4 in August, but still above the neutral 50 mark that indicates expansion. August was the 79th consecutive month of expansion in the non-manufacturing sector, which represents about 90 percent of the U.S. economy. Economic activity in the manufacturing sector contracted in August, as the ISM manufacturing index fell to 49.4, a modest contraction after five consecutive months of expansion. The weaker August reading indicates that manufacturing continues to face a challenging economic environment.

Leading economic indicators point to continued growth – Certain economic indicators tend to exhibit changes in trajectory before the economy as a whole, and therefore can be useful as predictors of economic trends and changes in the business cycle. For example, the number of new housing permits is an important leading indicator. When a new housing permit is applied for, it is soon followed by the construction and sale of a home, both activities which have beneficial economic impacts over a long time period. Economic research has shown new housing construction activity can be a reliable leading indicator of continued economic growth; likewise, a downturn in housing construction tends to precede economy-wide recessions.

While leading indicators do not always accurately portend major fluctuations in the overall economy, multiple leading indicators used in combination with each other can provide insights on near-term economic growth and momentum. However, business cycles are extremely difficult to predict and no information can reliably determine the point in the business cycle in real time.

Figure 15 shows six selected leading indicators that have proven to be a helpful gauge on broader economic momentum over the period from January 2000 to the most recent data available. Initial jobless claims tend to rise in advance of recessions, while the other five indicators tend to fall in the period leading up to a recession.

Most leading indicators point to continued economic expansion.

Currently, most of these leading indicators are either stable or improving, pointing to continued economic expansion. Jobless claims continue to fall from their 2009 peak. Consumer expectations, while declining slightly over the last 18 months, are not experiencing the sharp decline which has preceded past recessions. The Manufacturing New Orders Index, published by the Institute for Supply Management, declined in August but the trend has remained above a 50 reading that signifies expansion. Housing permits continue to slowly rise. The amount of temporary help being used, while slowing, continues to grow, indicating that businesses are not attempting to reduce staff. Vehicle sales are the only negative signal, as they have declined slightly from a peak annual rate of 18.5 million in October 2015 to 17.2 million in August 2016. Taken together, these indicators suggest the current economic expansion will likely continue, at least in the near term.

Figure 15. Selected Leading Economic Indicators, January 2000-Present

Shading indicates recessionary periods.

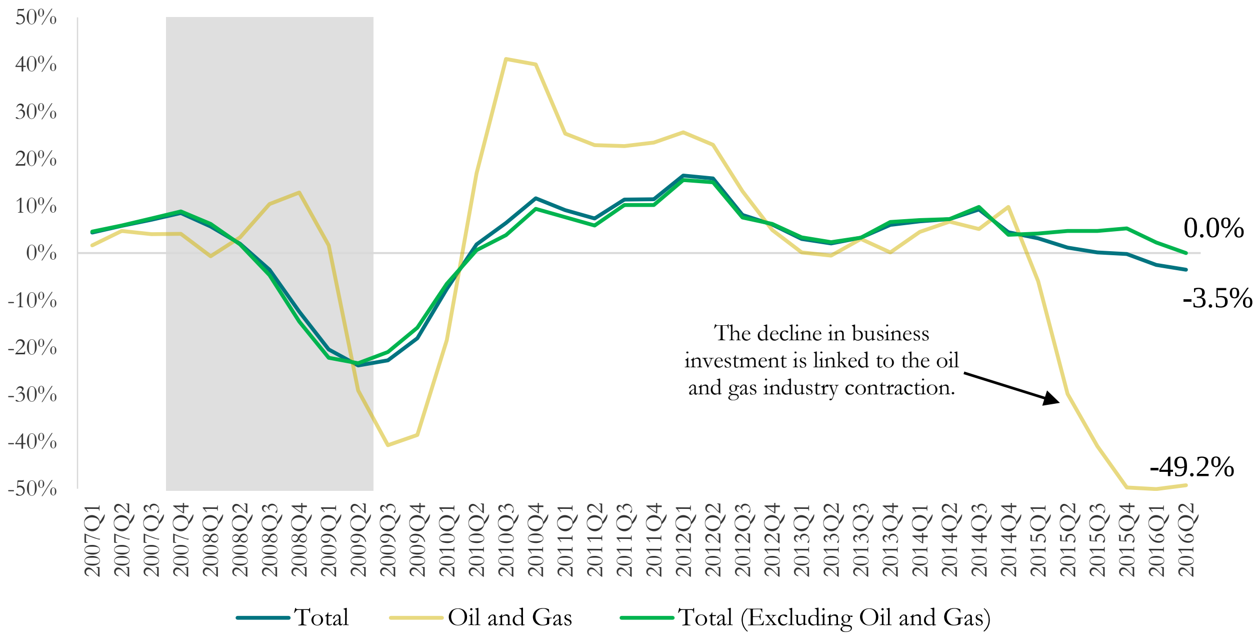
Source: Employment and Training Administration, University of Michigan Survey of Consumers, Institute for Supply Management, Bureau of Economic Analysis, Census Bureau, Bureau of Labor Statistics

Business investment remains subdued, but may be bottoming – Business investment has been declining for five consecutive quarters, but it may be poised to stabilize in the near future. This weakness is an important factor in the U.S. economy's lackluster performance as business investment helps enhance the economy's productive capacity.

Business Roundtable, an association of U.S. CEOs, found in a second-quarter survey that 37 percent of CEOs plan to increase capital spending in the next six months while only 18 percent plan to cut back. This measure has been improving since the fourth quarter of 2015, when only 30 percent of CEOs planned to increase capital spending in the next six months while 27 percent planned to decrease. Furthermore, orders for capital goods excluding aircraft, a common proxy for business investment trends, recorded consecutive months of growth in June and July after hitting a 5-year low in May. Moreover, weak corporate profits, due primarily to the sluggish global economy and the strong appreciation in the value of the dollar have reduced funding for investment. However, there are recent signs of improvement in overall corporate earnings of late.

Another recent factor driving business investment lower is the decline in the oil and gas industry, as Figure 16 shows. Given that oil prices have recently stabilized between $40 and $50 per barrel and rig counts have stopped decreasing, energy industry investment levels should stabilize as producers adjust to the lower price level. While a return to robust investment is not expected, a lessening of the drag from the energy sector will allow modest overall growth in business investment going forward.

Figure 16. Non-residential Business Investment
(Percent change from same quarter one year prior)



Source: Bureau of Economic Analysis, OSPB calculations

The level of reported overall business investment may also be lower in the current expansion due to changes in the economy, including reductions in the cost of capital goods and as the U.S. and other developed economies continue to become more services- and technology-intensive. The costs of capital goods have fallen by 30 percent since the 1980s, according to research from the University of California, Berkeley.[1] This means it both costs less to fund any given capital project and also incentivizes more capital projects. Research has shown, however, that the decline in costs tends to outweigh the incentive to fund more projects, resulting in a net reduction in capital goods expenditures. Furthermore, the U.S. economy's industrial production sector has become a smaller portion of the economy over time, and thus there is necessarily less overall spending by businesses on larger capital goods and equipment.

Solid consumer spending continues to lead economic growth.

Consumer spending continues to grow – Consumer spending has been a primary contributor to economic growth over the last few years, and this strength continued in the second quarter. Real, or inflation-adjusted, personal consumption expenditures grew at an annualized 4.4 percent rate, the second fastest growth rate of the current expansion. This bump in growth was driven by the solid labor market that has led to higher personal incomes and consumer confidence, while food and fuel prices remain low. Further gains in employment and wages will continue to support consumer demand.

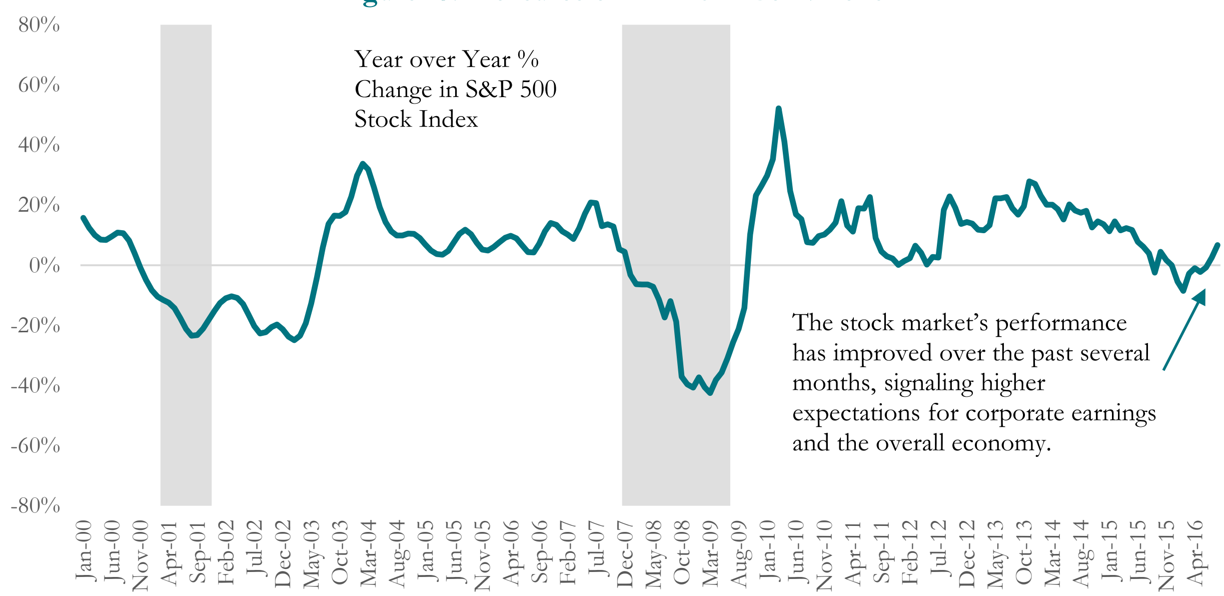
[1] Eichengreen, Barry. 2015. "Secular Stagnation: The Long View." American Economic Review, 105(5): 66-70.

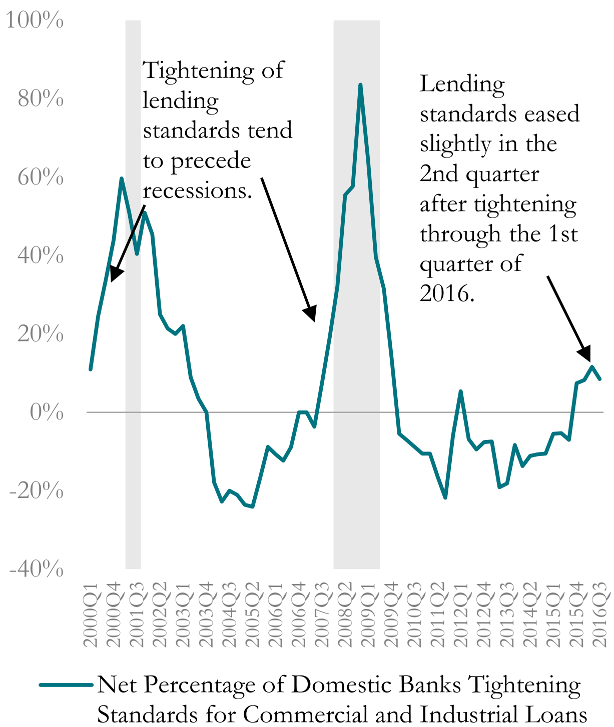
Financial conditions have continued to improve in recent months, a positive sign for the near-term outlook **—** Information from financial markets reflects investors' and risk managers' assessments of current conditions and their expectations for future economic activity. These assessments are important to monitor as they reflect the aggregation of large amounts of information from numerous sectors of the economy around the world. Additionally, expectations are integral to the performance of the economy. If expectations are higher for future economic activity and income, more investing, spending, and hiring is likely to occur, and vice versa.

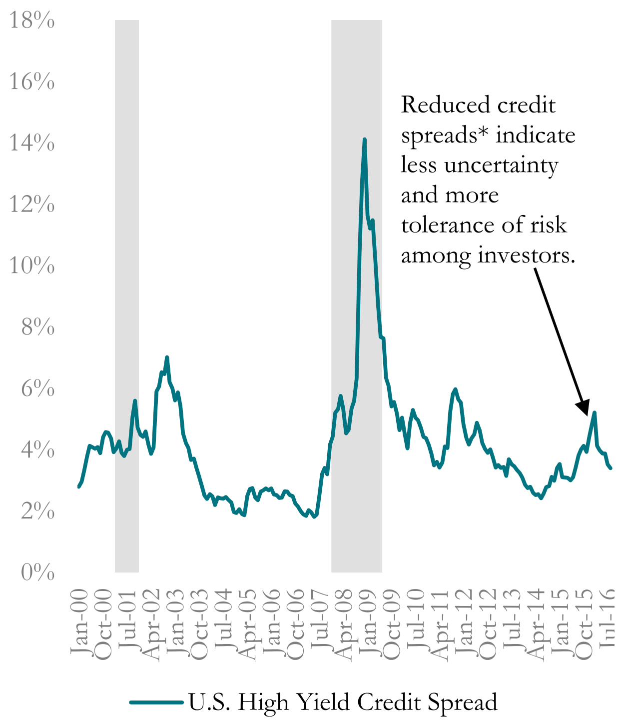
Financial conditions have continued to improve since February, an important signal that the outlook for the economy has improved and that investors are more tolerant of risk. This is an important development for sustaining economic activity as businesses have better access to funds to meet financing needs.

After marked weakening a year ago, a trend that continued into the beginning of this year, financial conditions have continued to improve since February. This indicates that the outlook for the economy has been less pessimistic and investors are becoming more tolerant of risk, which will sustain economic activity as businesses have better access to funding to meet financing needs. The following graphs show the improving financial conditions over the past several months in the equities and corporate bond markets, as well as in lending standards among U.S. banks for business loans.

Figure 17. Measures of Financial Conditions







*The U.S. high yield credit spread represents the difference in yields on below investment grade rated corporate debt and yields on U.S. Treasuries.

Source: S&P Dow Jones Indices LLC, Board of Governors of the Federal Reserve System (US), BofA Merrill Lynch

***The value of the U.S. dollar remains elevated on the foreign exchange market, but has experienced less upward pressure over the past several months* —** Financial conditions, as well as the performance of certain sectors of the U.S. economy, can be heavily influenced by the value of the dollar on foreign exchange markets. Recent trends in the value of the dollar are expected to weigh less on growth in the near term. However, further tightening in monetary policy risks further stronger gains in the dollar and is a downside risk to growth.

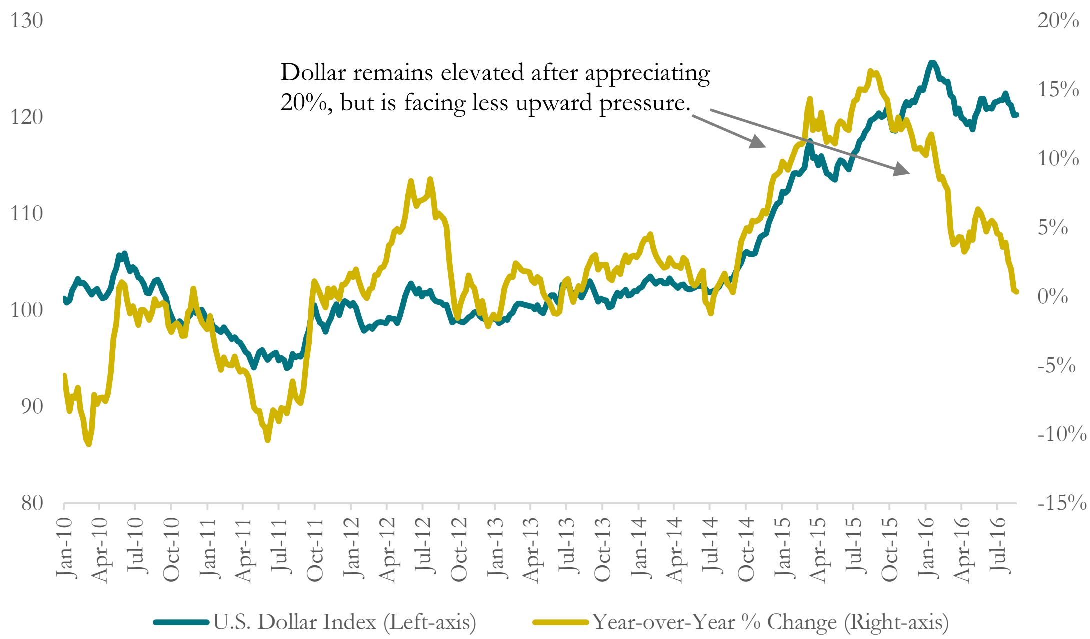
The dollar gained about 20 percent from the summer of 2014 to the beginning of 2016, which adversely affected U.S. multinational businesses and exporting businesses, as well as those of other countries whose currency is tied to the value of the dollar, such as China. A higher dollar makes the products of U.S. multinational businesses more expensive in other currencies and also reduces earnings when foreign earnings are converted back to dollars.

The dollar's strong appreciation weighed on U.S. industrial production and exports, as well as the global economy. Recent less upward pressure on the dollar will alleviate the headwinds on economic growth in the near term. However, further tightening in monetary policy risks further strong gains in the dollar and is a downside risk to growth.

The increase in the value of the dollar was a main contributor to the downturn in industrial production that began at the end of 2014 and also weighed on exports. For further discussion on the downturn in industrial production, see page 23. For information on the trends in exports, see the discussion starting on page 31. In addition to the negative effect on these sectors, a large amount of debt globally is denominated in dollars, and appreciation makes debt payments more difficult, which has contributed to weaker global growth.

The value of the dollar has since fallen about 4.0 percent since the beginning of the year, which will help alleviate the drag on growth. However, renewed upward pressure on the dollar risks further strains in the economy. Signals for future tightening of U.S. monetary policy will be important to monitor in coming months.

Figure 18. Value of U.S. Dollar*



* Trade Weighted U.S. Dollar Index: Broad, Index Jan 1997=100, Weekly, Not Seasonally Adjusted

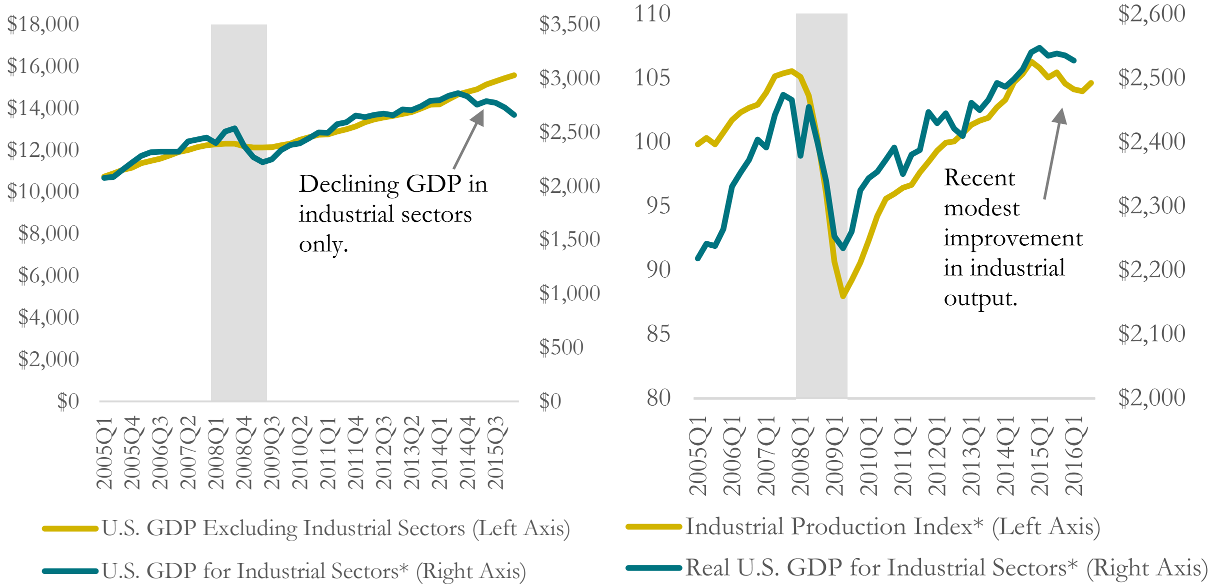
Source: Board of Governors of the Federal Reserve System (US)

The downturn in industrial production appears to have reached a bottom, and the sector will present less of a drag on economic growth going forward – Total industrial production in the U.S., which includes the output of the mining, manufacturing, and utilities industries, began to decline at the end of 2014, and fell through most of 2015 and into the first part of 2016. The sharp contraction in the oil and gas industry, along with weaker global growth and the appreciation of the dollar all contributed to the decline in industrial production.

The downturn in U.S. industrial production that started at the end of 2014 and continued until the first quarter of 2016 is the first time in modern U.S. history that a decline of such duration occurred without a broad-based recession.

The gross output of the industrial sector, a measure of the sector's total economic activity, dropped by $960 billion, or 13.0 percent, from the third quarter of 2014 to the first quarter of 2016, based on data from the U.S. Bureau of Economic Analysis. Despite this large drop in spending, the U.S. economy overall continued to grow during this time. This was the first time that an industrial downturn of such duration occurred in the U.S. without a broad-based recession since the industrial production index data series began in 1919. One main reason for this is that industrial production has become a smaller portion of the economy over time, with the U.S. economy becoming more diverse and services-intensive.

Figure 19. Measures of the Industrial Sector and All Sectors in the U.S. Economy, $s in Billions



*Industrial sectors include manufacturing, mining, and utilities. The industrial production index is a measure of real (inflation-adjusted) output of the industrial sectors in the U.S. The monthly index is averaged for each quarter, and the third quarter's average includes only data for July and August.

Source: U.S. Bureau of Economic Analysis, Board of Governors of the Federal Reserve System, and OSPB calculations. Shading indicates recession period.

Although the industrial sector is not expected to generate a large boost to economic growth, it is expected to present a smaller drag on economic activity going forward.

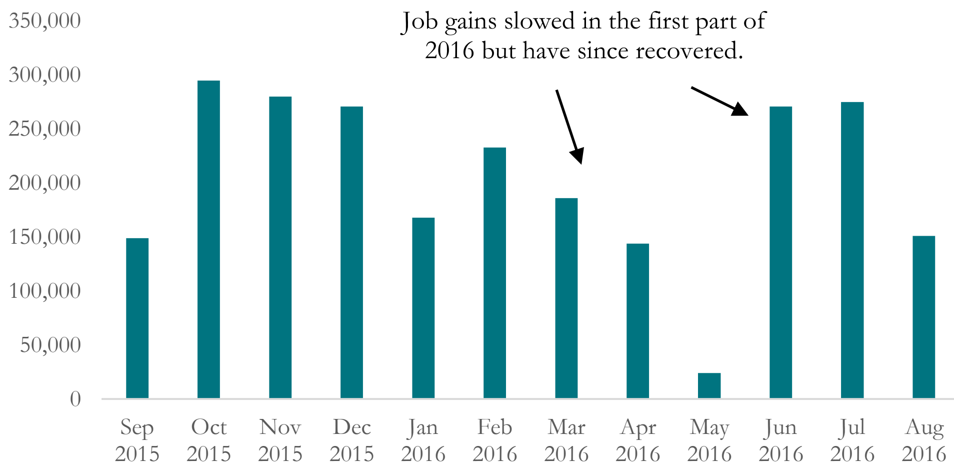
Data from the Federal Reserve on industrial production shows that output has modestly improved in the sector since March. Other data shows manufacturing has been experiencing better conditions for the past several months, though manufacturing activity remains sluggish. Further, the contraction in the oil and gas sector may have found a bottom; drilling rig activity has stabilized and even increased modestly over the past few months. Further discussion on the oil and gas industry starts on page 16. Although the industrial sector is not expected to generate a large boost to economic growth going forward, it will at least present a smaller drag on economic activity due to the absence of such a large drop in spending and investment in the economy.

The national labor market continues to improve – The U.S. economy continues to add jobs at a solid pace, and the underutilization of workers in the economy, commonly referred to as labor market 'slack', is decreasing as the economy continues on the path towards full employment. The Federal Reserve Bank of Kansas City's Labor Market Conditions Index, which incorporates data from 24 employment and jobs-related variables to gauge the momentum and activity level in the labor market, shows the level of labor market activity is at the long-term average, while the labor market momentum indicator has recently increased to a 2016 high. The largest contributors to the positive momentum index are the low level of initial unemployment insurance claims and the rise in the labor force participation rate.

Continued job growth has the economy approaching full employment.

Employment reports from the U.S. Bureau of Labor Statistics continue to show solid job growth, with monthly job gains averaging 181,500 so far in 2016. Jobs gains have fully rebounded from a weak May, when only 24,000 jobs were added, as monthly job growth is averaging 232,000 jobs per month over the last three months, 175,000 over the last six months, and 204,000 over the last twelve months. These averages show that job growth slowed somewhat in the first part of 2016, but has since improved.

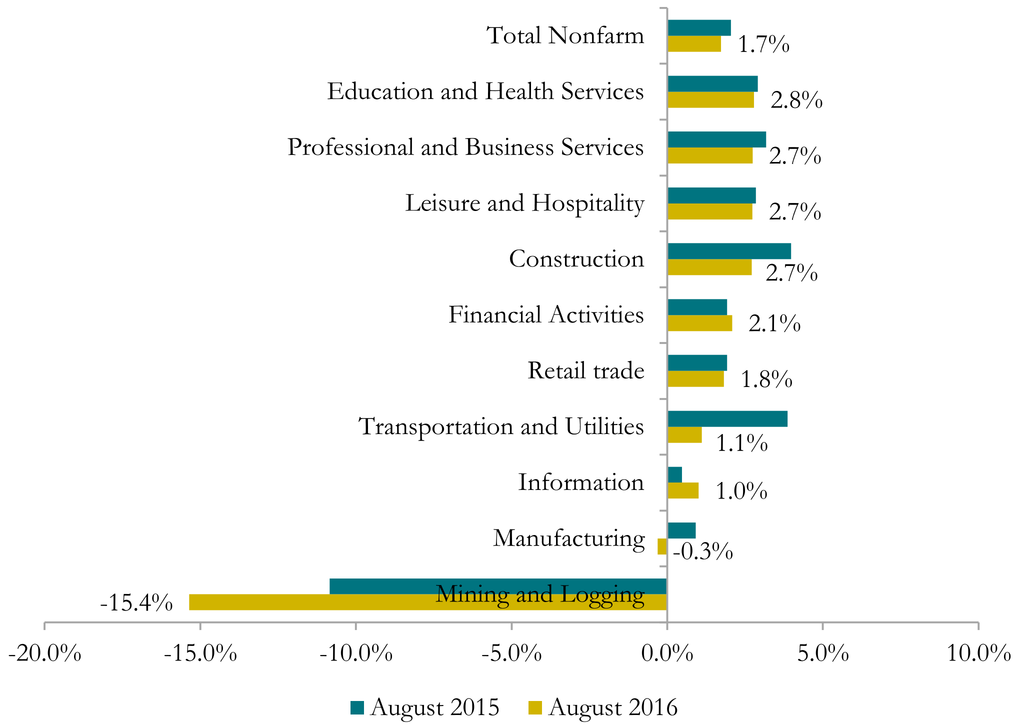
Figure 20. U.S. Monthly Job Growth, Last 12 Months



Source: Bureau of Labor Statistics

The improvement in the labor market is broad-based, occurring across most industries. Job growth is led by the education and health services industry, which has experienced 2.8 percent employment growth over the previous 12 months, followed by professional and business services, leisure and hospitality, and construction, all growing by 2.7 percent over the last year. Employment in the mining and logging industry continued to contract due to low oil and commodity prices, shrinking by 15.4 percent. Since this sector represents less than one half of one percent of U.S. nonagricultural employment, these losses have had a minimal effect on the broader national economy, with many of the laid off workers moving into other growing industries. Figure 21 shows the national year-over-year job growth rates by sector. While year-over-year job growth has remained positive in all industries except for manufacturing and mining and logging, the pace across industries has generally slowed from last year.

Figure 21. Year-Over-Year National Job Growth by Sector



Source: Bureau of Labor Statistics, OSPB calculations

Unemployment continues to fall – The U-3 unemployment rate, which is the most commonly reported measure of unemployment, remained at post-recession low of 4.9 percent in August, down from 5.1 percent a year earlier. The U-6 unemployment rate, a broader measure which includes people not in the labor force who want and are available for work, as well as people working part-time but would like to work full-time, was at 9.7 percent in August, down from 10.3 percent a year ago.

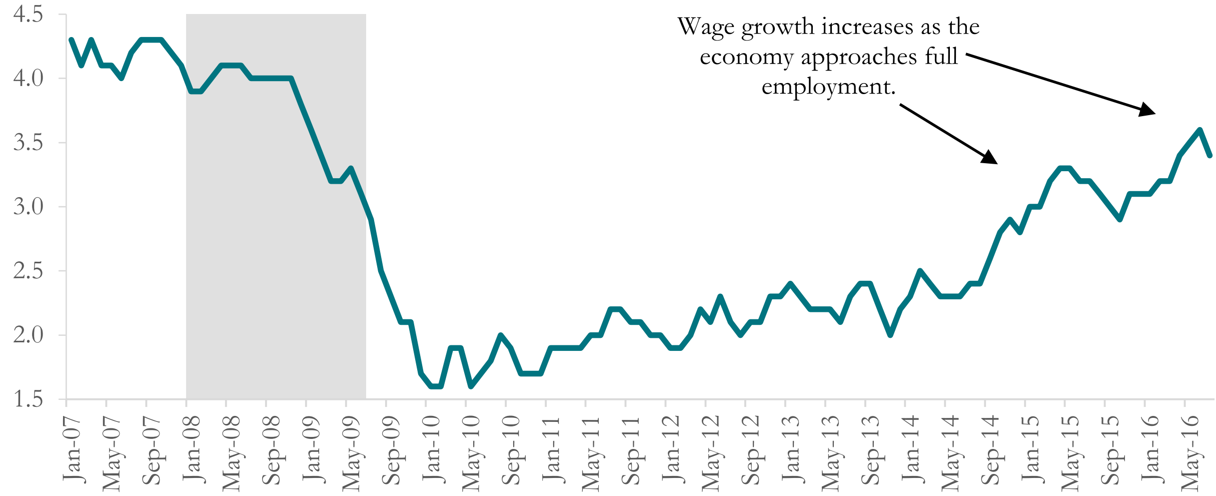
The labor force participation rate, a measure of the portion of the population which is either employed or actively looking for work, was at 62.8 percent in August, up 0.2 percent from a year ago. This is a positive sign for the economy, as labor force participation has generally been falling since the Great Recession, but now seems to be stabilizing and even growing slightly, reflecting increasing worker confidence in the labor market.

Middle-wage jobs are experiencing more growth – After years of seeing job growth primarily in low- and high-wage jobs, new analysis from the Federal Reserve Bank of New York suggests middle-wage industries are now adding jobs at a faster pace than low- and high-wage industries. Between 2013 and 2015, 2.3 million middle-wage jobs were created in the U.S., more than the 1.6 million low-wage and 1.5 million high-wage jobs created. The fastest-growing middle-wage industries were transportation, administrative support, and construction. This is a reversal from the trend observed from 2010 to 2013, when middle-wage jobs were growing at about 60 percent of the pace of low- and high-wage jobs.

Job growth in middle-wage industries has exceeded growth in low- and high-wage industries since 2013, after trailing in the earlier years of the expansion.

Wages continue to rise gradually, including in low-wage sectors – As the job market approaches full employment, wage growth continues to rise gradually as employers find it harder to recruit and retain talented employees. Average hourly earnings in August were 2.4 percent higher than one year ago, as compared to 2.3 percent last August. The Federal Reserve Bank of Atlanta's Wage Growth Tracker, however, shows median wages have grown by 3.4 percent over the last year. The difference is largely compositional – the Atlanta Fed measure accounts for demographic changes in the workforce, as older, higher-wage employees retire and are replaced by younger, lower-paid employees. However, even this higher level of wage growth is lower than would be expected given an unemployment rate under 5 percent, suggesting there is still some slack remaining in the labor market. However, other factors also are likely contributing to slower wage growth, such as lower overall economic growth and productivity gains, rising health insurance premiums, and advances in technology and automation that affect the nature of work.

Figure 22. Atlanta Fed Wage Growth Tracker, Year-over-Year Percent Change



Source: Federal Reserve Bank of Atlanta

According to a recent analysis from Bank of America, most wage growth is occurring in low-wage industries. The lowest-paying 20 percent of industries have experienced 3.4 percent wage growth over the last year, while other industries have only seen wages increase by 2.4 percent. According to the analysis, about half of the difference is driven by the increasing number of states and cities which are increasing their minimum wage requirements, while the other half is driven by a declining supply of low-wage workers, causing employers to pay higher wages in order to retain staff.

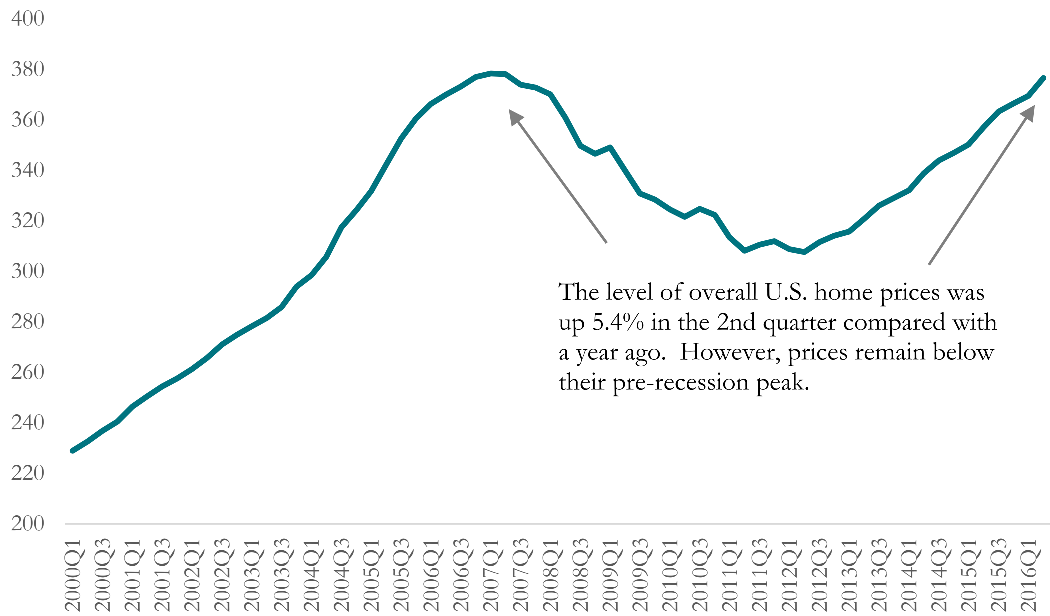
Wages are growing fastest in low-wage industries, partly due to new minimum wage laws.

Labor market turnover remains low – While the labor market is strengthening, there is a relatively low level of labor market turnover. The Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS) shows a record number of job openings and a low number of unemployed per job opening, indicating high labor demand in a tightening labor market. Despite a record number of openings, the hiring rate is still below its pre-recession level. The rate of voluntary quits, often seen as an expression of worker confidence in the labor market, remained flat at 2.1 percent, as compared to a pre-recession peak of 2.3 percent. The rate of layoffs, on the other hand, is at a 15-year low. While fewer layoffs are good for workers, the combination of a low layoff rate and a low quit rate suggest the labor market is less dynamic than previous expansions, which can reduce worker productivity, wage gains, and economic growth.

The U.S. housing market continues to be uneven, showing only gradual improvement from its collapse that began a decade ago – As shown in Figure 23, the overall level of nationwide home prices increased 5.4

percent in the second quarter of 2016 from a year ago, based on the Federal Housing Finance Agency's House Price Index. Prices have increased every quarter since the middle of 2012. However, home prices for the U.S. overall remain below their pre-recession peak.

Figure 23. U.S. Home Prices Index



Source: Federal Housing Finance Administration

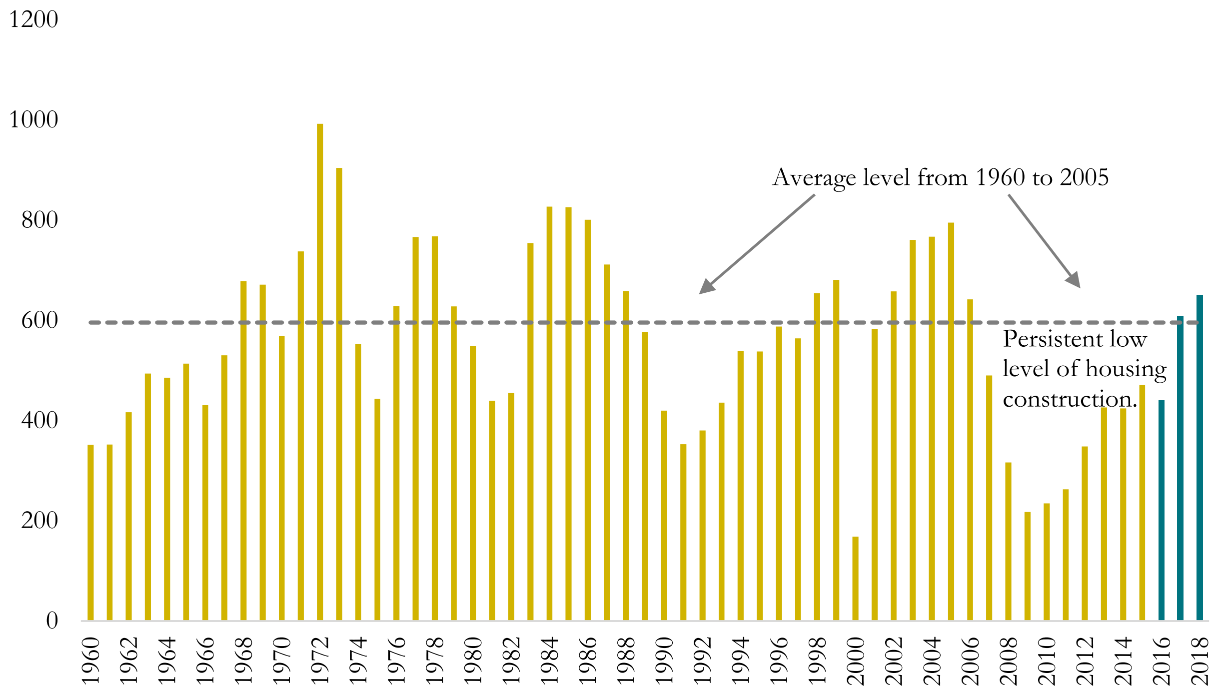
Home buying and new housing construction have remained at subdued levels during the current economic expansion.

Home buying has remained at subdued levels during the current economic expansion. Although new home sales were at their highest level in July since October 2007, existing home sales, the larger part of the housing market, fell in July after increasing for four months and remain below levels a year ago. The homeownership rate, the proportion of households that are owner-occupied, fell to 62.9 percent in the second quarter of 2016, according to the U.S. Census Bureau, the lowest figure since 1965.

There are several factors constraining home buying activity. Rising home prices from low inventory levels are pushing up home prices and reducing affordable housing options for many households. In addition, financing for mortgages remains tighter since the financial crisis and Great Recession. Further, younger households are buying homes at a diminished rate compared with the past due to several factors: a preference for increased mobility; higher student debt levels; family formation at older ages; and a reluctance to buy a home after the decline in home values during the Great Recession.

The overall level of housing construction in the U.S. continues to slowly increase but remains at historically low levels. Builders have pulled permits at a pace of over one million new housing units every month since April 2015. However, this level remains far below that of previous economic expansions. As a result, new housing construction in relation to population growth is at persistently low levels as shown in Figure 24.

Figure 24. Annual Housing Permits Per 1,000 Change in U.S. Population



Source: U.S. Census Bureau, State Demography Office, OSPB calculations

The home building industry has a diminished capacity in the aftermath of the Great Recession. It continues to report difficulty finding labor; the National Association of Homebuilders estimates that there are about 200,000 unfilled construction jobs in the U.S., an increase of over 80 percent over the last two years. In addition, according to the recent Associated General Contractors of America's (AGC) 2016 Workforce Survey, 69 percent of contractors stated they were having a hard time filling certain craft positions, such as carpenters and electricians, while 38 percent indicated they were having a hard time filling salaried field positions, such as project managers and supervisors. This shortage is slowing down construction and raising builders' costs. In addition, financing for housing development remains more constrained after the housing boom and bust. Further, higher costs for homebuilding, including land prices, especially in denser urban areas, along with restrictive land use in some areas, are constraining housing construction.

Despite the current constraints on the housing market, the fundamentals are in place for continued growth in coming years. New housing construction activity can be a reliable leading indicator of continued economic growth.

Despite the current constraints on the housing market, the fundamentals are in place for continued growth in coming years as growth in household formation will increase demand for housing construction. This is positive for the economy going forward as economic research shows that new housing construction activity can be a reliable leading indicator of continued economic growth. There are recent signs that homebuilders are starting to build the smaller, more affordable starter homes that younger households demand. However, the constraints that are weighing on new housing construction will take time to unwind, thus, the economic gains from new housing construction and home buying will continue to be less robust, at least in the near term, than in previous expansions.

International Economic Conditions and Trade

The global economy continues to experience sluggish growth, but with some reduction of the risks seen in previous quarters. Britain's June vote to leave the European Union (EU) introduced heightened uncertainty into the economic outlooks for the British and the Eurozone economies. However, Britain seems to have weathered the initial shock better than forecasters expected. While the British economy is still expected to slow and possibly enter a mild recession, it is not expected to have a large effect on the rest of the world. Additionally, China's economy seems to have stabilized while the deep recessions in Russia and Brazil show signs of moderating. Finally, while the U.S. dollar remains strong, it has moderated slightly from its recent highs, offering some relief to U.S. exporters.

The JPMorgan global PMI (purchasing managers index) rose slightly for a third consecutive month in August to 51.6, indicating modest economic expansion and consistent with global annual GDP growth of 1.5 percent. Despite this increase, since February the index has remained below levels seen in 2014 and 2015. While emerging market PMIs have been increasing, indicating stronger economic growth in those nations, developed world PMIs indicate that economic expansion in those nations is in its weakest period since early 2013.

Britain votes to leave the European Union – Britain faces a more uncertain future after their June vote to leave the EU, commonly referred to as "Brexit." The referendum's short-term economic impact remains unclear, while the long-term economic impact is dependent on political outcomes.

Britain's exit from the EU is expected to take several years. Brexit's short-term economic impact remains unclear, while the long-term economic impact is dependent on political outcomes.

Economic data available to date suggest the immediate impact has been mixed. Financial markets, including the FTSE 100, have recovered from their post-vote declines and are again approaching record highs, but the value of the pound has fallen significantly. Forecasters expect Britain to experience an economic slowdown and possibly a mild recession in the second half of 2016 and into 2017. The uncertainty in this forecast is underscored by the volatility in the Markit All-Sector PMI, which fell from 51.9 in June to 47.3 in July, before rebounding to 53.2 in August. PMI ratings below 50 indicate economic contraction, while ratings above 50 indicate expansion.
Long-term economic consequences will depend on political arrangements and trade negotiations and will not be fully determined for several years. Regardless of the specific economic outcomes in Britain, Brexit by itself is not expected to have a large impact on the U.S. economy as trade with Britain represents a very small part of U.S. economic activity. However, Brexit may have larger consequences in the U.S. if it leads to other EU nations deciding to also leave the EU.

Large developing economies stabilize – After a sudden slowdown in China's economy in late 2015 and early 2016 which provoked fears of a recession, China's economy has stabilized, with year-over-year real, or inflation-adjusted, GDP growth of 6.7 percent in the second quarter of this year. This growth was led by increases in the service sector and consumer spending, a positive sign for the country's transition from a primarily production-based economy to more of a consumption-based one. The Caixin China Composite PMI, which covers both manufacturing and services, was at 51.8 in August, only slightly below July's 22-month high of 51.9. PMI readings above 50 indicate economic expansion, while readings below 50 indicate economic contraction.

China still faces some risk from its many large, highly-leveraged and unprofitable state-owned enterprises which together employ nearly 60 million people. While these enterprises are unlikely to fail in the near future, the Chinese government will have to balance the economic risks of keeping the unprofitable enterprises open against the social risks of unrest caused by large-scale closures.

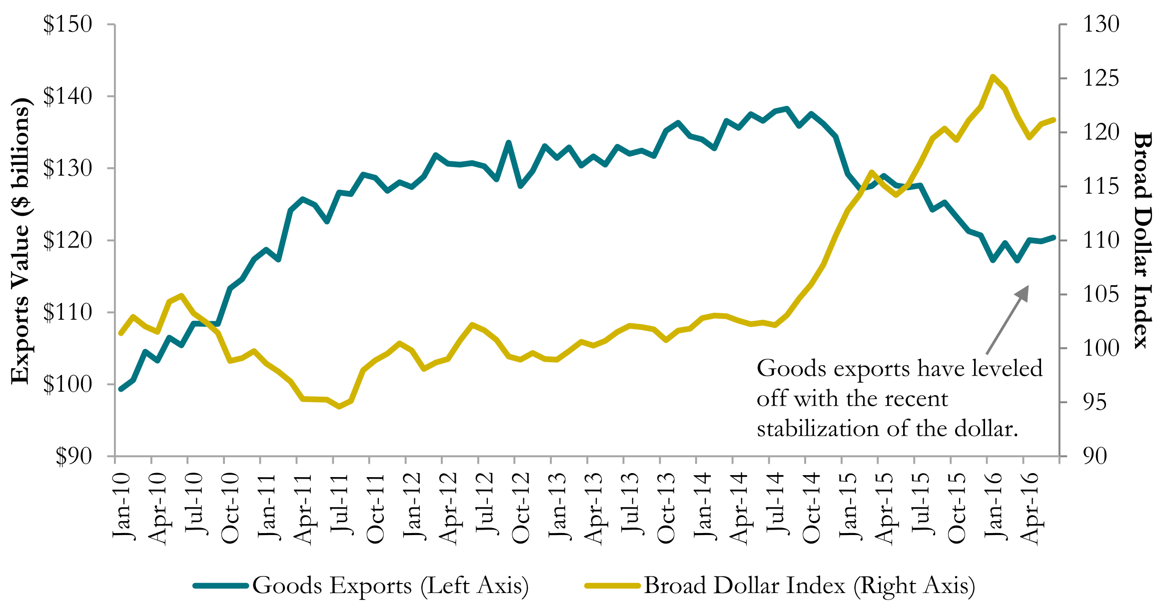
The recession in Russia may be ending. Russia saw its real, or inflation-adjusted, GDP fall by 0.6 percent in the second quarter, less than forecasters expected, and GDP growth is expected to turn positive over the second half of the year. With oil prices still low, however, any growth will be moderate.

Recessions in Russia and Brazil have reduced global GDP growth by 0.6 percent, but there are recent signs of improvement in those economies.

Brazil's deep recession may also be coming to an end. While GDP growth is still negative, various economic indicators are either stabilizing or improving, suggesting the recession will likely end sometime before 2017. Any economic stabilization in Brazil and Russia will bolster the global economy, as the recessions in these two countries combined to reduce global GDP growth by 0.6 percent at their weakest points.

U.S. exports remain soft – Year-over-year growth in total U.S. exports (goods and services) has been negative since mid-2015, a trend which typically occurs only during recessionary periods. This weakness is contributing to the slower economic activity in the U.S., especially in the manufacturing industry. For further discussion of manufacturing trends, see page 23. This decline has been driven by weak economic growth in top trading partners and the strength of the dollar. For further discussion of the trends in the value of the dollar, see page 22. Export growth should return in late 2016, but will remain modest compared to previous periods of expansion. Growth is likely to remain sluggish in partner economies and the dollar is expected to remain elevated on foreign exchange markets, especially if the Federal Reserve further tightens monetary policy.

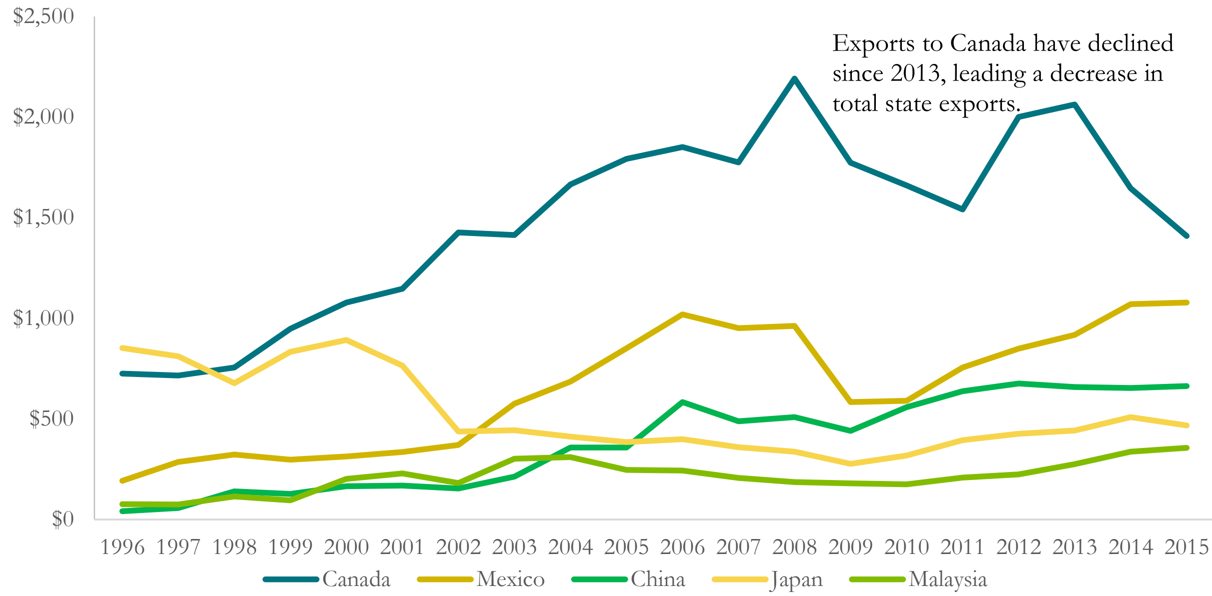
Figure 25. U.S. Goods Exports and Broad Dollar Index



Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau

Colorado exports continue to decline – The same factors which are slowing national exports are also slowing Colorado's exports. Goods exports from Colorado have been declining since 2013, and that decline is continuing in 2016 with the value of year-to-date exports currently running almost $500 million, or more than 10 percent, behind 2015's pace. As Figure 26 shows, most of the decline since 2013 has come from trade with Canada, Colorado's top trading partner. In 2016, exports to four of Colorado's top five export destinations are declining, led by China, with an 18 percent decrease over last year's pace. Malaysia is the only top-five export destination that has seen export growth in 2016; goods exports to Malaysia have grown at an 11 percent rate to date in 2016.

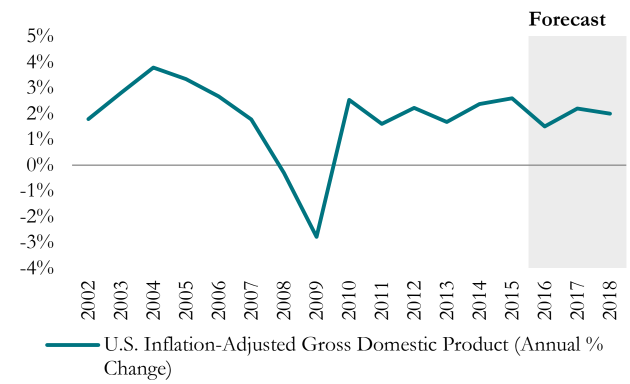
Figure 26. Export Value to Colorado's Top 5 Export Destinations



Source: WiserTrade

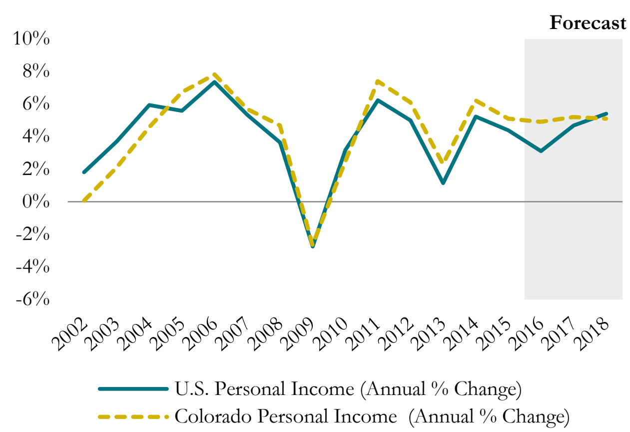
Summary of Key Economic Indicators
Actual and Forecast

U.S. Gross Domestic Product (GDP)



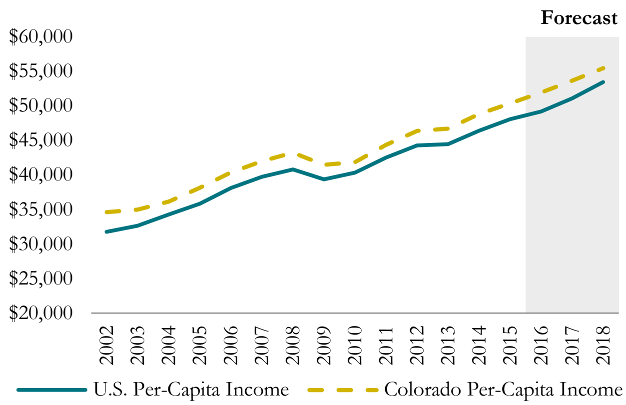
- GDP is a barometer for the economy's overall performance and reflects the value of final output in the U.S.
- The U.S. economy posted a moderate expansion of 2.6 percent in 2015 in the face of slow global growth. The pace of growth will moderate further in 2016 to 1.5 percent, but will increase to 2.2 percent in 2017.

U.S. and Colorado Personal Income



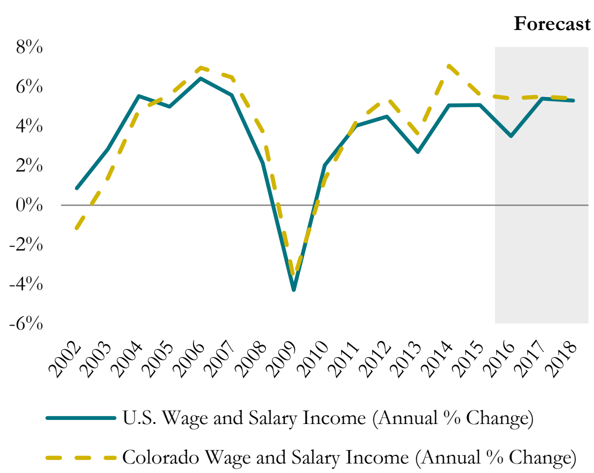
- Personal income growth in Colorado slowed to 5.1 percent in 2015 from a 6.2 percent rate in 2014, largely due to slowing employment growth and especially the oil and gas industry's contraction. Personal income growth will moderate further in 2016 as the energy sector continues to weigh on the economy; statewide income growth will increase to 5.2 percent in 2017.
- Nationwide, personal income growth increased 4.4 percent in 2015, and will slow to 3.1 percent in 2016. A tighter labor market and gradual wage increases will allow personal income growth to pick up through the rest of the forecast period.

U.S. and Colorado Per-Capita Income



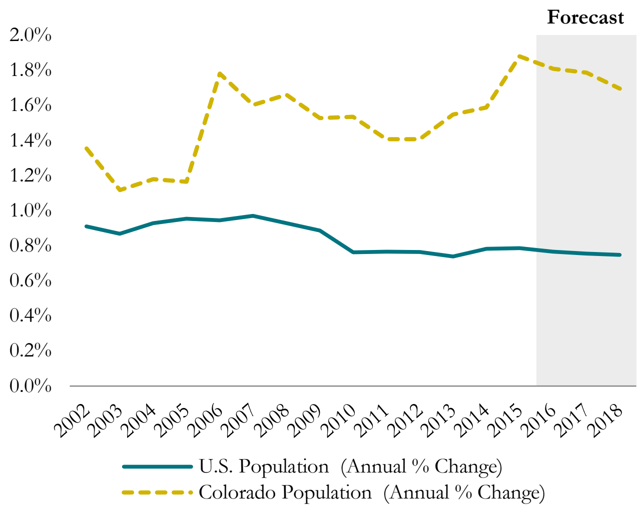
- Per-capita income in Colorado increased to $50,409 in 2015 and will grow 3.0 percent to $51,939 in 2016.
- In the U.S., per-capita income increased to $48,095 in 2015 and will grow 2.3 percent to $49,208 in 2016.

U.S. and Colorado Wage and Salary Income



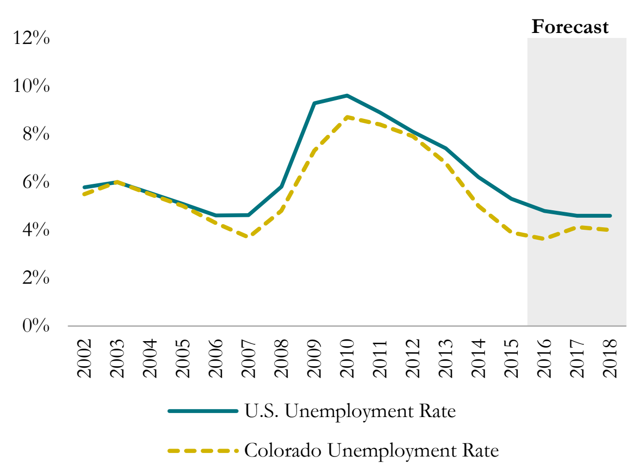
- Wage and salary growth in Colorado moderated in 2015 to 5.6 percent, largely due to the loss of relatively high-paying oil and gas jobs. Growth will decrease slightly in 2016 to 5.4 percent, but will increase to 5.5 percent in 2017.
- Wage and salary income for the nation increased 5.1 percent in 2015. Moderating employment growth and the slowdown in the industrial sector is resulting in wages and salary growth of 3.5 percent in 2016. Higher growth in wage levels will push total wage and salary income to increase 5.4 percent in 2017.

U.S. and Colorado Population



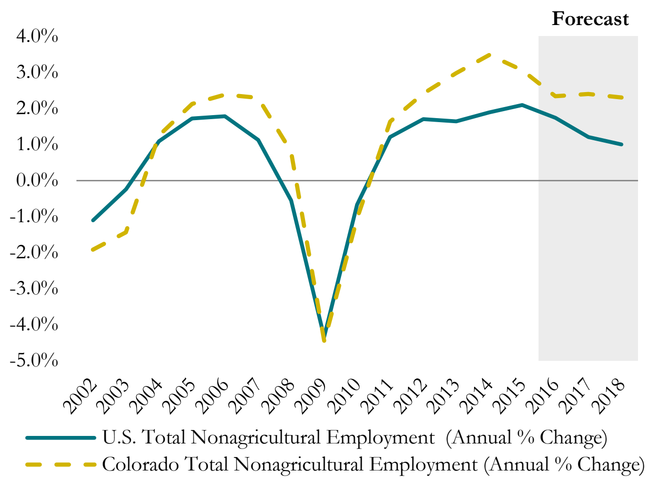
- Relatively high in-migration rates pushed Colorado's population growth rate to 1.9 percent in 2015, over double the national rate. A similar trend will continue in 2016, as the state is expected to add 67,000 people through net migration alone. The state's total population is expected to reach 5.75 million by 2018.
- The nation's population growth rate will remain steady at about 0.8 percent per year, and the population will reach 328.8 million by 2018.

U.S. and Colorado Unemployment



- The unemployment rate in Colorado averaged 3.9 percent in 2015, down over a full percentage point from 2014 despite the oil and gas slowdown. Unemployment is expected to average 3.6 percent in 2016 and 4.1 percent in 2017.
- The national unemployment rate followed a similar trend in 2015, but remained more than a percentage point higher than in Colorado, averaging 5.3 percent in 2015. Continued improvements in the labor market will cause the rate to drop to 4.8 percent in 2016 and 4.6 percent in 2017.

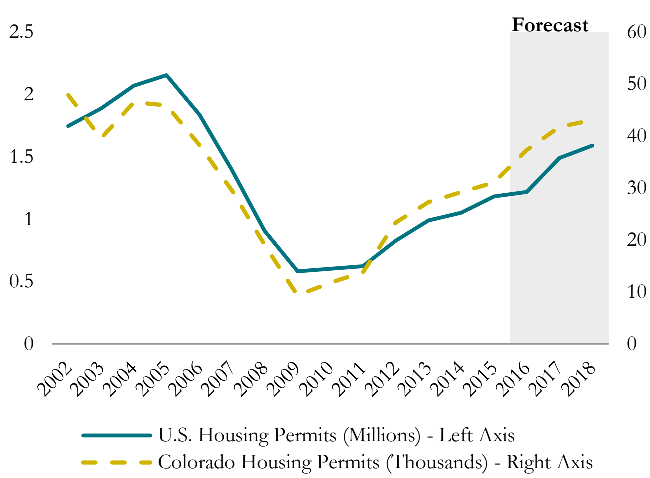
U.S. and Colorado Total Nonagricultural Employment



- Despite slowing job growth throughout the year, average employment in Colorado grew 3.1 percent in 2015, slightly lower than in 2014. Continued weakness in the energy sector and a tighter labor market is resulting in slower growth of 2.3 percent in 2016. Job growth will pick up slightly in 2017 and increase to 2.4 percent.

- In contrast to Colorado, U.S. nonfarm payroll jobs in 2015 increased at a faster rate than in 2014 — 2.1 percent versus 1.9 percent. Job growth is slowing nationwide as the labor market reaches full employment, and OSPB forecasts an increase of 1.7 percent in 2016 and 1.2 percent in 2017.

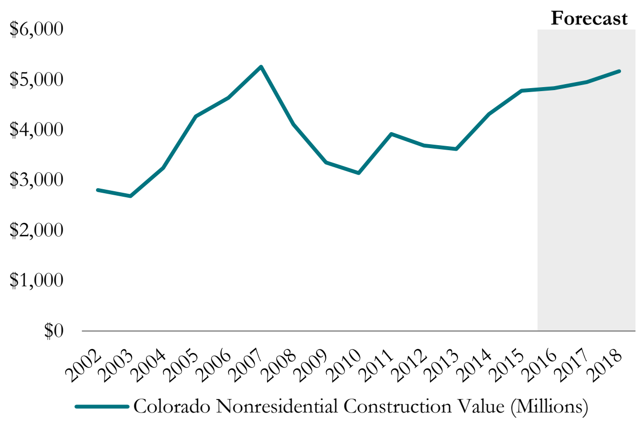
U.S. and Colorado Housing Permits Issued



- In 2015, housing permits grew at their slowest rate since the Great Recession. In 2016, Colorado permits will increase 20.2 percent, when 37,356 permits will be issued; 41,800 permits are projected for 2017. The increases will be driven by population growth and continued strength in the state's metro housing markets.

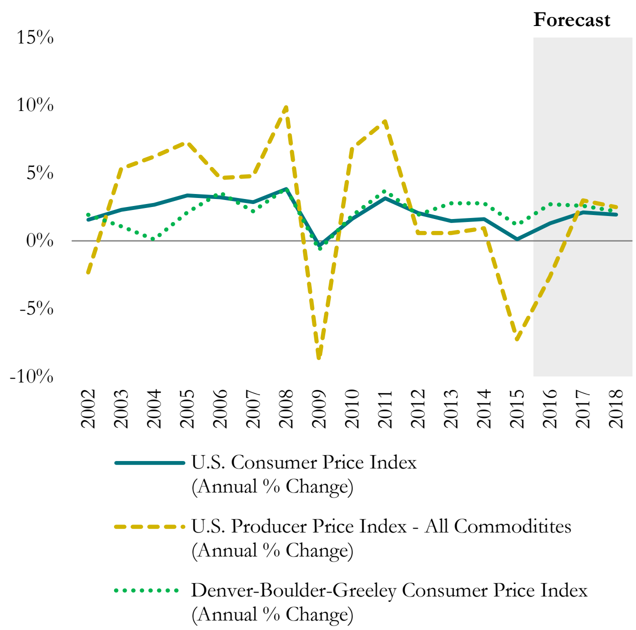
- U.S. housing permits posted growth of 12.4 percent in 2015, but the rate will moderate to 3.2 percent in 2016. Higher growth is forecast for 2017 due to ongoing growth in housing demand.

Colorado Nonresidential Construction Value



- Growth in nonresidential construction value in Colorado slowed to 10.8 percent in 2015 from 19.1 percent in 2014, the highest growth rate since before the Great Recession. The value of nonresidential construction will slow to a growth rate of 1.1 percent in 2016 and will remain steady through the forecast period.

Consumer Price Index and Producer Price Index

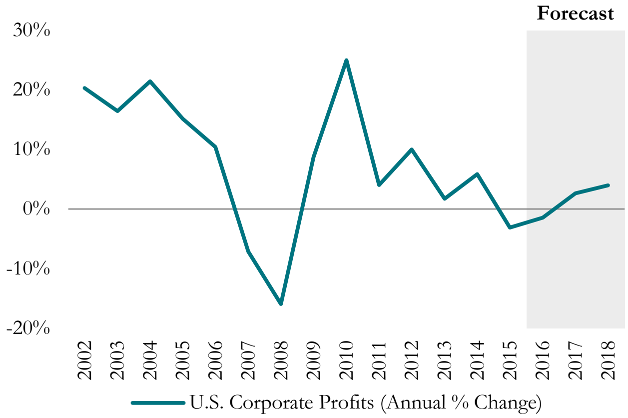


- National consumer prices remained essentially flat through 2015, growing only 0.1 percent, largely due to falling gas prices. OSPB expects the U.S. CPI to rise 1.3 percent in 2016, still lower than any year since the Great Recession, and increase to 2.1 percent in 2017.

- The national Producer Price Index fell 7.3 percent in 2015, largely due to low fuel and commodity prices. This trend will continue in 2016 when the index will fall another 2.6 percent before recovering to moderate growth in 2017.

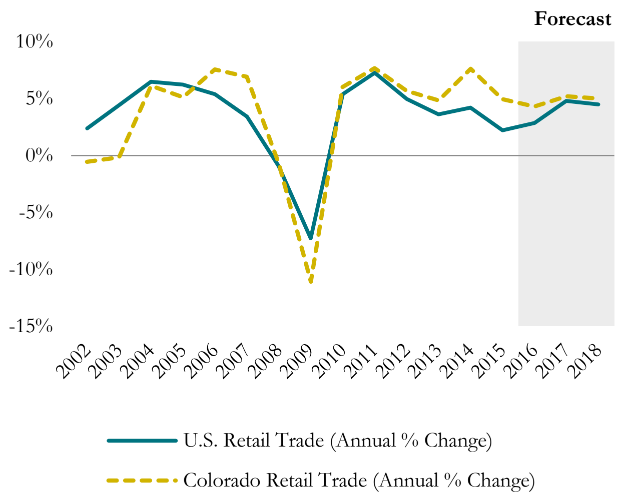
- The Denver-Boulder-Greeley CPI grew more than the national index in 2015, though the 1.2 percent increase was still low by historical standards due to the fall in energy prices. Growth will rebound in 2016 to 2.7 percent as the impact of lower gas prices will be less pronounced and as housing costs place upward pressure on the index. The CPI will increase 2.6 percent in 2017.

U.S. Corporate Profits



- U.S. corporate profits fell 3.1 percent in 2015 as a weak global economy and a strong dollar impacted earnings.
- Profit growth will remain constrained in 2016 with another decrease of 1.4 percent as firms continue to face international headwinds and increased downward pressure from rising wages and a strong dollar. These headwinds will alleviate somewhat in 2017 when modest growth of 2.6 percent is forecast.

Retail Trade



- Retail sales in Colorado will grow 4.3 percent in 2016 after 4.9 percent growth in 2015; sales will increase to 5.2 percent growth in 2017.
- Nationwide retail trade increased 2.2 percent in 2015, the lowest rate since the Great Recession. Sales will grow 2.9 percent in 2016 and 4.8 percent in 2017.
- The lower growth rates for both the nation and the state in 2015 and 2016 were due in part to the lower value of sales at gas stations from the sharp drop in gas prices.

General Fund and State Education Fund Revenue Forecast

General Fund revenue increased 1.7 percent in FY 2015-16, a sharp drop from the robust 9.2 percent growth rate one year earlier. The oil and gas industry's contraction, along with weaker investment gains and lower corporate profits, all combined to reduce General Fund revenue growth in FY 2015-16.

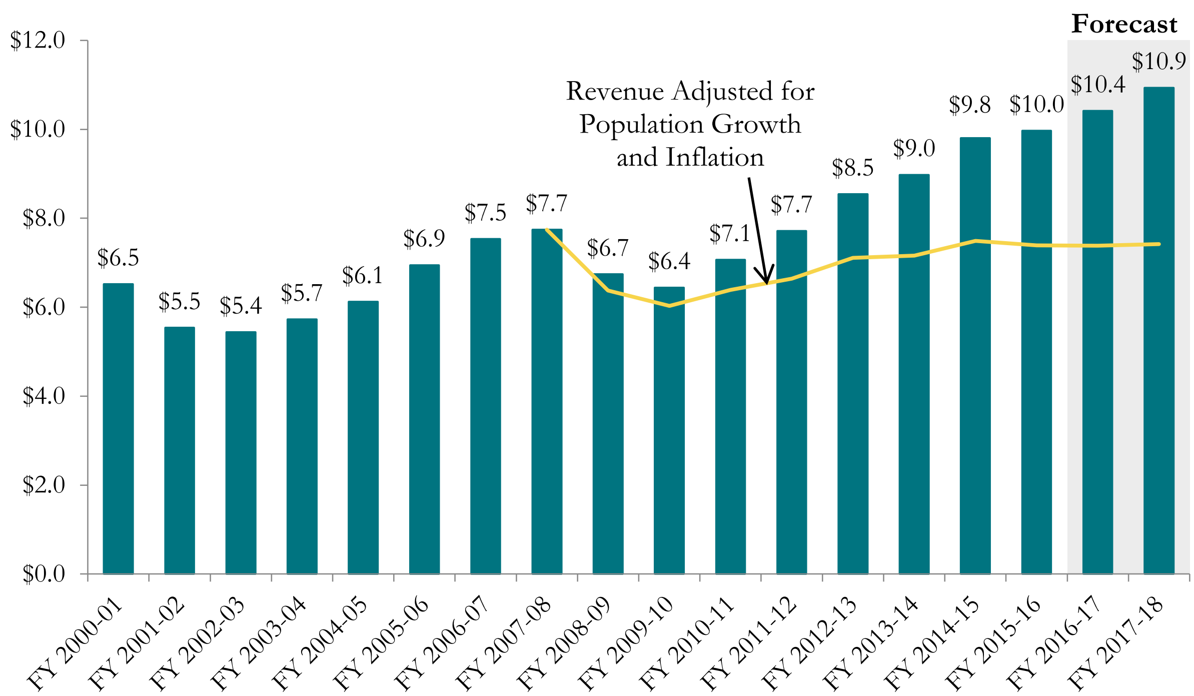
This fiscal year and next, with these factors largely behind us and accounted for, the continued economic expansion should produce revenue growth closer to long-term averages. In this scenario, General Fund revenue will increase 4.5 percent in FY 2016-17 and 5.0 increase is forecast for FY 2017-18. Notably, these growth rates are lower compared with most of the previous years of the current expansion; economic growth is forecast to be less robust for the state and growth in corporate income tax revenue and investment gains are expected to continue to be constrained. For more details on the economy, the main determinant of General Fund revenue, see "The Economy: Issues, Trends, and Forecast" section of this forecast, which starts on page 4.

The factors that lowered General Fund revenue growth last fiscal year will weigh less on revenue going forward. However, lower revenue growth rates are expected compared with previous years of the current expansion.

Relative to the June projections, the FY 2016-17 forecast is lower by $160.6 million, or 1.5 percent. Softer expectations for sales and use taxes and corporate income tax collections were the biggest adjustments.

Figure 27 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2017-18. The figure includes a 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 27. General Fund Revenue



Source: Office of the State Controller and OSPB calculations

Discussion of Forecasts for Major General Fund Revenue Sources

The following section discusses the forecasts for the three major General Fund revenue sources that together make up 95 percent of the total: 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 grow modestly over the forecast period.

***Individual income tax* –** Individual income tax collections in FY 2015-16 grew just 2.8 percent, but are expected to rebound moderately in FY 2016-17 and FY 2017-18 with increases of 4.6 percent and 5.3 percent, respectively.

Individual income tax collections in FY 2015-16 grew just 2.8 percent, but are expected to rebound moderately in FY 2016-17 and FY 2017-18 with increases of 4.6 percent and 5.3 percent, respectively.

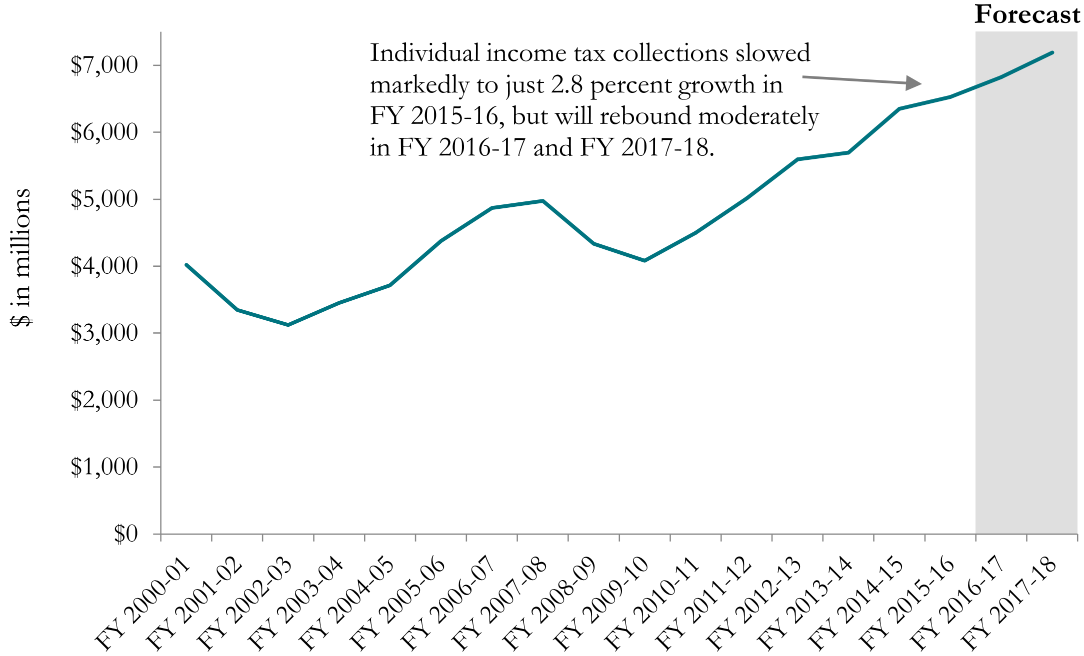
The downturn in the oil and gas industry caused a loss of high-wage jobs, business income, and oil and gas royalty payments to mineral rights owners in the state. The value of Colorado's mining industry's GDP declined 56.6 percent, or $10.8 billion from the second quarter of 2014 to the first quarter of 2016, according to the latest data available from the U.S. Bureau of Economic Analysis. This large drop in spending and income weighed on income tax collections; weaker investment gains from a tepid stock market also dampened income tax revenue. The S&P 500 stock index finished 2015 flat compared with the end of 2014.

The factors that placed downward pressure on individual income tax collections last fiscal year will abate, however, allowing for more growth going forward with continued job and income growth in the state. Although subdued oil and gas industry activity will provide little support to income growth in the state in the near term, the absence of such a large decline in spending and economic activity in the state is expected to bolster the growth rate of income tax revenue. However, the forecasted growth rates are modest compared with recent years.

It is important to note that the forecast for the estimated payments component of individual income tax revenue is highly uncertain as the revenue source can be volatile and thus difficult to predict. Estimated income tax payments are taxes paid on income that is not subject to withholding, such as earnings from self-employment, rents, and investments. These collections grew just 2.2 percent in FY 2015-16, and are expected to increase 8.9 percent for FY 2016-17 without the drag from the oil and gas contraction and decline in commodity prices. However, material changes to these expectations may occur in subsequent forecasts with new information on trends in actual collections.

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 (EITC). After becoming a TABOR refund mechanism in FY 2014-15, the EITC is available as a regular income tax credit on an ongoing basis starting in tax year 2016. This credit will lower FY 2016-17 income tax collections by an estimated $87.0 million and a similar amount in FY 2017-18.

Figure 28. Individual Income Tax Revenue



Source: Office of the State Controller and OSPB calculations

Corporate income tax – Corporate income tax collections decreased 5.8 percent in FY 2015-16, the second consecutive annual decline. Corporate income tax revenue will decline slightly again in FY 2016-17, but will increase 6.6 percent in FY 2017-18. The factors that have been lowering corporate income taxes are expected to abate somewhat. Further, corporate tax collections growth is expected to be constrained by continued sluggish global economic conditions and higher business costs, including for labor and debt payments that will reduce profit margins and result in larger tax deductions.

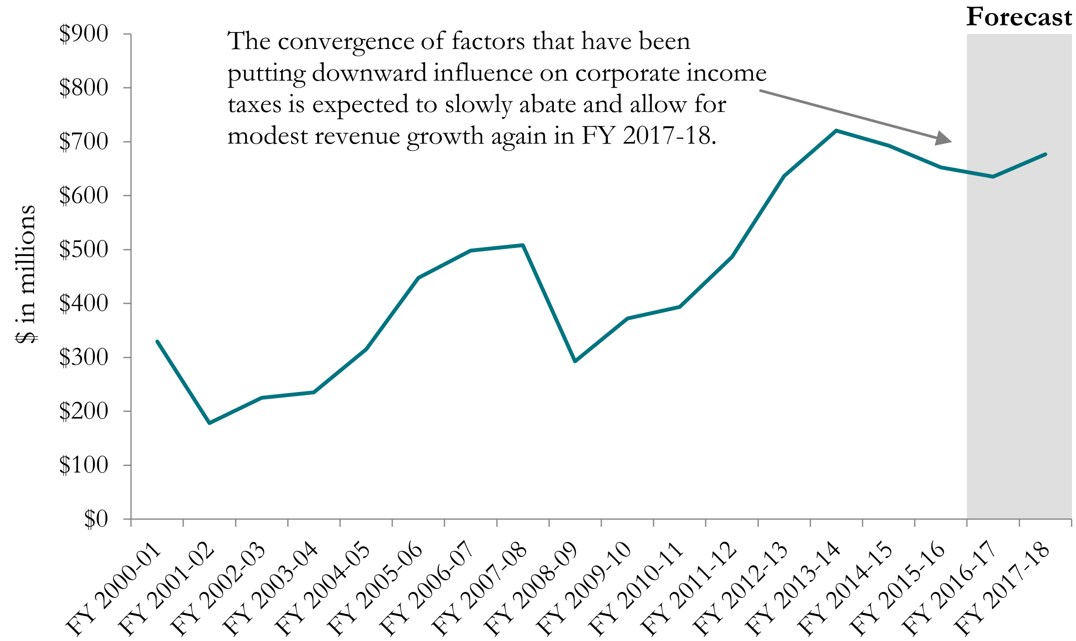
Corporate income tax revenue fluctuates much more than overall General Fund revenue and the state economy. It is among the most volatile General Fund revenue sources as it is influenced by special economic factors and the structure of the corporate income tax code. Trends in corporate profits are the main determinant of corporate income tax collections.

Corporate income tax collections are expected to decrease slightly in FY 2016-17, the third consecutive year of declines. Corporate income taxes are projected to rebound modestly in FY 2017-18.

An important contributor to the decreases in corporate income tax revenue in the past couple of years has been the strong appreciation in the dollar that has weighed on exports and the profits of multinational corporations. Further, the manufacturing industry, which includes petroleum refining, typically pays the largest share of corporate income tax collections. Therefore, the recent weaknesses in the global economy that has weighed on the demand for manufactured goods, as well as the steep drop in oil and gas and other commodity prices, have been important factors in the weakness in corporate income tax revenue to the state.

Recent trends, however, suggest that the headwinds on corporate income tax collections are beginning to lessen. The value of the dollar has since fallen about 4.0 percent since the beginning of the year. In addition, manufacturing has been experiencing better conditions for the past several months, though manufacturing activity remains sluggish. Further, although oil and gas prices remain low, the absence of a decline in prices will enable modest growth in corporate income taxes from that sector going forward.

Figure 29. Corporate Income Tax Revenue, Actual and Forecast



Source: Office of the State Controller and OSPB calculations

Sales and use tax – Sales tax revenue grew just 1.3 percent in FY 2015-16 and is forecast to increase 6.2 percent in FY 2016-17 and 4.2 percent in FY 2017-18.

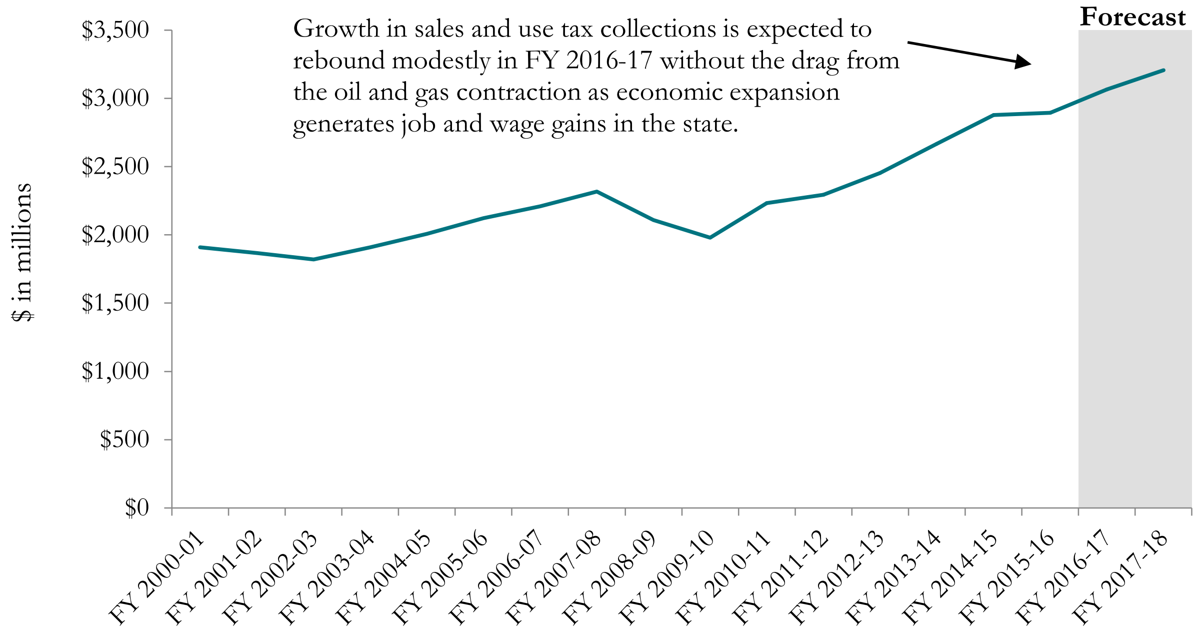
Sales tax revenue continued to come in below expectations in FY 2015-16. However, sales tax revenue has recently begun to show signs of renewed growth and is projected to increase 6.7 percent in FY 2016-17 as the state's economic expansion generates job and wage gains.

Sales tax revenue came in below expectations in FY 2015-16. The slowdown was likely due in part to the drop in spending in the state tied to the oil and gas industry's contraction. Other possible contributors to the slowdown include consumer preferences for online purchases, some of which do not collect sales tax, as well as reduced spending on taxable goods. Rising housing costs can also reduce disposable income. Nonetheless, sales tax revenue has recently begun to show signs of renewed growth. This fiscal year's projected increase is a result of expectations that the state's economic expansion will continue to generate job and wage gains.

The 6.2 percent increase in the forecast for FY 2016-17 is partially bolstered by an accrual accounting adjustment and continued strong growth in collections from the 10 percent sales tax on retail marijuana. In addition, sales tax revenue will be boosted by sales tax collections by the online retailer Amazon. On February 1, 2016, Amazon began collecting state sales taxes on items purchased directly from the company and shipped to Colorado addresses. Collections from Amazon are expected to increase State sales tax revenue by $22.0 million in FY 2016-17.

The use tax is a companion to the sales tax and is paid by Colorado residents and businesses on purchases that did not include a Colorado sales tax. Use taxes bring in a much smaller amount of revenue than sales taxes and are often more volatile. Much of the State's use tax revenue comes from Colorado businesses paying the tax on transactions involving out-of-state sellers. Use tax revenue decreased 7.3 percent in FY 2015-16, mostly as a result of the decline in business spending tied to the oil and gas industry. Collections will rebound modestly with 2.9 percent growth in FY 2016-17 without the drag of the contraction in spending from the oil and gas industry weighing on revenue. Use tax revenue is projected to increase 7.5 percent in FY 2017-18.

Figure 30. Sales and Use Tax Revenue



Source: Office of the State Controller and OSPB calculations

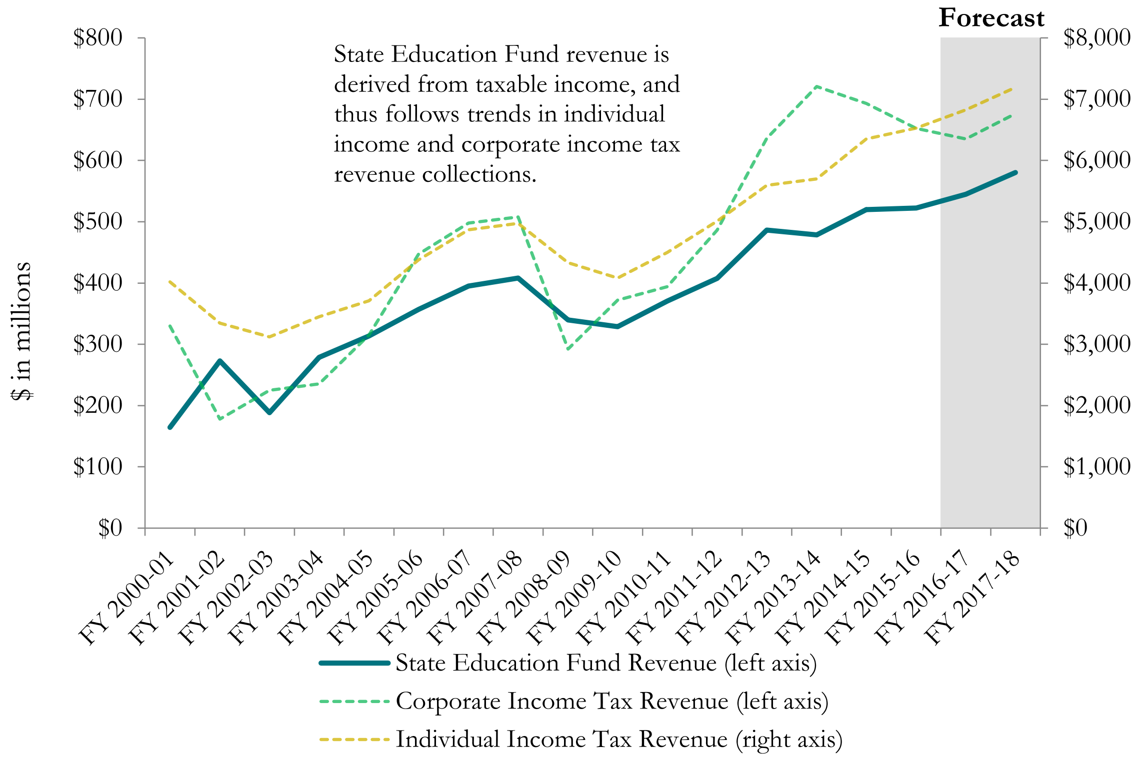
State Education Fund Revenue Forecast

Tax revenue to the State Education Fund increased 0.5 percent in FY 2015-16 and will increase 4.6 percent and 6.6 percent in FY 2016-17 and FY 2017-18, respectively.

Tax revenue to the State Education Fund increased 0.5 percent in FY 2015-16 and will increase 4.6 percent and 6.6 percent in FY 2016-17 and FY 2017-18, respectively. Because this revenue is derived from taxable income, it follows the trends in individual income and corporate income tax revenue collections discussed above. The absence of a decline in income in the state from the contraction in the oil and gas industry and fewer headwinds on corporate taxable income will help generate modestly higher State Education Fund revenue growth for FY 2016-17 and FY 2017-18.

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 revenue, policies enacted over the past several years have transferred other General Fund money to the State Education Fund.

Figure 31. State Education Fund Revenue from One-Third of One Percent of Taxable Income



Source: Office of the State Controller and OSPB calculations

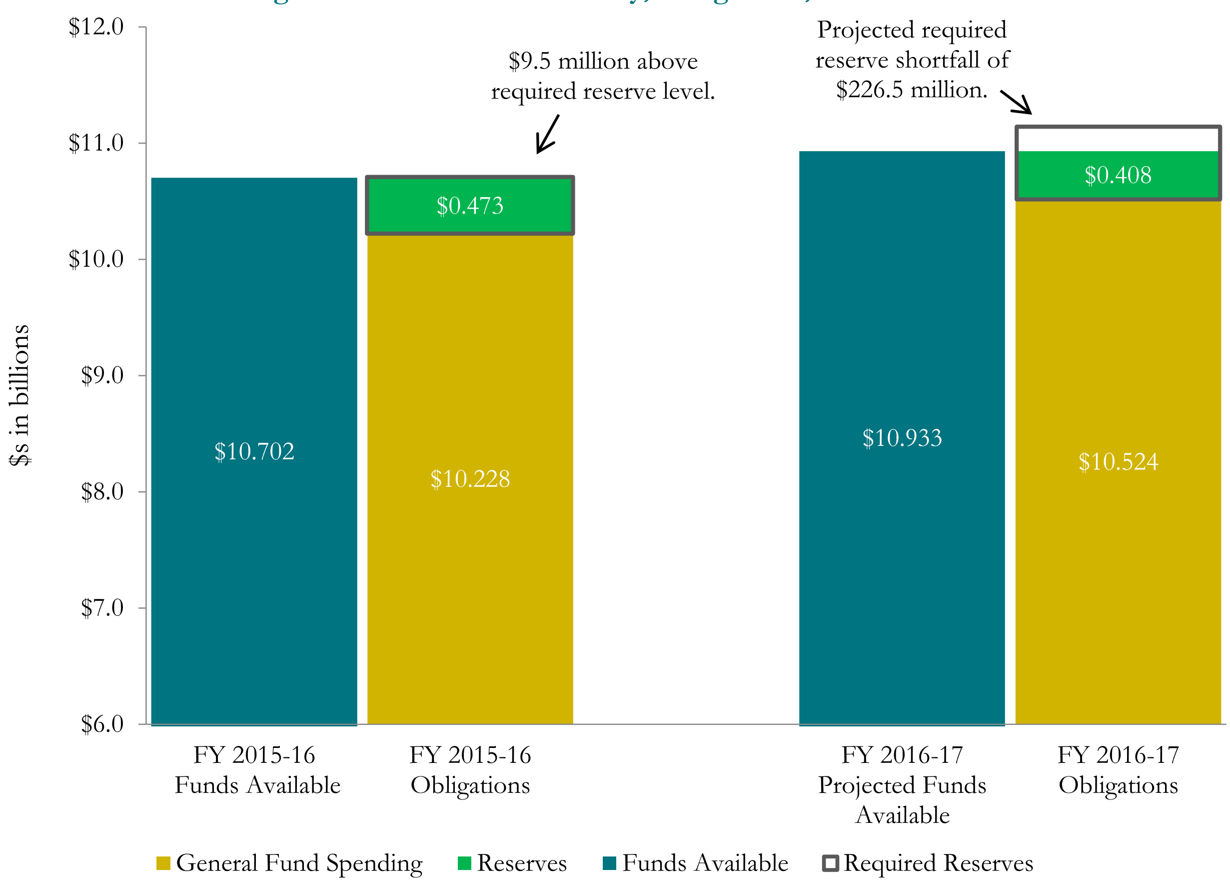
General Fund and State Education Fund Budget

General Fund **–** As discussed in the "General Fund Revenue Forecast" section starting on page 39, General Fund revenue increased 1.7 percent in FY 2015-16, essentially what was forecast in June. However, the forecast for FY 2016-17 was reduced by $160.6 million, or 1.5 percent, due mostly to lower expectations for sales and use taxes and corporate income tax collections. For FY 2015-16, preliminary information shows that the State's General Fund reserve ended $9.5 million above the required amount. This ending balance is likely to change with end-of-year accounting adjustments.

The FY 2016-17 ending balance is projected to be $226.5 million below the required reserve level. This amount is not far enough below the required reserve to trigger budget-balancing actions by the Governor. The Governor is required to take such actions when the ending balance is projected to be under half of its required amount. For FY 2016-17, under current law, half of the required reserve amounts to $317.4 million, $90.9 million less than the ending reserve projected by this forecast.

Figure 32 summarizes total General Fund revenue available, total obligations, and reserve levels for FY 2015-16 and FY 2016-17 based on current law. These amounts will change based on new accounting information for FY 2015-16, as well as future budgeting decisions and updates to the revenue forecast.

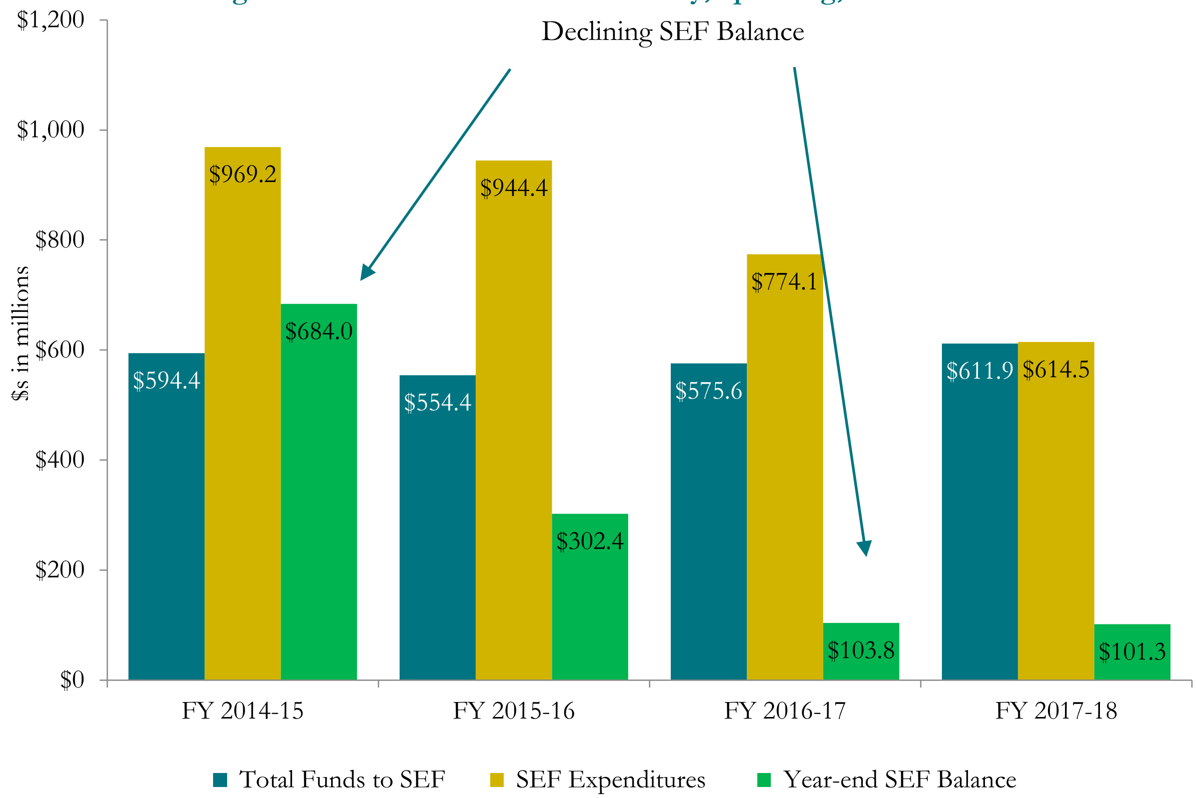
Figure 32. General Fund Money, Obligations, and Reserves



State Education Fund – Transfers of money from the General Fund to the State Education Fund in prior years have enabled the State Education Fund to support a larger share of education funding than it has historically. However, this larger share is drawing down the Fund's balance. Figure 33 summarizes total State Education Fund revenue available, total spending, and balance levels from FY 2015-16 through FY 2017-18. In FY 2015-16, the year-end balance in the Fund dropped 55.8 percent from its level in FY 2014-15, and a larger drop of 65.7 percent is expected in FY 2016-17 when the projected ending balance will be just over $100.0 million.

Under current law, total General Fund and State Education Fund obligations combined are budgeted to increase 1.1 percent in FY 2016-17. These obligations are projected to be able to grow just 0.3 percent in FY 2017-18, assuming that the negative factor in the School Finance Act is maintained at its current level.

Figure 33. State Education Fund Money, Spending, and Reserves



*Actual expenditures from the State Education Fund for FY 2017-18 will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections shown are illustrative only.

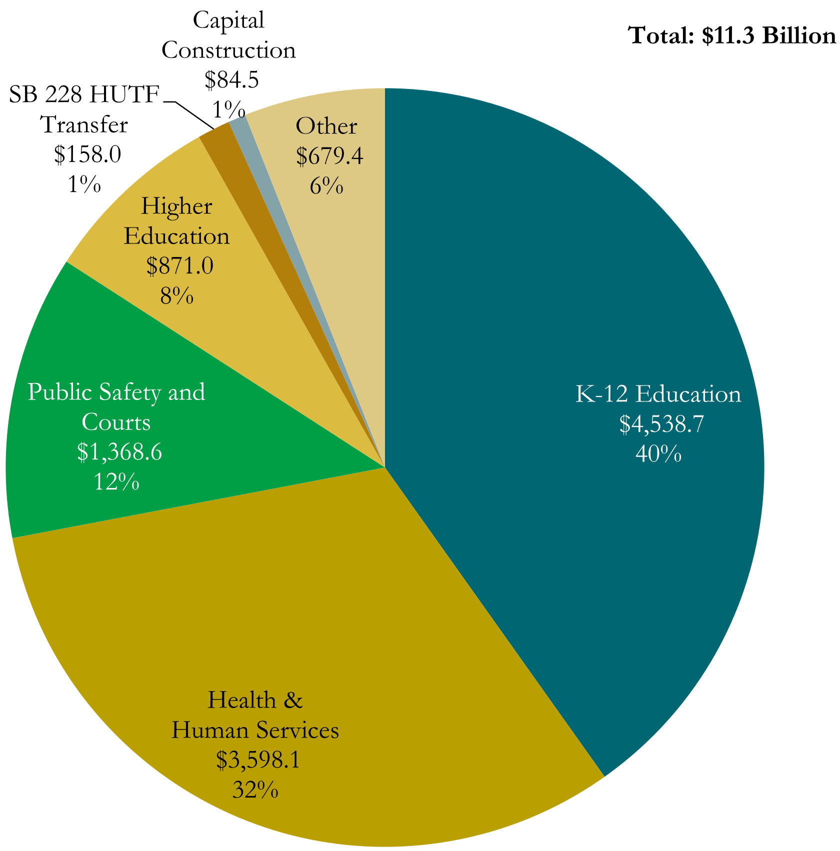
Detailed Overview Tables – A detailed overview of the amount of money available in the General Fund and State Education Fund, expenditures, and end-of-year reserves are provided in the overview tables in the Appendix at the end of this document. These overviews are discussed further starting on page 48.

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 34 shows the allocation of General Fund and State Education Fund spending for FY 2016-17 by major department or program area under current law. As shown above in Figure 32, the current forecast projects the reserve amount for FY 2016-17 to be $226.5 million below the required General Fund reserve amount.

Figure 34. Composition of FY 2016-17 General Fund and State Education Fund Budget under Current Law



Risks to the Outlook and Budget Implications

This budget outlook is based on OSPB's economic analysis and forecast, discussed in more detail in the section titled "The Economy: Issues, Trends, and Forecast," beginning on page 4. Changes in the 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.

The state's economy has demonstrated resilience in the face of notable headwinds in recent years, however, Colorado's economic growth continues to be more moderate. Although there are no clear indications of an economic downturn, business investment and industrial production nationally remains soft. Furthermore, there is heightened uncertainty related to developments in Europe, the upcoming presidential election, and the stance of monetary policy. Such uncertainty, especially when combined with adverse shocks to the economy, can lead to a pullback in spending and investment, and on a large enough scale, losses in jobs and income and a subsequent decline in revenue to the State. Such a decline would make it difficult to fund State programs and services at their current levels.

Even relatively small changes in the projected revenue growth rate can have important implications for the budget. As noted above, this forecast's FY 2016-17 ending balance for the General Fund is just $90.9 million above the threshold that requires the Governor to take budget balancing actions, which is when the projected ending balance falls below one-half of its required amount. Therefore, a reduction in expectations for General Fund revenue by less than one percent would cause the ending balance to meet the threshold. This amount is well within typical forecast error. Some sources of revenue to the General Fund are volatile and difficult to predict, most notably individual income tax estimated payments and corporate income taxes. Future revisions to the forecast for these revenue sources and others could result in meeting the threshold requiring budget-balancing action by the Governor.

In addition, this forecast assumes that no TABOR refund obligation will occur for FY 2016-17, but revenue is projected to be $158.8 million, or 1.2 percent, below the Referendum C revenue cap. This amount is also within typical forecast error. Because TABOR refunds are paid out of the General Fund, fluctuations in cash fund revenue (outside of the General Fund) subject to TABOR, can have a large impact on General Fund obligations.

General Fund Overview Table

Table 4 in the Appendix presents the General Fund Overview for the September 2016 OSPB forecast, providing details on forecasts for available General Fund money, expenditures, and end-of-year-reserves. The following section discusses the information presented in Table 4, and includes figures showing each section of the detailed overview found in the Appendix.

Revenue

The top portion of the overview, shown in Figure 35, 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 39. In addition to General Fund revenue, the General Fund receives money transferred from other State funds each fiscal year (shown in line 3 below).

Figure 35. General Fund Revenue Available, $ in Millions

Table 4 Line No.		FY 2015-16	FY 2016-17	FY 2017-18
1	Beginning Balance	$709.2	$473.4	$408.3
2	General Fund Revenue	$9,968.4	$10,413.2	$10,931.7
3	Transfers to the General Fund	$24.1	$46.0	$18.6
4	**Total General Funds Available**	**$10,701.8**	**$10,932.6**	**$11,358.6**
	Dollar Change from Prior Year	$398.4	$230.8	$426.0
	Percent Change from Prior Year	3.9%	2.2%	3.9%

Expenditures

***Spending subject to the appropriations limit* –** The middle portion of the General Fund overview in Table 4 shows General Fund spending. Each year, by statute, the total of most General Fund spending cannot exceed 5.0 percent of the aggregate level of personal income received by Coloradans. This limit is projected to be $13.1 billion in FY 2016-17. Therefore, the General Fund appropriations shown in Figure 36 are $3.3 billion under the limit for FY 2016-17.

The amount subject to the limit shown below and in Table 4 for FY 2016-17 reflects current law, while the FY 2017-18 amount represents the level of spending that can be supported by projected revenue while maintaining the General Fund's required reserve amount. Fiscal Year 2017-18 appropriations can increase 1.2 percent over the FY 2016-17 amount based on this forecast. The amounts will change based on future budgeting decisions and updates to the revenue forecast.

Figure 36. General Fund Spending Subject to the Appropriations Limit, $ in Millions

Table 4 Line No.		FY 2016-17	FY 2017-18
5	**Appropriations**	**$9,813.3**	**$9,930.2**
6	Dollar Change from Prior Year	$477.7	$116.9
7	Percent Change from Prior Year	5.1%	1.2%

***Spending and outlays not subject to the appropriations limit* –** Figure 37 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 37. General Fund Spending Not Subject to the Appropriations Limit, $ in Millions

Table 4 Line No.		FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
9	TABOR Refund under Art. X, Section 20, (7) (d)	$0.0	$0.0	$195.0	$221.8
10	Set Aside for Potential TABOR Refund under Art. X, Section 20, (3) (c)	-$58.0	$0.0	$0.0	$0.0
	Cigarette Rebate to Local Governments	*$10.5*	*$9.2*	*$8.9*	*$8.7*
	Marijuana Rebate to Local Governments	*$10.1*	*$13.3*	*$12.3*	*$13.2*
	Old-Age Pension Fund/Older Coloradans Fund	*$118.3*	*$112.1*	*$117.5*	*$119.0*
	Aged Property Tax & Heating Credit	*$9.3*	*$8.2*	*$8.7*	*$8.6*
	Homestead Exemption	*$127.1*	*$147.7*	*$155.5*	*$166.2*
	Interest Payments for School Loans	*$1.2*	*$1.2*	*$1.3*	*$1.5*
	Fire/Police Pensions	*$3.7*	*$4.3*	*$4.3*	*$4.3*
	Amendment 35 General Fund Expenditure	*$0.9*	*$0.9*	*$0.9*	*$0.9*
11	**Total Rebates and Expenditures**	**$281.2**	**$296.8**	**$309.4**	**$322.3**
12	Transfers to Capital Construction	$271.1	$84.5	$68.3	$57.6
13	Transfers to Highway Users Tax Fund	$199.2	$158.0	$109.3	$115.2
14	Transfers to State Education Fund per SB 13-234	$25.3	$25.3	$25.3	$25.0
15	Transfers to Other Funds	$173.9	$146.4	$78.9	$75.3
	Total	**$892.8**	**$711.0**	**$786.2**	**$817.3**
	Dollar Change from Prior Year	$107.0	-$181.8	$75.3	$31.0
	Percent Change from Prior Year	13.6%	-20.4%	10.6%	3.9%

Lines 9 and 10: Revenue exceeded the Referendum C cap in FY 2014-15 and is not projected to exceed the cap again until FY 2017-18. TABOR revenue came in $26.7 million below the cap in FY 2015-16 and is projected to be $158.8 million under the cap in FY 2016-17. TABOR revenue is expected to be above the cap by $175.4 million in FY 2017-18 and $221.8 million in FY 2018-19. 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 2017-18 refund amount of $195.0 million includes the projected $175.4 million exceeding the Referendum C cap plus $19.6 million that needs to be refunded from FY 2014-15. The $19.6 million from FY 2014-15 is due to the reclassification of the revenue transferred to the Adult Dental Fund from the Unclaimed Property Fund. The legal analysis and audit review on this occurred after FY 2014-15 refund amounts were established on state income tax forms. Such adjustments and audit findings have occurred in the past and the process calls for the money to be refunded in the next year a refund is due. 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 for FY 2015-16 is a reversal of the $58 million set aside in FY 2014-15 by House Bill 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. House Bill 15-1367 submitted Proposition BB to voters in November 2015 to ask if the State can retain and spend the money. Because voters approved Proposition BB, the State was able to use the money for the uses outlined in House Bill 15-1367.

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 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.

Lines 12 and 13: Transfers to the Capital Construction Fund (CCF) and Highway Users Tax Fund (HUTF) 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 triggered the required transfers starting in FY 2015-16 and through FY 2019-20. For Fiscal Years 2017-18 through 2019-20, the 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.

Pursuant to House Bill 16-1416, the dollar amount of the transfers to the HUTF and CCF are at fixed amounts in FY 2015-16 and FY 2016-17 regardless of the level of any TABOR refund. The transfer amounts to the HUTF are equal to $199.2 million in FY 2015-16 and $158.0 million in FY 2016-17. The transfer amounts to the CCF are $49.8 million in FY 2015-16 and $52.7 million in FY 2016-17.

According to current projections, transfers to the HUTF and CCF will be reduced by half in FY 2017-18 and FY 2018-19 because the TABOR refund is expected to be 1.8 percent and 1.9 percent of total General Fund revenue, respectively. The 228 transfers to the HUTF are expected to be $109.3 million in FY 2017-18 and $115.2 million in FY 2018-19; the 228 transfers to the CCF are projected to be $54.7 million in FY 2017-18 and $57.6 million in FY 2018-19.

The capital construction transfer amounts in FY 2015-16 through FY 2017-18 shown in line 12 also include transfers of General Fund money in addition to the 228 transfers and therefore the amounts shown in Line 12 differ from the amounts of money transferred related to Senate Bill 09-228. The FY 2015-16 and FY 2016-17 capital construction transfers reflect current law, while the FY 2017-18 transfer reflects the needed funding level for "Level I" building-maintenance projects, as well as the continuation of projects funded in prior years.

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 transfer in each fiscal year through FY 2017-18 is $25.3 million, and is $25.0 million in FY 2018-19, the last scheduled transfer under current law.

Line 15: State law requires transfers of General Fund money to various other State cash funds. Generally, the largest transfer in this line is money from the 10 percent special sales tax on retail marijuana (reduced to 8 percent starting in FY 2017-18) credited to the General Fund, 85 percent of which is transferred to the Marijuana Tax Cash Fund. For FY 2015-16 only, $40.0 million of the "Transfer to Other Funds" amount is a transfer to public school capital construction related to the passage of Proposition BB.

The FY 2015-16 and FY 2016-17 amounts also include a diversion of income tax revenue out of the General Fund to a separate severance tax fund pursuant to Senate Bill 16-218. This bill was passed in response to the April 2016 Colorado Supreme Court's decision in BP America v. Colorado Department of Revenue that allows for taxpayers to claim additional severance tax deductions. Senate Bill 16-218 creates a reserve fund and diverts income tax revenue to the fund to help pay the refunds. However, the legislation does not distinguish between severance tax refunds related to the court decision and severance tax refunds that would have occurred regardless of the decision. For FY 2015-16, $56.8 million in income tax revenue was diverted to the aforementioned reserve fund to pay for severance tax refunds. This forecast projects that about $44.0 million in income tax revenue will be diverted from the General Fund to the reserve fund to pay severance tax refunds in FY 2016-17. More discussion on Senate Bill 16-218 and the impacts of the court decision can be found starting on page 57 in this report's section discussing the cash fund revenue forecast.

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").

Under current law, the FY 2015-16 reserve is required to be 5.6 percent of General Fund appropriations subject to the appropriations limit (excluding Certificates of Participation payments), minus any diversions of income tax revenue pursuant to Senate Bill 16-218. As discussed above, $56.8 million in income tax revenue was diverted, and thus the required reserve was lowered by the same amount. The required reserve is 6.5 percent of appropriations (excluding Certificates of Participation payments) for FY 2016-17 and for subsequent fiscal years.

For FY 2015-16, preliminary information shows that the State's General Fund reserve ended $9.5 million above the required amount. This ending balance is likely to change with end-of-year accounting adjustments. The FY 2016-17 ending balance is projected by this forecast to be $226.5 million below the required reserve level. This amount is not far enough below the required reserve to trigger budget-balancing actions by the Governor. The Governor is required to take such actions when the ending balance is projected to be under half of its required amount. For FY 2016-17, under current law, half of the required reserve amounts to $317.4 million, $90.9 million less than the ending reserve projected by this forecast.

The FY 2017-18 reserve amount in the table represents the required reserve level supported by projected General Funds available.

Starting in FY 2015-16, General Fund appropriations for "lease-purchase" payments, called Certificates of Participation, for certain capital projects were made exempt from the reserve calculation requirement by Senate Bill 15-251. These appropriations amount to $37.8 million in FY 2015-16 and $46.0 million in FY 2016-17. Figure 38 provides information on the General Fund ending balance.

Figure 38. General Fund Reserves, $ in Millions

Table 4 Line No.		FY 2015-16	FY 2016-17	FY 2017-18
20	Year-End General Fund Balance	$473.4	$408.3	$642.1
21	Balance as a % of Appropriations	5.1%	4.2%	6.5%
22	**General Fund Statutory Reserve**	**$463.9**	**$634.9**	**$642.1**
23	Money Above/Below Statutory Reserve	$9.5	-$226.5	$0.0

State Education Fund Overview

Figure 39 summarizes State Education Fund annual revenue and expenditures. It also includes projected ending balances. As Figure 39 shows, lower revenue and higher expenditures have been lowering the Fund's balance that was built up in prior years by transfers of money from the General Fund. In FY 2015-16, the year-end balance in the Fund dropped 55.8 percent from its level in FY 2014-15, and a larger drop of 65.7 percent is expected in FY 2016-17 when the projected ending balance will be just over $100 million.

State Education Fund expenditures for FY 2015-16 and FY 2016-17 reflect current law. The FY 2017-18 expenditure amount projects spending needed to keep the negative factor in the School Finance Act at the current law dollar amount of $830.7 million, while maintaining a balance in the Fund of about $100 million.

Figure 39. State Education Fund Revenue, Spending, and Reserves*, $ in Millions

State Education Fund ($ in Millions)			
	FY 2015-16	FY 2016-17	FY 2017-18
One-third of 1% of State Taxable Income	*$522.6*	*$544.6*	*$580.5*
Transfers under SB 13-234	*$25.9*	*$25.3*	*$25.3*
Other	*$6.0*	*$5.7*	*$6.1*
Total Funds to State Education Fund	**$554.4**	**$575.6**	**$611.9**
State Education Fund Expenditures	**$944.4**	**$774.1**	**$614.5**
Year-end Balance	**$302.4**	**$103.8**	**$101.3**

*Actual FY 2017-18 expenditures from the State Education Fund will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections 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. As shown in Table 5, under current law, total General Fund and State Education Fund expenditures combined are budgeted to increase 1.1 percent in FY 2016-17. These expenditures are projected to be able to grow just 0.3 percent in FY 2017-18, assuming that the negative factor in the School Finance Act is maintained at its current level. These lower growth rates are due in part to the smaller amount of funding available from the State Education Fund to support school finance.

Cash Fund Revenue Forecast

A wide array of state programs collect taxes, fees, fines, and interest to fund services and operations. Many of these programs have a dedicated fund for this revenue. In contrast with the General Fund, these funds are collectively called "cash funds." OSPB's forecast of cash fund revenue subject to TABOR is shown in Table 6 in the Appendix.

Cash fund revenue in FY 2016-17 is projected to be $189.9 million, or 6.3 percent, lower than FY 2015-16, as a projected decrease in revenue from the Hospital Provider Fee and miscellaneous cash funds will offset modest growth in revenue from many of the other major categories of cash funds. However, the forecast for FY 2016-17 is $47.8 million, or 1.7 percent, higher than projections from the June forecast, due in large part to higher-than-projected revenue to miscellaneous cash funds received in the final months of FY 2015-16.

Cash fund revenue will increase 14.5 percent in FY 2017-18 as the budget restriction on the Hospital Provider Fee expires and severance tax revenue rebounds. Growth in other major categories of cash funds also contributes to this increase. The forecast for FY 2017-18 is $138.0 million, or 4.5 percent, higher compared with projections in June. In addition to the expectations for more revenue from the Hospital Provider Fee, the forecast for miscellaneous cash funds is higher.

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 exempt 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 61.

Transportation-related cash funds — Transportation-related cash fund revenue is forecast to grow 1.5 percent in FY 2016-17 and 2.0 percent in FY 2017-18. In FY 2015-16, transportation-related cash fund revenue subject to TABOR grew $20.1 million, or 1.7 percent, to $1.18 billion.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and several smaller cash funds. HUTF collections, 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.

In FY 2015-16, revenue from HUTF vehicle fuel taxes and vehicle registrations grew 2.1 and 2.6 percent, respectively, from their levels in FY 2014-15. Changes in these revenue streams have a substantial influence on overall transportation-related cash funds because they account for approximately 80 percent of HUTF revenue and three-quarters of all transportation-related revenue.

After increasing every year since the Great Recession, new vehicle sales nationally are expected to level off slightly below the 17.9 million annual rate experienced in 2015.

HUTF vehicle registration revenue is driven primarily by auto sales, which have been growing at a robust rate since the end of the Great Recession in 2009. As the pent-up demand experienced since the recession decreases, new auto sales are leveling off and are not expected to return to high growth in the near future. Used vehicle sales may supplant some new sales because a large number of previously leased vehicles will become available over the next several quarters. As registration fees are based largely on vehicle age and weight, the continuing shift in consumer preference towards heavier SUVs and light trucks should offset any registration revenue lost due to the expected lower growth of new vehicle sales, while also contributing to increased revenue from vehicle fuel taxes. As a result of these trends, HUTF revenue growth is expected to average 1.4 percent over the next three fiscal years.

Limited Gaming **—** Limited gaming revenue is forecast to grow by $5.2 million, or 4.4 percent, to $123.2 million in FY 2016-17 after increasing 6.0 percent in FY 2015-16. Revenue from gaming in FY 2017-18 will grow an additional $5.2 million, or 4.2 percent, to $128.4 million.

The Colorado gaming industry was hit hard by the Great Recession and has been slowly recovering ever since, with limited gaming revenue yet to return to its pre-recession peak of $122 million in FY 2006-07. As incomes and employment have grown, gaming activity has as well and there was an increase in gaming tax revenue of 6.0 percent in FY 2015-16 and an increase of 4.4 percent is projected in FY 2016-17. Continued growth in revenue is expected over the forecast period.

Moderate increases in limited gaming revenue will continue as the Colorado economy continues to grow.

Of the total expected limited gaming revenue of $123.2 million in FY 2016-17, $105.9 million will be subject to TABOR, as reflected in Figure 40. Of this amount, $104.0 million is classified as "base limited gaming revenue" as designated by State law after the passage of Amendment 50 in 2008. This revenue is distributed by statutory formula to the State General Fund, the State Historical Society, cities and counties affected by gaming activity, and economic development-related programs.

Gaming revenue attributable to Amendment 50, which is not subject to TABOR, is distributed mostly to community colleges, with a smaller portion going to local governments with communities affected by gaming. These distributions will grow along with overall gaming revenue, totaling $14.4 million and $16.0 million in FY 2016-17 and FY 2017-18, respectively. Figure 40 shows the distribution of limited gaming revenues in further detail.

Figure 40. Distribution of Limited Gaming Revenue

Distribution of Limited Gaming Revenues	Preliminary FY 15-16	Forecast FY 16-17	Forecast FY 17-18	Forecast FY 18-19
A. Total Limited Gaming Revenues	**$118.0**	**$123.2**	**$128.4**	**$133.8**
Annual Percent Change	6.0%	4.4%	4.2%	4.2%
B. Base Limited Gaming Revenues (max 3% growth)	**$101.0**	**$104.0**	**$107.2**	**$110.4**
Annual Percent Change	3.0%	3.0%	3.0%	3.0%
C. Gaming Revenue Subject to TABOR	**$102.8**	**$105.9**	**$109.1**	**$112.4**
Annual Percent Change	3.5%	3.0%	3.0%	3.0%
D. Total Amount to Base Revenue Recipients	**$91.1**	**$94.5**	**$97.1**	**$100.7**
Amount to State Historical Society	$25.5	$26.4	$27.2	$28.2
Amount to Counties	$10.9	$11.3	$11.7	$12.1
Amount to Cities	$9.1	$9.4	$9.7	$10.1
Amount to Distribute to Remaining Programs (State Share)	$45.6	$47.2	$48.6	$50.3
Amount to Local Government Impact Fund	$5.0	$5.0	$5.0	$5.0
Colorado Tourism Promotion Fund	$15.0	$15.0	$15.0	$15.0
Creative Industries Cash Fund	$2.0	$2.0	$2.0	$2.0
Film, Television, and Media Operational Account	$0.5	$0.5	$0.5	$0.5
Advanced Industries Acceleration Fund	$5.5	$5.5	$5.5	$5.5
Innovative Higher Education Research Fund	$2.1	$2.1	$2.1	$2.1
Transfer to the General Fund	$15.5	$17.1	$18.5	$20.2
E. Total Amount to Amendment 50 Revenue Recipients	**$12.5**	**$14.4**	**$16.0**	**$17.9**
Community Colleges, Mesa and Adams State (78%)	$9.8	$11.2	$12.5	$13.9
Counties (12%)	$1.5	$1.7	$1.9	$2.1
Cities (10%)	$1.3	$1.4	$1.6	$1.8

Hospital Provider Fee — Hospital Provider Fee (HPF) revenue grew 52.0 percent to $804.0 million in FY 2015-16, and is expected to decrease 18.3 percent, or $147.2 million, to $656.8 million in FY 2016-17. Under current law, HPF revenue will then increase 31.8 percent, or by $208.6 million, to $865.3 million in FY 2017-18. The forecast for FY 2016-17 is essentially unchanged compared with projections in June, and the forecast for FY 2017-18 is $62.1 million, or 7.7 percent, higher compared with projections in June.

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. The large increase in FY 2015-16 was due to continued 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 delayed approval prevented the higher fee collections from taking effect earlier, shifting the higher collections to FY 2015-16. The decrease in FY 2016-17 is a result of HB 16-1405, which restricted HPF revenue collections. There is no budget restriction in FY 2017-18, thus HPF revenue collections are projected up to the federal limit as authorized under current law.

The Hospital Provider Fee is paid by Colorado hospitals and is used, together with matching federal funds, to help cover the cost of the Medicaid program. The amount of Hospital Provider Fee collected each year is calculated by a formula that considers the anticipated cost of care for certain Medicaid populations with each hospital's individual fee allocation based on inpatient days and outpatient revenue.

Severance tax revenue — Severance tax revenue fell to $18.9 million in FY 2015-16, a decline of 93.3 percent, or $262.4 million. This large decrease was due to the combination of the decline in oil and natural gas prices and the April 2016 Colorado Supreme Court ruling related to severance tax deductions allowed to taxpayers, discussed in more detail below. The ad valorem tax credit for State severance taxes was also a contributing factor to the drop in revenue collections. Severance tax collections in FY 2016-17 are expected to continue to come in at relatively low levels due to these same factors. However, collections will rebound in FY 2017-18 with gradually rising oil and gas prices and as the ad valorem credit reduces collections to a much lesser extent. Total severance tax revenue will amount to $47.6 million in FY 2016-17and will increase to $169.8 million in FY 2017-18.

The level of oil and natural gas prices are the primary determinant of severance tax collection levels. After falling below $30 a barrel earlier this year, the West Texas Intermediate crude oil price hovered in the mid $40s a barrel over the summer months. Average oil prices for 2016 are projected to remain more than 50 percent below their level in 2014. Prices are likely to rise slowly and reach $60 a barrel by the end of 2017; low natural gas prices are expected to follow a similar trajectory. The ongoing imbalance between the high levels of supply in relation to weakened demand is expected to take time to unwind. However, there is a high degree of uncertainty in the trajectory of oil and gas prices as the world energy market is subject to international political developments and other difficult-to-predict factors. Therefore, the actual amount of severance tax revenue could materially differ from this forecast depending on the direction of future energy prices. More discussion of the oil and gas industry is included in "The Economy: Issues, Trends, and Forecast" section of this forecast, which starts on page 4.

Severance tax revenue fell to $18.9 million in FY 2015-16, a decline of 93.3 percent. Severance tax collections in FY 2016-17 are expected to continue to come in at relatively low levels. In addition to persistent low oil and gas prices, ad valorem tax credits are weighing on revenue, as well as a recent court ruling impacting tax deductions allowed to taxpayers.

In addition to persistent low oil and gas prices, ad valorem tax credits are weighing on State severance tax revenue. Severance taxpayers claim ad valorem tax credits based on the local property taxes they pay on the value of mineral extraction in the prior year. The impact of these credits was especially pronounced in FY 2015-16, when the incomes of taxpayers, and thus their tax liabilities, were greatly reduced due to plummeting energy prices. At the same time, large ad valorem credits were being claimed that were based on a much higher value of oil and gas from the prior year. In some cases, the difference in the size of the ad valorem credit in relation to gross severance tax liabilities caused net tax liabilities to fall to zero.

Severance tax collections will rebound in FY 2017-18 with gradually rising oil and gas prices and smaller ad valorem tax credits that will reduce tax liabilities to a lesser degree.

For FY 2016-17, gross liabilities will remain low due to persistent soft energy prices and decreased oil and gas production, but ad valorem credits will be smaller than the previous year, causing severance tax revenue to increase modestly. Higher oil and gas prices in 2017, combined with reduced ad valorem credits from the current low oil and gas values will cause severance tax revenue to rebound to a greater extent in FY 2017-18.

As a result of the April 2016 Colorado Supreme Court's decision in *BP America v. Colorado Department of Revenue (*DOR*)*, taxpayers can claim additional severance tax deductions related to their transportation, manufacturing, and processing costs incurred in their oil and gas extraction activities. In addition to lowering the severance tax collections in the future, this decision is also increasing the refunds being made to severance taxpayers for the current and past tax years.

Senate Bill 16-218 was passed at the end of the 2016 legislative session to account for these severance tax refunds. The bill created a reserve fund and diverts income tax revenue to the fund to help pay the refunds. However, the legislation does not distinguish between severance tax refunds related to the court decision and severance tax refunds that would have occurred regardless of the decision. Therefore, income tax revenue is currently being used to cover some severance tax refunds that would have occurred regardless of the decision.

Senate Bill 16-218 also placed a restriction on $77.4 million on severance tax money allocated to the Department of Natural Resources (DNR) and the Department of Local Affairs (DOLA), preventing the money from being expended in case the money is needed to help cover the refunds. The restriction can be lifted in whole or in part upon a majority vote of the members of the Joint Budget Committee. In August, the Joint Budget Committee voted to release $19.9 million of the amount to DOLA. As such, $57.5 million remains restricted pursuant to Senate Bill 16-218.

The most recent figure available for the known impact of the Supreme Court ruling for past tax years (2014 and earlier) is a reduction of $20.2 million based on tax returns already received by the Department of Revenue. The amount includes refunds related to a deduction for the "cost of capital," or return on investment, directly addressed in the court ruling, as well as other deductions related to transportation, manufacturing, and processing costs that the Department of Revenue believes can be now claimed by severance taxpayers. However, the amount of the refunds may increase by approximately $24 million if other deductions are allowed, based on information from tax returns that the Department of Revenue currently has. Whether or not all of these additional refunds for deductions fall under the scope of the recent ruling is yet to be determined, and legislation may be needed to clarify remaining questions. A working group, comprised of representatives of the oil and gas industry as well as State and local government officials, is meeting to discuss the issue.

In addition to these amounts, severance taxpayers may also file additional amended tax returns for past tax years (2014 and earlier) to claim refunds as a result of the court ruling. The amount of these refunds is highly uncertain, and the current estimate from the Department of Revenue ranges from an additional $20 million to $43 million. An estimate at the lower end of this range is included in this forecast, as it is based on allowable deductions that the Department of Revenue believes are now required as a result of the court ruling. This forecast assumes that these additional reductions will occur in FY 2016-17. As more information becomes available, the estimate of the revenue impact and timing may change substantially.

Under Senate Bill 16-218, $56.8 million in income tax revenue was diverted in FY 2015-16 to the aforementioned reserve fund to pay for severance tax refunds. This amount is included in the "Transfers to Other Funds" line in Table X in the Appendix of this forecast. Of this amount, $17.8 was due to refunds related to the court ruling, while $39.0 million was mostly a result of the large ad valorem credits reducing tax liabilities to zero discussed earlier.

Also under Senate Bill 16-218, in FY 2016-17, during any month in which severance tax refunds are larger than 15 percent of gross severance revenue, income tax is diverted to the reserve to pay the portion of the refund amount that exceeds the 15 percent threshold. This forecast assumes that $43.7 million in income taxes will be diverted from the General Fund to the reserve fund to cover severance tax refunds paid out in FY 2016-17. This amount is also included in the "Transfers to Other Funds" line in Table 4 in the Appendix. This amount may change materially in subsequent forecasts as new information becomes available.

The above refund amounts are related to past tax year impacts of the Supreme Court ruling. Taxpayers will also claim more deductions for future tax years, which will reduce severance taxes on an ongoing basis. This forecast assumes that the additional deductions will reduce annual severance tax collections by 6 percent each year. However, the estimated amount of the reduction to ongoing severance tax revenue in the future may change materially as more information becomes available regarding which additional severance tax deductions will be allowed and the revenue impacts of those deductions.

Federal Mineral Leasing revenue — Colorado's share of Federal Mineral Lease (FML) revenue fell 36.0 percent to $92.9 million in FY 2015-16. FML revenue continues to be weaker due to the persistent low energy prices. In addition, the refund of FML "bonus" payments to mineral extraction leaseholders on the Roan Plateau is causing reduced collections. As commodity prices gradually increase, FML revenue is expected to rebound modestly, increasing 1.8 percent to $94.6 million in FY 2016-17. Collections will increase 16.5 percent in FY 2017-18 as prices continue to rise from their current low levels. The impact of lower energy 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 impact severance tax gross liabilities.

FML royalties are derived from a percentage of the value of resources produced on leased federal lands. FML activity includes production of natural gas and oil as well as propane, carbon dioxide, coal, and other mineral resources. The Bureau of Land Management (BLM) sells leases to extract mineral resources from federal lands. Producers then remit royalties and other payments to the federal government that are shared with the state where production occurred.

FML revenue fell 36.0 percent to $92.9 million in FY 2015-16 due to falling oil and gas prices and one-time refunds to leaseholders. Collections will rebound modestly in FY 2016-17 with a gradual rise in commodity prices.

A portion of the reduced levels in FML revenue in FY 2015-16 through FY 2017-18 are a result of refunds to holders of cancelled leases on land for mineral extraction on the Roan Plateau in Colorado. The 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 is refunding nearly $50 million of the bonus payments that were originally made.

Colorado's share of this amount, which amounts to $23.4 million, is being recouped from the State's share of FML revenue over a three-year period. The federal government is withholding $7.8 million of Colorado's FML payments from FY 2015-16 through FY 2017-18 to complete the required refund. Senate Bill 15-244 transfers money from the General Fund to the State Public School Fund, the Colorado Water Conservation Board Construction Fund, and the Local Government Mineral Impact Fund in each of the three fiscal years in order to backfill the decline in FML money.

Figure 41. Federal Mineral Leasing (FML) Payments, $ in Millions

Fiscal Year	Bonus	Non-Bonus	Total FML	% Change
FY 2015-16	$6.7	$86.1	$92.9	-36.0%
FY 2016-17	$1.9	$92.7	$94.6	1.8%
FY 2017-18	$2.2	$108.0	$110.2	16.5%
FY 2018-19	$2.3	$122.8	$125.1	13.5%

FY 2015-16 figures are actual collections, and FY 2016-17 through FY 2018-19 are projections.

Other cash funds — Cash fund revenue to the Department of Regulatory Agencies (DORA) will increase 4.1 percent to $71.6 million in FY 2016-17 after increasing 4.8 percent in FY 2015-16. This revenue source will grow another 2.4 percent to $73.4 million in FY 2017-18. 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, ranging from landscape architects and psychologists to hunting guides. Revenue from licensing fees and other services fund many of the Department's activities.

Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance programs. Revenue from this source will increase 22.5 percent to $14.0 million in FY 2016-17. Insurance-related cash fund revenue decreased by 42.7 percent to $11.4 million in FY 2015-16 as a result of a reduction in the surcharge used to fund the Division of Workers' Compensation (DOWC), as well as the Major Medical Insurance Fund and Subsequent Injury Fund. These funds were created to absorb costs for workers injured prior to 1981. Each year, the DOWC is required to perform a review to determine the funding needed to operate its programs.

The category called Other Miscellaneous Cash Funds in Table 6 includes revenue from over 300 cash funds that generally collect revenue from fines, fees, and interest earnings. However, approximately 75 percent of the revenue comes from the largest 30 funds. These larger funds include such things as the Employment Support Fund, Medicaid Nursing Facility Cash Fund, and the Marijuana Tax Cash Fund.

Total revenue to miscellaneous cash funds is expected to be $701.3 million in FY 2016-17, a decrease of 9.9 percent, after growth of 27.1 percent the prior year. The FY 2016-17 projection is $84.1 million higher than the June forecast, due mostly to larger-than-expected revenues received in the end-of-year adjustments for FY 2015-16. Revenue to these funds is expected to increase 6.8 percent in FY 2017-18.

The 27.1 percent growth in FY 2015-16 revenue was driven by two main factors. First, Ft. Lewis College and Western State Colorado University were disqualified as enterprises due to receiving more than 10 percent of their funding from the State, making the revenue they received in FY 2015-16, $43.1 million, subject to TABOR. Secondly, the shifting forward of revenue transferred from the Unclaimed Property Fund to the Adult Dental Fund caused the large increase in miscellaneous cash funds. The transfer that was slated to occur in FY 2016-17 was instead transferred in FY 2015-16, as per House Bill 16-1409, increasing FY 2015-16 revenue by $34.8 million and decreasing the revenue estimate in FY 2016-17 by the same amount. The shifting of this transfer from FY 2016-17, along with revenue to Ft. Lewis College and Western State Colorado University no longer being subject to TABOR due to these institutions regaining their enterprise status, are the main contributors to the projected decline in miscellaneous cash funds 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. Proposition AA taxes are transferred to the Marijuana Tax Cash Fund, local governments, and school construction.

Revenue from the retail marijuana sales tax in Proposition AA goes first to the General Fund ─ and is included under sales tax revenue in Table 3 in the Appendix ─ before 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.

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 and population growth. Revenue collected above the TABOR limit must be returned to taxpayers unless voters decide the State can retain the revenue.

In November 2005, voters approved Referendum C, which allowed the State to retain all revenue through FY 2009-10 during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 7 found in the Appendix) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 7) for each subsequent year.

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.

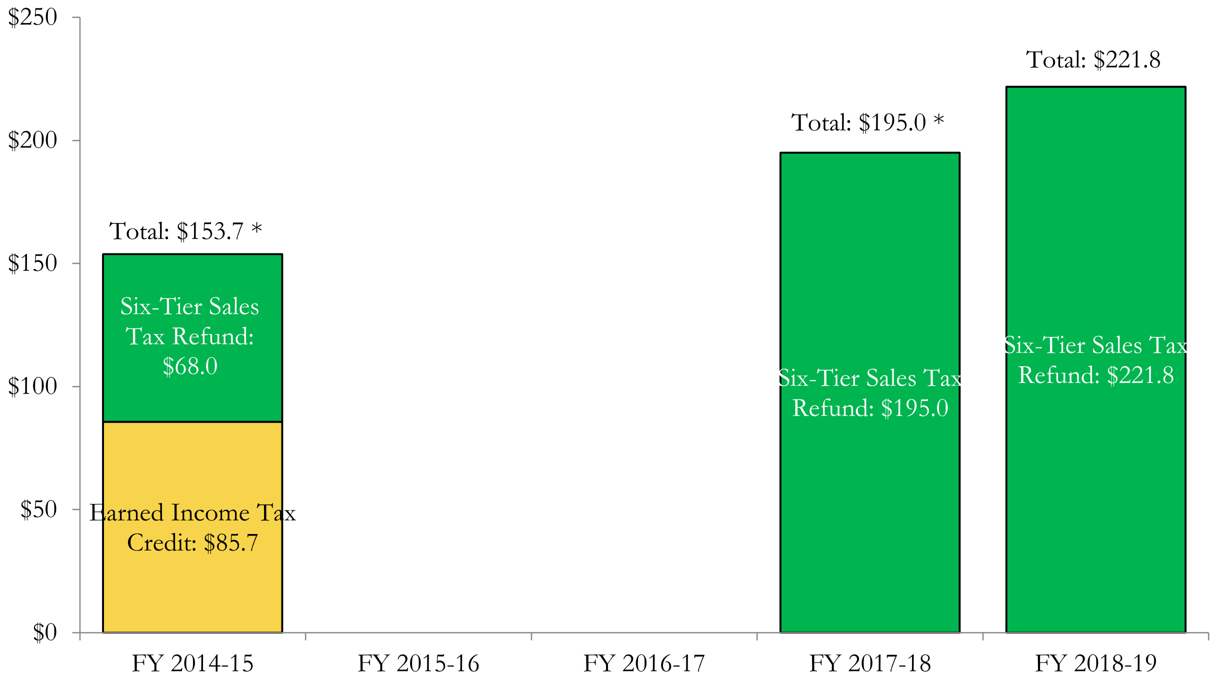
This following information is based on the certification of TABOR revenue for FY 2015-16 released by the Office of the State Controller on September 1, 2016. However, on September 15, 2016, the State Controller released a recertification of FY 2015-16 TABOR revenue. This change reduced the amount of cash fund revenue subject to TABOR in FY 2015-16 by $23.2 million. Because of the timing of the recertification, there was inadequate time to incorporate it into this document.

TABOR refunds occurred for FY 2014-15 and are projected again for fiscal years 2017-18 and 2018-19 – TABOR revenue exceeded the Referendum C cap by $169.7 million in FY 2014-15. Of this amount, $153.7 million is being refunded to taxpayers via their 2015 tax returns, which includes $3.6 million in pending amounts from prior years. The remaining $19.6 million of the $169.7 million in revenue above the FY 2014-15 cap from reclassifying the revenue transferred from the Unclaimed Property Fund to the Adult Dental Fund as subject to TABOR. This money helps fund dental services for adults under the Medicaid program. Initially, the money was not counted as TABOR revenue. However, the legal analysis and audit review on classification of this revenue occurred after refund amounts were established for state income tax forms. Such adjustments and audit findings have occurred in the past and the process calls for the money to be refunded in the next year a refund is due, which, according to this forecast, is FY 2017-18, as discussed below.

In FY 2015-16, TABOR revenue came in $26.7 million below the cap and revenue is projected to be $158.8 million under the cap in FY 2016-17. TABOR revenue is expected to be above the cap by $175.4 million in FY 2017-18 and $221.8 million in FY 2018-19. The amount above the cap in FY 2017-18 includes a projected $37.3 million for transfers from the Unclaimed Property Fund to the Adult Dental Fund now subject to TABOR. The $34.8 million transfer slated for FY 2016-17 was shifted into FY 2015-16, as per House Bill 16-1409, increasing TABOR revenue for FY 2015-16 and decreasing TABOR revenue in FY 2016-17.

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 (EITC) to qualified taxpayers, and a temporary income tax rate reduction. The refund amount determines which refund mechanisms are used. Figure 42 shows the anticipated refund that will be distributed through each mechanism according to the revenue projections in this forecast and the statutorily defined refund mechanisms.

Figure 42. Projected Distribution of TABOR Refunds, $ in Millions



* The FY 2014-15 amount includes $150.1 million in revenue initially calculated above the Referendum C cap in FY 2014-15, as well as $3.6 million in pending amounts owed related to refunds from prior years. These pending 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 in previous years was less actual money than 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 FY 2017-18 amount includes $175.4 million in revenue above the Referendum C cap for FY 2017-18, as well as $19.6 million from FY 2014-15 due to the determination that revenue transferred from the Unclaimed Property Fund to the Adult Dental Fund is subject to TABOR. The legal analysis and audit review on this occurred after refund amounts were established for state income tax forms and therefore the additional refund amount for FY 2014-15 is to be refunded during the next year a refund is due which, according to this forecast, is FY 2017-18.

In FY 2014-15, the amount needed to be refunded exceeded the threshold that activates the state EITC, as specified by Section 39-22-123, C.R.S. Colorado taxpayers who qualify for the federal EITC can claim 10 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 household. However, based on actual tax returns received thus far, the amount of EITCs claimed is likely to be below this amount. The average EITC estimated to be claimed for the 2015 tax year by household income tier is shown in Figure 43.

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. After the use of the EITC as a refund mechanism for FY 2014-15, it becomes available to qualifying taxpayers as a regular income tax credit on an ongoing basis and will reduce revenue to the General Fund through a reduction in income tax liabilities and higher income tax refunds.

The remaining $68.0 million of the refund for FY 2014-15 is being distributed through the six-tier sales tax refund, as specified by Section 39-22-2002, C.R.S., when taxpayers file their state tax return for the 2015 tax year. 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. Figure 43 shows per-taxpayer refund estimates by income tier for the six-tier sales tax refund. Based on preliminary data on refunds claimed thus far from the Department of Revenue, the total amount of refunds claimed is likely to be lower than was projected. Any amount not refunded to taxpayers will be added to refunds the next year a refund is due which, according to this forecast, is FY 2017-18.

For FY 2017-18, the TABOR refund amount is expected to be $195.0 million, which includes the projected $175.4 million exceeding the Referendum C cap plus the $19.6 million that needs to be refunded from FY 2014-15. The $19.6 million from FY 2014-15 is due to the reclassification of the revenue transferred to the Adult Dental Fund from the Unclaimed Property Fund.

Revenue in excess of the cap in FY 2017-18 is not projected to meet the refund threshold to activate the temporary income tax rate reduction refund mechanism as specified by Section 39-22-627, C.R.S., and will therefore be refunded via the six-tier sales tax refund. The amount of the refund that can be claimed by each taxpayer will be calculated according to a statutory formula based on the taxpayer's adjusted gross income, as specified by Section 39-22-2002, C.R.S. Figure 43 shows per-taxpayer refund estimates by income tier for the six-tier sales tax refund.

In FY 2018-19, the projected TABOR refund amount of $221.8 million is also projected to be refunded through the six-tier sales tax refund mechanism. Figure 43 shows per-taxpayer refund estimates by income tier for the six-tier sales tax refund.

Figure 43. Projected Distribution of Refunds per Taxpayer by Fiscal Year

FY 2014-15 TABOR Refund per Taxpayer								
	Individual Returns				Joint Returns			
Adjusted Gross Income Tier	Earned Income Tax Credit*	Six-Tier Sales Tax	Income Tax Rate Cut	Total	Earned Income Tax Credit*	Six-Tier Sales Tax	Income Tax Rate Cut	Total
Up to $36,000	$234	$14	$0	$248	$234	$28	$0	$262
$36,001 - $77,000	$137	$19	$0	$156	$137	$38	$0	$175
$77,001 - $120,000	$0	$22	$0	$22	$0	$44	$0	$44
$120,001 - $163,000	$0	$24	$0	$24	$0	$48	$0	$48
$163,001 - $204,000	$0	$26	$0	$26	$0	$52	$0	$52
$204,001 and Up	$0	$44	$0	$44	$0	$88	$0	$88

*EITC applies per household, while the sales tax and income tax refunds are per return. Only households qualifying for the federal EITC will qualify for the state EITC and thus not all households in these income brackets will necessarily qualify. For tax years after 2015, the EITC will no longer be a TABOR refund mechanism and will become a permanent credit. The number of taxpayers and adjusted gross income tiers for FY 2014-15 are the Colorado Department of Revenue's projections.

No TABOR refund is required for FY 2015-16

No TABOR surplus is projected for FY 2016-17

FY 2017-18 TABOR Refund per Taxpayer						
	Individual Returns			Joint Returns		
	Six-Tier Sales Tax	Income Tax Rate Cut	Total	Six-Tier Sales Tax	Income Tax Rate Cut	Total
Adjusted Gross Income Tier						
Up to $39,000	$38	$0	$38	$76	$0	$76
$39,001 - $83,000	$52	$0	$52	$104	$0	$104
$83,001 - $129,000	$61	$0	$61	$122	$0	$122
$129,001 - $175,000	$67	$0	$67	$134	$0	$134
$175,001 - $219,000	$70	$0	$70	$140	$0	$140
$219,001 and Up	$119	$0	$119	$238	$0	$238

FY 2018-19 TABOR Refund per Taxpayer						
	Individual Returns			Joint Returns		
	Six-Tier Sales Tax	Income Tax Rate Cut	Total	Six-Tier Sales Tax	Income Tax Rate Cut	Total
Adjusted Gross Income Tier						
Up to $40,000	$42	$0	$42	$84	$0	$84
$40,001 - $85,000	$58	$0	$58	$116	$0	$116
$85,001 - $132,000	$68	$0	$68	$136	$0	$136
$132,001 - $179,000	$75	$0	$75	$150	$0	$150
$179,001 - $224,000	$78	$0	$78	$156	$0	$156
$224,001 and Up	$133	$0	$133	$266	$0	$266

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 (HUTF) and the Capital Construction Fund (CCF) for five years starting in FY 2015-16. For fiscal years 2017-18 through 2019-20, the 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.

Pursuant to House Bill 16-1416, the dollar amount of the transfers to the HUTF and CCF are at fixed amounts in FY 2015-16 and FY 2016-17 regardless of the level of any TABOR refund. The transfer amount to the HUTF was equal to $199.2 million in FY 2015-16 and will be $158.0 million in FY 2016-17. The transfer amounts to the CCF were $49.8 million in FY 2015-16 and will be $52.7 million in FY 2016-17.

According to current projections, transfers to the HUTF and CCF will be reduced by half in FY 2017-18 and FY 2018-19 because the TABOR refunds are expected to be 1.8 percent and 1.9 percent of total General Fund revenue, respectively. The SB 228 transfers to the HUTF are projected to be $109.3 million in FY 2017-18 and $115.2 million in FY 2018-19; SB 228 transfers to the CCF are projected to be $54.7 million in FY 2017-18 and $57.6 million in FY 2018-19.

Governor's Revenue Estimating Advisory Committee

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- 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

Appendix – Reference Tables

Table 1. History and Forecast for Key Colorado Economic Variables
Calendar Year 2010-2018

Line No.		Actual						September 2016 Forecast		
		2010	2011	2012	2013	2014	2015	2016	2017	2018
	Income									
1	Personal Income (Billions) /A	$211.4	$227.1	$240.9	$246.4	$261.7	$275.1	$288.5	$303.5	$319.0
2	Change	2.4%	7.4%	6.1%	2.3%	6.2%	5.1%	4.9%	5.2%	5.1%
3	Wage and Salary Income (Billions)	$113.8	$118.6	$125.0	$129.5	$138.7	$146.4	$154.3	$162.8	$171.6
4	Change	1.3%	4.2%	5.4%	3.6%	7.1%	5.6%	5.4%	5.5%	5.4%
5	Per-Capita Income ($/person) /A	$41,877	$44,349	$46,402	$46,746	$48,869	$50,409	$51,939	$53,681	$55,477
6	Change	0.9%	5.9%	4.6%	0.7%	4.5%	3.2%	3.0%	3.4%	3.3%
	Population & Employment									
7	Population (Thousands)	5,048.6	5,119.7	5,191.7	5,272.1	5,355.9	5,456.6	5,555.3	5,654.6	5,750.6
8	Change	1.5%	1.4%	1.4%	1.5%	1.6%	1.9%	1.8%	1.8%	1.7%
9	Net Migration (Thousands)	37.5	36.0	39.8	47.9	50.8	69.3	67.0	67.0	63.0
10	Unemployment Rate	8.7%	8.4%	7.9%	6.8%	5.0%	3.9%	3.6%	4.1%	4.0%
11	Total Nonagricultural Employment (Thousands) /B	2,222.3	2,258.6	2,313.0	2,381.9	2,464.9	2,540.2	2,599.6	2,662.0	2,723.3
12	Change	-1.0%	1.6%	2.4%	3.0%	3.5%	3.1%	2.3%	2.4%	2.3%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	11.8	13.8	23.4	27.3	29.2	31.1	37.4	41.8	43.1
14	Change	25.9%	17.4%	69.0%	16.8%	7.0%	6.4%	20.2%	11.8%	3.2%
15	Nonresidential Construction Value (Millions) /C	$3,146.7	$3,923.2	$3,695.3	$3,624.0	$4,315.2	$4,781.0	$4,833.6	$4,955.2	$5,169.9
16	Change	-6.2%	24.7%	-5.8%	-1.9%	19.1%	10.8%	1.1%	2.5%	4.3%
	Prices & Sales Variables									
17	Retail Trade (Billions) /D	$70.5	$75.9	$80.2	$84.1	$90.5	$95.0	$99.1	$104.2	$109.4
18	Change	6.0%	7.7%	5.7%	4.8%	7.6%	4.9%	4.3%	5.2%	5.0%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	212.4	220.3	224.6	230.8	237.2	240.0	246.5	252.9	258.4
20	Change	1.9%	3.7%	1.9%	2.8%	2.8%	1.2%	2.7%	2.6%	2.2%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Includes OSPB estimates of forthcoming revisions to jobs data that are currently not published. The jobs figures will be benchmarked based on Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than was estimated based on a survey of employers.

/C 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, highways, bridges and utilities).

/D Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods/books/music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants). E-commerce retail trade and other sales by a retailer that does not have a state sales tax account are not included in these figures.

Table 2. History and Forecast for Key National Economic Variables
Calendar Year 2010 – 2018

Line No.		Actual						September 2016 Forecast		
		2010	2011	2012	2013	2014	2015	2016	2017	2018
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$14,783.8	$15,020.6	$15,354.6	$15,612.2	$15,982.3	$16,397.2	$16,643.2	$17,009.3	$17,349.5
2	Change	2.5%	1.6%	2.2%	1.7%	2.4%	2.6%	1.5%	2.2%	2.0%
3	Personal Income (Billions) /B	$12,477.1	$13,254.5	$13,915.1	$14,073.7	$14,809.7	$15,458.5	$15,937.6	$16,682.5	$17,583.4
4	Change	3.2%	6.2%	5.0%	1.1%	5.2%	4.4%	3.1%	4.7%	5.4%
5	Per-Capita Income ($/person)	$40,334	$42,521	$44,301	$44,477	$46,439	$48,095	$49,208	$51,122	$53,482
6	Change	2.4%	5.4%	4.2%	0.4%	4.4%	3.6%	2.3%	3.9%	4.6%
7	Wage and Salary Income (Billions) /B	$6,378	$6,633	$6,930	$7,116.7	$7,476.3	$7,854.8	$8,129.7	$8,568.7	$9,022.9
8	Change	2.0%	4.0%	4.5%	2.7%	5.1%	5.1%	3.5%	5.4%	5.3%
	Population & Employment									
9	Population (Millions)	309.3	311.7	314.1	316.4	318.9	321.4	323.9	326.3	328.8
10	Change	0.8%	0.8%	0.8%	0.7%	0.8%	0.8%	0.8%	0.8%	0.7%
11	Unemployment Rate	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.8%	4.6%	4.6%
12	Total Nonagricultural Employment (Millions)	130.4	131.9	134.2	136.4	139.0	141.9	144.3	146.1	147.5
13	Change	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%	1.7%	1.2%	1.0%
	Price Variables									
14	Consumer Price Index (1982-84=100)	218.1	224.9	229.6	233.0	236.7	237.0	240.1	245.2	249.9
15	Change	1.6%	3.2%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	1.9%
16	Producer Price Index - All Commodities (1982=100)	184.7	201.0	202.2	203.4	205.3	190.4	185.4	191.0	195.7
17	Change	6.8%	8.8%	0.6%	0.6%	0.9%	-7.3%	-2.6%	3.0%	2.5%
	Other Key Indicators									
18	Corporate Profits (Billions)	1,746.4	$1,816.6	$1,998.2	$2,032.9	$2,152.1	$2,088.1	$2,058.3	$2,112.8	$2,197.3
19	Change	25.0%	4.0%	10.0%	1.7%	5.9%	-3.1%	-1.4%	2.6%	4.0%
20	Housing Permits (Millions)	0.605	0.624	0.830	0.991	1.052	1.183	1.220	1.491	1.590
21	Change	3.7%	3.2%	32.9%	19.4%	6.2%	12.4%	3.2%	22.2%	6.6%
22	Retail Trade (Billions)	$4,285.8	$4,597.6	$4,826.4	$5,001.2	$5,211.5	$5,327.4	$5,480.0	$5,743.0	$6,001.4
23	Change	5.4%	7.3%	5.0%	3.6%	4.2%	2.2%	2.9%	4.8%	4.5%

/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 2015-16	% Chg	September 2016 Estimate by Fiscal Year FY 2016-17	% Chg	FY 2017-18	% Chg	FY 2018-19	% Chg
	Excise Taxes:								
1	Sales	$2,652.6	1.3%	$2,818.3	6.2%	$2,938.7	4.3%	$3,065.3	4.3%
2	Use	$241.2	-7.3%	$248.2	2.9%	$267.0	7.5%	$283.0	6.0%
3	Cigarette	$37.2	-1.8%	$35.7	-4.1%	$34.8	-2.6%	$34.1	-2.0%
4	Tobacco Products	$21.1	18.5%	$20.6	-2.4%	$20.6	-0.1%	$21.1	2.7%
5	Liquor	$43.6	5.0%	$46.7	7.2%	$46.8	0.3%	$48.1	2.6%
6	**Total Excise**	**$2,995.7**	**0.6%**	**$3,169.5**	**5.8%**	**$3,307.9**	**4.4%**	**$3,451.6**	**4.3%**
	Income Taxes:								
7	Net Individual Income	$6,526.5	2.8%	$6,825.4	4.6%	$7,189.3	5.3%	$7,620.3	6.0%
8	Net Corporate Income	$652.3	-5.8%	$634.9	-2.7%	$676.6	6.6%	$717.6	6.1%
9	**Total Income**	**$7,178.8**	**1.9%**	**$7,460.3**	**3.9%**	**$7,865.8**	**5.4%**	**$8,337.8**	**6.0%**
10	*Less: State Education Fund Diversion*	*$522.6*	*0.5%*	*$544.6*	*4.2%*	*$580.5*	*6.6%*	*$617.0*	*6.3%*
11	**Total Income to General Fund**	**$6,656.2**	**2.0%**	**$6,915.7**	**3.9%**	**$7,285.3**	**5.3%**	**$7,720.8**	**6.0%**
	Other Revenue:								
12	Insurance	$277.5	8.1%	$289.8	4.5%	$298.7	3.0%	$306.9	2.7%
13	Interest Income	$12.4	40.3%	$14.2	14.0%	$14.9	5.2%	$15.8	5.6%
14	Pari-Mutuel	$0.6	0.6%	$0.6	-3.2%	$0.6	-2.0%	$0.6	-2.0%
15	Court Receipts	$3.5	34.5%	$2.9	-15.2%	$2.8	-3.4%	$2.7	-3.5%
16	Other Income	$22.5	-33.8%	$20.4	-9.2%	$21.5	5.3%	$22.8	6.2%
17	**Total Other**	**$316.5**	**4.5%**	**$328.0**	**3.6%**	**$338.5**	**3.2%**	**$348.8**	**3.0%**
18	**GROSS GENERAL FUND**	**$9,968.4**	**1.7%**	**$10,413.2**	**4.5%**	**$10,931.7**	**5.0%**	**$11,521.2**	**5.4%**

Table 4. General Fund Overview under Current Law /A
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2015-16	September 2016 Estimate by Fiscal Year		
			FY 2016-17	FY 2017-18	FY 2018-19
Revenue					
1	**Beginning Reserve**	**$709.2**	**$473.4**	**$408.3**	**$642.1**
2	**Gross General Fund Revenue**	**$9,968.4**	**$10,413.2**	**$10,931.7**	**$11,521.2**
3	*Transfers to the General Fund*	*$24.1*	*$46.0*	*$18.6*	*$20.4*
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$10,701.8**	**$10,932.6**	**$11,358.6**	**$12,183.7**
Expenditures					
5	**Appropriation Subject to Limit**	**$9,335.6**	**$9,813.3**	**$9,930.2**	**$10,675.9**
6	*Dollar Change (from prior year)*	$466.6	$477.7	$116.9	$745.7
7	*Percent Change (from prior year)*	5.3%	5.1%	1.2%	7.5%
8	**Spending Outside Limit**	**$892.8**	**$711.0**	**$786.2**	**$817.3**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	*$0.0*	*$0.0*	*$195.0*	*$221.8*
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*	$281.2	$296.8	$309.4	$322.3
12	*Transfers for Capital Construction*	$271.1	$84.5	$68.3	$57.6
13	*Transfers to Highway Users Tax Fund*	$199.2	$158.0	$109.3	$115.2
14	*Transfers to State Education Fund under SB 13-234*	$25.3	$25.3	$25.3	$25.0
15	*Transfers to Other Funds*	$173.9	$146.4	$78.9	$75.3
16	*Other Expenditures Exempt from General Fund Appropriations Limit*	$0.0	$0.0	$0.0	$0.0
17	**TOTAL GENERAL FUND OBLIGATIONS**	**$10,228.4**	**$10,524.3**	**$10,716.5**	**$11,493.2**
18	*Percent Change (from prior year)*	5.9%	2.9%	1.8%	7.2%
19	Reversions and Accounting Adjustments	$0.0	$0.0	$0.0	$0.0
Reserves					
20	**Year-End General Fund Balance**	**$473.4**	**$408.3**	**$642.1**	**$690.6**
21	*Year-End General Fund as a % of Appropriations*	5.1%	4.2%	6.5%	6.5%
22	*General Fund Statutory Reserve*	$463.9	$634.9	$642.1	$690.6
23	*Above (Below) Statutory Reserve*	$9.5	-$226.5	$0.0	$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 45 for information on the figures in this table.

Table 5. General Fund and State Education Fund Overview under Current Law /A
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2015-16	September 2016 Estimate by Fiscal Year FY 2016-17	FY 2017-18	FY 2018-19
Revenue					
1	**Beginning Reserves**	**$1,393.2**	**$775.8**	**$512.2**	**$743.4**
2	*State Education Fund*	$684.0	$302.4	$103.8	$101.3
3	*General Fund*	$709.2	$473.4	$408.3	$642.1
4	**Gross State Education Fund Revenue**	**$554.4**	**$575.6**	**$611.9**	**$648.4**
5	**Gross General Fund Revenue /B**	**$9,992.6**	**$10,459.2**	**$10,950.3**	**$11,541.6**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$11,940.2**	**$11,810.6**	**$12,074.3**	**$12,933.4**
Expenditures					
7	General Fund Expenditures /C	$10,228.4	$10,524.3	$10,716.5	$11,493.2
8	State Education Fund Expenditures	*$944.4*	*$774.1*	*$614.5*	*$648.0*
9	**TOTAL OBLIGATIONS**	**$11,172.8**	**$11,298.4**	**$11,330.9**	**$12,141.1**
10	*Percent Change (from prior year)*	5.2%	1.1%	0.3%	7.2%
11	*Reversions and Accounting Adjustments*	*($8.3)*	*$0.0*	*$0.0*	*$0.0*
Reserves					
12	**Year-End Balance**	**$775.8**	**$512.2**	**$743.4**	**$792.2**
13	State Education Fund	$302.4	$103.8	$101.3	$101.7
14	General Fund	$473.4	$408.3	$642.1	$690.6
15	*General Fund Above (Below) Statutory Reserve*	$9.5	-$226.5	$0.0	$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 45 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 2015-16	September 2016 Estimate by Fiscal Year FY 2016-17	FY 2017-18	FY 2018-19
Transportation-Related /A	**$1,184.7**	**$1,201.9**	**$1,225.6**	**$1,248.0**
Change	1.7%	1.5%	2.0%	1.8%
Limited Gaming Fund /B	**$102.7**	**$105.9**	**$109.1**	**$112.4**
Change	3.4%	3.1%	3.0%	3.0%
Capital Construction - Interest	**$5.2**	**$4.7**	**$3.6**	**$3.1**
Change	-6.6%	-10.6%	-23.8%	-14.0%
Regulatory Agencies	**$68.8**	**$71.6**	**$73.4**	**$74.9**
Change	4.8%	4.1%	2.4%	2.1%
Insurance-Related	**$13.3**	**$14.0**	**$14.6**	**$15.3**
Change	-33.1%	4.9%	4.7%	4.7%
Severance Tax /C	**$18.9**	**$47.6**	**$169.8**	**$206.9**
Change	-93.3%	151.8%	256.5%	21.8%
Hospital Provider Fees	**$804.0**	**$656.8**	**$865.3**	**$859.7**
Change	52.0%	-18.3%	31.8%	-0.6%
Other Miscellaneous Cash Funds	**$796.0**	**$701.3**	**$748.9**	**$763.9**
Change	30.0%	-11.9%	6.8%	2.0%
TOTAL CASH FUND REVENUE	***$2,993.6***	***$2,803.8***	***$3,210.2***	***$3,284.1***
Change	7.8%	-6.3%	14.5%	2.3%

/A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to two State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in House Bill 09-1272.

/C Severance tax revenue for FY 2015-16 differs from the amount reported by the State Controller's office, as the figures in Table 6 incorporate the diversion of income tax revenue to pay for severance tax refunds under Senate Bill 16-218.

Table 7. TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2015-16	September 2016 Estimate by Fiscal Year FY 2016-17	FY 2017-18	FY 2018-19
	TABOR Revenues:				
1	General Fund /A	$9,894.2	$10,324.2	$10,849.8	$11,433.2
	Percent Change from Prior Year	1.4%	4.3%	5.1%	5.4%
2	Cash Funds /A	$3,009.8	$2,803.8	$3,210.2	$3,284.1
	Percent Change from Prior Year	8.4%	-6.8%	14.5%	2.3%
3	**Total TABOR Revenues**	**$12,904.0**	**$13,128.0**	**$14,060.0**	**$14,717.3**
	Percent Change from Prior Year	3.0%	1.7%	7.1%	4.7%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.6%	1.9%	1.8%	1.8%
5	Previous calendar year inflation	2.8%	1.2%	2.7%	2.6%
6	**Allowable TABOR Growth Rate**	4.4%	3.1%	4.5%	4.4%
7	TABOR Limit /B	$10,441.7	$10,720.6	$11,203.0	$11,695.9
8	General Fund Exempt Revenue Under Ref. C /C	$2,462.3	$2,407.4	$2,681.6	$3,021.4
9	**Revenue Cap Under Ref. C /B, /D**	**$12,930.7**	**$13,286.7**	**$13,884.6**	**$14,495.5**
10	***Amount Above/(Below) Cap***	**-$26.7**	**-$158.8**	**$175.4**	**$221.8**
11	TABOR Reserve Requirement	$387.1	$393.8	$416.5	$434.9

/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. Cash Funds amounts include the additional revenue related to the determination that the revenue transferred from the Unclaimed Property Fund to the Adult Dental Fund is subject to TABOR.

/B The TABOR limit and Referendum C cap are adjusted to account for changes in the enterprise status of various state entities.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" or the "Revenue Cap under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period.

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APPENDIX E

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 2016 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 CDOT or the State or any officer or employee of or advisor to CDOT or the State. See also "APPENDIX D—OSPB SEPTEMBER 2016 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 D—OSPB SEPTEMBER 2016 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
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	5.1	1.5	309.3	0.8
2011	5.1	1.4	311.7	0.8
2012	5.2	1.4	314.1	0.8
2013	5.3	1.5	316.5	0.8
2014	5.4	1.6	318.9	0.7
2015	5.4	1.7	321.5	0.8

Note: Figures for 2005 through 2014 are estimates. The U.S. 2015 count is an estimate, and the 2015 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, 2015		United States, 2014	
	Population (millions)	% of Total	Population (millions)	% of Total
Under 18	1.28	23.5%	73.58	23.1%
18 to 24	0.53	9.8	31.46	9.9
25 to 44	1.50	27.6	84.03	26.4
45 to 64	1.42	26.0	83.54	26.2
65+	0.71	13.1	46.24	14.5
Total	5.44	100.0%	318.86	100.0%
Median Age	36.9		37.7	

Note: Totals may not add due to rounding. The U.S. 2014 count is an estimate, and the Colorado 2015 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**
2011	$44,349	%	$39,862	%	$42,453	%
2012	46,402	4.6	41,754	4.7	44,266	4.3
2013	46,746	0.7	42,129	0.9	44,438	0.4
2014	48,869	4.5	43,787	3.9	46,049	3.6
2015	50,410	3.2	45,126	3.1	47,669	3.5

[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

					Annual Average Unemployment Rate	
	Colorado Civilian Labor Force (thousands)	**% Change**	**Colorado Total Employment (thousands)***	**% Change**	**Colorado**	**United States**
2011	2,736.1	%	2,507.3	%	8.4%	8.9%
2012	2,759.4	0.9	2,542.3	1.4	7.9	8.1
2013	2,780.5	0.8	2,590.7	1.9	6.8	7.4
2014	2,815.2	1.2	2,674.6	3.2	5.0	6.2
2015	2,828.5	0.5	2,718.7	1.6	3.9	5.3
Year-to-date averages through March:						
2015	2,815.9		2,683.6		4.7	5.8
2016	2,859.0	1.5	2,763.2	3.0	3.4	5.2

* 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

						Most Recent Quarter		
Industry	**2011**	**2012**	**2013**	**2014**	**2015**	**2014Q4**	**2015Q4**	**% Change**
Private Sector:								
Agriculture, Forestry, Fishing, and Hunting	14,015	14,513	14,348	14,935	15,624	14,600	15,217	4.2%
Mining	27,789	30,225	30,433	33,847	30,565	35,793	27,461	-23.3
Utilities	8,138	8,037	7,832	8,140	8,202	8,177	8,272	1.2
Construction	112,232	115,753	127,597	142,140	148,638	147,387	152,118	3.2
Manufacturing	129,165	131,978	132,691	136,216	140,831	138,528	141,837	2.4
Wholesale Trade	92,192	94,262	96,636	99,825	103,253	101,920	104,535	2.6
Retail Trade	239,985	243,699	249,235	254,942	263,104	262,906	271,962	3.4
Transportation and Warehousing	57,863	59,850	62,398	65,180	67,287	67,077	68,495	2.1
Information	71,950	69,733	69,817	70,001	70,599	69,976	70,815	1.2
Finance and Insurance	98,056	99,754	103,136	103,623	106,344	104,616	107,772	3.0
Real Estate and Rental and Leasing	41,194	41,895	42,849	44,497	46,944	45,573	47,935	5.2
Professional and Technical Services	172,096	178,313	188,984	196,684	204,586	201,097	207,453	3.2
Management of Companies and Enterprises	29,914	31,761	34,591	35,406	36,488	35,752	36,747	2.8
Administrative and Waste Services	137,331	145,383	148,745	154,121	157,385	158,222	159,617	0.9
Educational Services	30,145	31,494	31,997	32,965	33,847	33,352	34,922	4.7
Health Care and Social Assistance	239,967	246,951	250,654	261,428	275,183	267,586	280,808	4.9
Arts, Entertainment, and Recreation	45,564	46,704	47,166	48,978	50,707	46,008	48,335	5.1
Accommodation and Food Services	225,702	232,875	242,100	251,052	261,704	250,578	261,047	4.2
Other Services	66,134	67,988	69,554	72,443	75,157	73,627	75,796	2.9
Unclassified	492	745	1,388	2,783	1,478	1,884	1,031	-45.3
Government	373,154	374,628	383,637	388,566	396,853	394,195	402,134	2.0
Total*	2,213,075	2,266,539	2,335,786	2,417,769	2,494,778	2,458,854	2,524,308	2.7%

* Industry employment levels may not add to total due to rounding.
Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages

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The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2016. 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	26,500
The Kroger Co. (King Soopers/City Market)	Supermarkets	21,000
UCHealth[2]	Healthcare	16,000
Centura Health	Healthcare	13,200
HealthONE Corporation	Healthcare	12,000
SCL Health System	Healthcare	9,100
Lockheed Martin Corporation	Aerospace & Defense Related Systems	8,800
Comcast Corporation	Telecommunications	8,000
Home Depot	Building Materials Retailer	7,700
Kaiser Permanente	Health Maintenance Organization	7,000
Target Corporation	General Merchandise	6,900
Vail Resorts	Leisure & Hospitality	6,400
Children's Hospital Colorado	Healthcare	6,100
Wells Fargo	Banking/Financial Services	6,000
CenturyLink	Telecommunications	5,800
United Airlines	Airline	5,700
Safeway Inc.	Supermarkets	5,000
United Parcel Service	Delivery Services	4,800
Banner Health	Healthcare	4,800
JBS Swift & Company	Beef Processing/Corporate Office	4,600
FedEx Corp.	Transportation, E-commerce	4,300
Oracle	Software & Network Computer Systems	4,200
DISH Network	Satellite TV & Equipment	4,100
Xcel Energy	Utility	4,000
University of Denver	Private University	3,800

[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 2016

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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 2016:

Estimated Largest Public Sector Employers in Colorado

Employer	Estimated Employees[1]
State of Colorado	49,000
Federal Government (except USPS)	44,300
University of Colorado System[2]	19,600
Denver Public Schools	14,700
City & County of Denver	11,700
Jefferson County Public Schools	11,500
U.S. Postal Service	9,900
Douglas County School District RE-1	7,800
Cherry Creek School District No 5	7,200
Colorado State University	7,100
Denver Health	6,700
Aurora Public Schools	6,300
Adams 12 Five Star Schools	4,700
Boulder Valley School District RE-2	4,200
Poudre School District R-1	4,000
Colorado Springs School District 11	3,900
St. Vrain Valley School District RE-1J	3,800
City of Aurora	3,600
Academy Schools District No 20	3,300
Jefferson County	2,800
Mesa County Valley School District 51	2,800
Regional Transportation District (RTD)	2,700
El Paso County	2,400
Greeley 6 School District	2,400
Metropolitan State University of Denver	2,300

[1] Includes both full- and part-time employees.
[2] Some workers are also included in the employment count for UCHealth (previous table).
Source: Compiled by Development Research Partners from various sources, May 2016

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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**
2010	$199.62	%	$144.85	%
2011	216.16	8.3	155.05	7.0
2012	225.15	4.2	164.57	6.1
2013	240.36	6.8	172.78	5.0
2014	257.14	7.0	182.48	5.6
Year-to-Date Totals Through November:				
2014	210.54		158.99	
2015	210.27	-0.1	160.38	0.9

Source: Colorado Department of Revenue

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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 November		
Industry	**2010**	**% Change**	**2011**	**% Change**	**2012**	**% Change**	**2013**	**% Change**	**2014**	**% Change**	**2014**	**2015**	**% Change**
Agriculture/Forestry/Fishing	336.3	18.6%	411.7	22.4%	406.2	-1.3%	387.0	-4.7%	440.0	13.7%	313.0	370.9	18.5%
Mining	2,531.7	13.7	3,111.7	22.9	3,815.6	22.6	4,611.8	20.9	5,571.7	20.8	5,011.8	3,456.1	-31.0
Utilities	10,370.1	54.6	7,353.2	-29.1	7,332.9	-0.3	7,635.7	4.1	7,927.4	3.8	7,062.9	6,839.5	-3.2
Construction	2,756.3	-1.8	2,829.3	2.6	3,396.0	20.0	3,531.5	4.0	4,178.9	18.3	3,624.1	4,022.2	11.0
Manufacturing	10,423.9	13.1	15,909.3	52.6	18,192.1	14.3	18,747.5	3.1	19,655.0	4.8	16,131.3	13,789.4	-14.5
Wholesale Trade	12,422.0	4.5	13,084.9	5.3	14,012.4	7.1	15,041.3	7.3	15,153.6	0.7	12,361.0	11,937.3	-3.4
Retail Trade:													
Motor Vehicle and Auto Parts	11,293.5	10.1	12,986.8	15.0	14,435.4	11.2	15,667.7	8.5	17,448.0	11.4	15,926.2	17,372.5	9.1
Furniture and Furnishings	1,900.9	0.4	2,049.0	7.8	2,265.5	10.6	2,461.8	8.7	2,656.9	7.9	2,384.4	2,600.3	9.1
Electronics and Appliances	2,118.6	6.8	2,224.2	5.0	2,077.8	-6.6	1,998.6	-3.8	2,260.2	13.1	1,935.2	2,051.7	6.0
Bolding Materials/Nurseries	4,388.6	4.5	4,515.0	2.9	4,824.6	6.9	5,298.3	9.8	5,923.6	11.8	5,462.3	5,896.0	7.9
Food/Beverage Stores	13,363.7	6.4	14,433.2	8.0	15,298.5	6.0	15,729.9	2.8	15,963.1	1.5	14,549.5	14,577.3	0.2
Health and Personal Care	2,529.7	7.6	2,712.1	7.2	2,886.9	6.4	3,166.1	9.7	3,724.3	17.6	3,198.3	3,777.8	18.1
Gas Stations	4,693.2	17.3	5,778.1	23.1	6,011.1	4.0	5,869.2	-2.4	5,701.8	-2.9	5,325.2	4,563.4	-14.3
Clothing and Accessories	3,118.0	7.8	3,337.4	7.0	3,510.2	5.2	3,559.2	1.4	3,734.6	4.9	3,212.2	3,277.7	2.0
Sporting/Hobby/Books/Music	2,487.1	5.0	2,680.6	7.8	2,674.0	-0.2	2,767.7	3.5	2,919.4	5.5	2,470.3	2,544.6	3.0
General Merchandise/Warehouse	11,091.0	1.1	11,722.3	5.7	12,185.7	4.0	12,408.3	1.8	12,850.1	3.6	11,397.9	11,595.5	1.7
Misc. Store Retailers	2,448.6	11.1	2,938.6	20.0	3,147.8	7.1	3,752.3	19.2	4,629.9	23.4	3,894.3	4,378.8	12.4
Non-Store Retailers	2,337.7	-16.3	1,550.2	-33.7	1,456.0	-6.1	1,584.7	8.8	1,692.0	6.8	1,407.5	1,359.6	-3.4
Total Retail Trade	61,770.7	5.6%	66,927.5	8.3%	70,773.7	5.7%	74,263.5	4.9%	79,503.9	7.1%	71,163.2	73,995.4	4.0%
Transportation/Warehouse	528.9	-9.7	593.1	12.1	710.2	19.7	828.4	16.6	980.8	18.4	816.3	768.5	-5.9
Information	6,889.0	-2.2	6,321.8	-8.2	6,242.2	-1.3	5,789.3	-7.3	5,447.6	-5.9	4,836.4	4,802.1	-0.7
Finance/Insurance	3,207.3	12.7	3,085.9	-3.8	3,130.7	1.5	2,493.2	-20.4	1,689.9	-32.2	1,393.0	2,388.2	71.4
Real Estate/Rental/Lease	2,916.5	0.5	3,154.3	8.2	3,240.7	2.7	3,561.7	9.9	4,168.7	17.0	3,750.5	3,951.9	5.4
Professional/Scientific/Technical	6,553.9	8.2	6,768.8	3.3	6,818.2	0.7	7,474.7	9.6	7,049.0	-5.7	5,192.5	5,304.8	2.2
Admin/Support/Waste/Remediation	1,823.3	1.6	1,882.7	3.3	1,866.1	-0.9	2,044.5	9.6	2,070.2	1.3	1,766.9	1,884.7	6.7
Education	480.0	13.8	487.1	1.5	490.8	0.8	478.1	-2.6	481.2	0.7	407.2	401.5	-1.4
Health Care/Social Assistance	6,000.4	4.5	6,222.6	3.7	6,318.5	1.5	6,827.2	8.1	7,226.5	5.8	6,388.7	6,105.9	-4.4
Arts/Entertainment/Recreation	955.8	5.8	987.2	3.3	1,036.6	5.0	1,104.4	6.5	1,169.3	5.9	1,015.8	1,162.8	14.5
Accommodation	2,719.2	5.9	3,014.9	10.9	3,199.2	6.1	3,375.6	5.5	3,748.1	11.0	3,430.6	3,711.6	8.2
Food/Drinking Services	8,333.8	4.5	8,876.4	6.5	9,474.1	6.7	9,976.8	5.3	10,855.0	8.8	9,871.1	10,559.5	7.0
Other Services	3,565.9	2.7	3,763.6	5.5	3,867.8	2.8	4,359.0	12.7	4,907.6	12.6	4,220.8	4,691.7	11.2
Government	262.4	8.2	268.2	2.2	244.5	-8.8	252.6	3.3	254.8	0.9	228.6	237.3	3.8
Total All Industries	144,847.3	8.0%	155,054.2	7.0%	164,568.4	6.1%	172,784.0	5.0%	182,479.4	5.6%	158,985.8	160,381.3	0.9%

Source: Colorado Department of Revenue

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Tourism

The following table provides visitor counts for the State's national parks and major recreation areas, Denver area convention attendance figures, and visitor counts for Colorado ski areas:

Colorado Tourism Statistics Conventions[1]

	National Parks Visits[2]		Conventions		Delegates		Spending		Skier Visits[3]	
	Number (millions)	% Change	Number	% Change	Number (thousands)	% Change	Amount (millions)	% Change	Number (millions)	% Change
2011	5.82	%	82	%	283.2	%	$564.2	%	12.28	%
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
2015	7.08	17.3	73	-3.9	236.8	18.1	546.6	-5.2	12.55	-0.4

[1] Includes only those conventions booked by VISIT DENVER and held at the Colorado Convention Center.
[2] Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.
[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
2011	8,723	266	127	4,386	13,502	%
2012	12,617	304	97	10,283	23,301	72.6
2013	15,772	408	148	11,189	27,517	18.1
2014	17,104	532	146	10,916	28,698	4.3
2015	20,025	334	287	11,225	31,871	11.1
Year-to-Date Totals Through March:						
2015	4,010	144	55	1,894	6,103	
2016	4,798	38	65	2,286	7,187	
% change	19.7%	-73.6%	18.2%	20.7%	17.8%	

Source: U.S. Census Bureau

Residential Foreclosures

The following table provides a five-year history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

Foreclosure Filings and Sales in Colorado

	Foreclosure Filings*	% Change	Foreclosure Sales at Auction	% Change
2011	31,975	%	19,617	%
2012	28,579	-10.6	15,903	-18.9
2013	15,333	-46.3	9,318	-41.4
2014	11,243	-26.7	5,989	-35.7
2015	8,241	-26.7	4,209	-29.7

* Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.
Source: Colorado Division of Housing

APPENDIX F

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, 2015 (the "PERA 2015 CAFR"). The PERA 2015 CAFR was prepared by PERA staff employees and the firm of Cavanaugh Macdonald Consulting, LLC, PERA's independent actuary, and audited by CliftonLarsonAllen LLP, PERA's independent public accounting firm. The valuations and other assessments of PERA constitute forward looking information as described in the preliminary notices in this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuations and assessments may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. Neither CDOT nor the State take any responsibility for the accuracy, validity or completeness of such information, valuations and assessments. The PERA 2015 CAFR is not incorporated in this Official Statement by reference or otherwise, and neither CDOT nor the State make any representations regarding the accuracy of the information in the PERA 2015 CAFR.

The information in the State's Fiscal Year 2014-15 CAFR regarding PERA is derived from PERA's Comprehensive Annual Financial Report for calendar year 2014 (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. See also "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68" in this appendix. However, the information in this Appendix and the State's Fiscal Year 2014-15 unaudited BFS is derived from the PERA 2015 CAFR.

General Description

Overview. The State of Colorado, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created PERA, which administers cost sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (generally for State employees) (the "State Division"), the School Division Trust Fund (for employees of school districts), the Local Government Division Trust Fund (for employees of numerous municipalities and other local governmental entities), the Judicial Division Trust Fund (for judges in the State) and the Denver Public Schools Division (for employees of Denver Public Schools) 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 2015 CAFR for a discussion of the membership in the State Division Plan and the State Division DC Plan, respectively. See also Management's Discussion and Analysis in the State's Fiscal Year 2014-15 CAFR and Notes 18, 19 and 20 to the financial statements in both such CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C 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 "STATE FINANCIAL INFORMATION—Pension and Post-Employment Benefits" in the body of this Official Statement and in this Appendix relates only to the State Division Plan.

The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

PERA. PERA is a legal entity created by statute in 1931 that is separate from the State as further described in Article 51 of Title 24, C.R.S. (the "PERA Act"). Management of PERA is vested in a 16 member Board of Trustees (the "PERA Board"). PERA has fiduciary responsibility for several separate divisions, including the State Division, the School Division, the Local Government Division, the Judicial Division and the Denver Public Schools Division. The State represents the majority, but not all, of the State Division employers and employees. Each Division operates as a separate legal trust. PERA also operates two cost-sharing, multiple-employer post-employment benefit plans through the Health Care Trust Fund and the Denver Public Schools Health Care Trust Fund that provide health care premium subsidies to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. PERA's financial statements, which include all of its Divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at 1(800)759-7372 or by visiting http://www.copera.org. The reference to PERA's website is included herein for informational purposes only, and information available on such website or in PERA's financial statements, or any other information provided by PERA, is not incorporated in this Official Statement by reference or otherwise, nor does the State make any representations regarding the accuracy of any such information.

Basic Provisions of the State Division Plan

Members of the State Division Plan who meet minimum age and service requirements are eligible to receive a monthly retirement benefit based on their employment and earnings history with the State. Calculation of retirement benefits, and eligibility requirements, differ depending on the employee's original hire date. In response to funding challenges, the General Assembly has enacted changes to State Division Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 18, 19 and 20 to the financial statements in the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C, the PERA 2015 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 2015 CAFR for various statistics regarding members, retirees, survivors and benefit payments for the State Division Plan.

Implementation by PERA of GASB 67

In 2012, GASB issued Statement No. 67, "Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25" ("GASB 67"), which establishes new standards for financial reporting and note disclosure by defined benefit pension plans administered through qualified trusts, and note disclosure requirements for defined contribution pension plans administered through qualified trusts. GASB 67 is effective for accounting periods beginning after June 15, 2013, and, accordingly, PERA implemented GASB 67 beginning with the PERA 2014 CAFR.

The objective of GASB 67 as stated therein is to improve financial reporting by state and local governmental pension plans. The requirements of GASB 67 are intended to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information. A related statement, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," applies to governmental employers and was implemented by the State in the State's Fiscal Year 2014-15 CAFR appended to this Official Statement as Appendix C. See "—Implementation of Changes in Pension Accounting Standards Applicable to the State—GASB 68" below.

GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. Implementation of GASB 67 requires the preparation of two actuarial valuations, one for funding purposes and one for accounting and financial disclosure purposes. The purpose of the funding valuation is to guide the PERA Board's actions necessary to ensure the long-term sustainability of PERA's trust funds. The funding valuation aids this action by allowing PERA to assess the sufficiency of the current statutory contribution rates and analyze the sufficiency of future contributions to meet current and future benefit obligations. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability across U.S. pension plans complying with this new reporting standard. To accomplish this, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed unfunded actuarial accrued liability[1], 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

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[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.

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, 2015, based on a set of actuarial methods and assumptions that by State law are the responsibility of the PERA Board. The valuations for the State Division Plan examine the assets of the Plan compared to actuarial liabilities, compare past and future trends and determine the net pension liability of the Plan. The actuarial valuation for funding purposes applies an asset valuation method that recognizes a four-year smoothed market value of assets for purposes of determining the UAAL, while the actuarial valuation for accounting and financial reporting purposes applies the fair value of assets (determined in conformity with GASB standards) to determine the net pension liability. See the Actuarial Section of the PERA 2015 CAFR for a discussion of other actuarial methods and assumptions used in the actuarial valuations of the State Division Plan.

The PERA 2015 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, and the next planned experience study is in 2016. 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 and the Required Supplementary Information to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C for a summary of the SRC percentages payable, and percentage amount of the SRC paid, by the State for the last three Fiscal Years, as well as total PERA plan contributions made by the State for each of the past ten Fiscal Years.

As required by statute, State employees contribute 8.0% (except for State Troopers and Colorado Bureau of Investigation officers, who contribute 10%) of their wages to the State Division Plan, although per SB 10-001, for Fiscal Years 2010-11 and 2011-12 the employee contribution percentage was increased to 10.5% of the employee's wages. The 2.5% increase in contribution percentage by employees offset a 2.5% reduction in the State contribution for those Fiscal Years. The employee contribution rates reverted to pre-Fiscal Year 2010-11 levels effective July 1, 2012, and the State returned to paying the 10.15% SRC.

The General Assembly enacted legislation in 2004, 2006 and 2010 to gradually increase employer contributions to the State Division Plan by authorizing the Amortization Equalization Disbursement, or

"AED," and the Supplemental Amortization Equalization Disbursement, or "SAED," in order to shorten the amount of time over which the unfunded liability of the Plan is amortized. Both the AED and the SAED are paid by the State as contributions to the State Division Plan as a percentage of employee wages, but the SAED payment comes from moneys that would otherwise have been used to provide market-based salary increases to employees. The AED applicable to the State Division Plan was effective as of January 1, 2006, and was initially payable at the rate of 0.5% of total covered payroll, with annual increases in the contribution rate through 2017. The AED rate applicable to the State Division Plan was 4.2% in 2015, is 4.6% in 2016 and will increase to 5.0% in 2017. The SAED applicable to the State Division Plan was effective as of January 1, 2008, and was also initially payable at the rate of 0.5% of total covered payroll, with annual increases in the contribution rate through 2017. The SAED rate applicable to the State Division Plan was 4.0% in 2015, is 4.5% in 2016 and will increase to 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 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C and Note 4 to the financial statements in the PERA 2015 CAFR for a further discussion of the AED and SAED.

Changes to the statutorily required contributions to the State Division Plan by the State and its employees, or to other provisions of the Plan, could be made by the General Assembly through future legislative action, which changes could impact the SRC, the funding status and/or the financial condition of the Plan as described herein. The State cannot predict if or when any such legislative changes might be enacted or the impact that any such changes, if enacted, might have on the State Division Plan or the State's funding obligations with respect to the Plan.

Because the State's annual contributions with respect to the State Division Plan are set by statute and funded in the State's annual budget, such contributions are not affected in the short term by changes in the actuarial valuation of Plan assets or the funded ratio of the Plan. Any changes in the SRC would require legislative action by the General Assembly. See also "—Funding Status of the State Division Plan" below.

While PERA has a pension funding policy as discussed in "—Change in PERA Funding Policy" hereafter, the State does not have a formal or established policy or procedure for managing its pension liability. PERA annually provides a briefing to State officials and members of the General Assembly as to the status of the State Division Plan and occasionally may pursue legislation pertaining to changes in contribution and/or benefit provisions in furtherance of PERA's funding policy. Legislative proposals to modify the contributions, benefits, eligibility and other provisions of the State Division Plan also are introduced in the General Assembly from time to time independent of a request therefor from PERA.

The SRC is paid from the State General Fund as well as from certain federal and cash funds and is typically paid from the same funding source as the employee's salary and other benefits. Although the rate of the SRC is set by statute, payment of the SRC nevertheless is subject to annual appropriation through the State budgeting process as described in "STATE FINANCIAL INFORMATION—Budget Process and Other Considerations" in the body of this Official Statement.

Actuarially Determined Contribution. As a result of the shift in financial disclosure requirements under GASB 67 from a funding-based approach to an accounting-based approach, the historical disclosure and use of the annual required contribution[4], or "ARC," as a funding benchmark by

[4] 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

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 2015 CAFR, is to: (a) define the overall funding benchmarks of PERA's defined benefit pension trust funds; (b) assess the adequacy of the contribution rates which are set by the General Assembly by comparing these rates to an ADC rate; and (c) define the annual actuarial metrics that will assist the PERA Board in assessing the sustainability of the plan. The results of these three items are intended to guide the PERA Board when considering whether to pursue or support proposed legislation pertaining to changes in plan contribution and/or benefit provisions. See "—Statutorily Required Contributions" above.

Historical ADC and State Contributions. The following table sets forth for each of the years 2006-2015 (a) the ADC for the State Division Plan, (b) the annual contribution deficiency and (c) the actual contribution as a percentage of covered employee payroll. The State annually contributes the full amount of the SRC to the State Division Plan; however, these amounts have been less than the applicable ARC or ADC. During this period the State has not made any contributions to the State Division Plan in excess of the SRC.

The ADC rates, as a percentage of pensionable payroll, used to determine the ADC amounts in Table 1 below are calculated as of December 31, two years prior to the end of the year in which the ADC amounts are reported. The following actuarial methods and assumptions (from the December 31, 2013, actuarial valuation) were used to determine contribution rates reported in the table for the year ended December 31, 2015: (a) the actuarial cost method is based on the entry age of participants; (b) the Plan's UAAL is amortized as a level percent of payroll, on an open basis, over a 30-year period; (c) 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; (d) price inflation is assumed to be 2.80%; (e) real wage growth is assumed to be 1.10%; (f) salary increases (including assumed wage inflation of 3.90%) are projected to range from 3.90% to 9.57%; (g) the long-term investment rate of return (net of pension plan investment expense, including price inflation) is assumed to be 7.50%; and (h) cost of living adjustments for pre 2007 hires are assumed to be 2.00% per year and cost of living adjustments for post -006 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 2015 CAFR.

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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.

Table I
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 Percentage of Covered Employee Payroll
2015	22.35%	$2,641,867	$11,400	$601,857	$484,005	$117,852	18.32%
2014	20.45	2,564,670	9,984	534,459	444,372	90,087	17.33
2013	20.01	2,474,965	–	495,241	393,218	102,023	15.89
2012	16.52	2,384,934	–	393,991	328,055	65,936	13.76
2011	13.63	2,393,791	–	326,274	277,122	49,152	11.58
2010	18.93	2,392,080	–	452,821	282,640	170,181	11.82
2009	17.91	2,384,137	–	426,999	293,234	133,765	12.30
2008	18.45	2,371,639	–	437,567	267,533	170,034	11.28
2007	17.23	2,236,518	–	385,352	231,909	153,443	10.37
2006	19.33	2,099,325	–	405,800	208,795	197,005	9.95

[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 2015 CAFR.
[3] The ADC contribution equals the sum of (a) the ADC rate times the covered employee payroll, plus (b) the AIR.
Source: PERA 2015 CAFR

The Management's Discussion and Analysis in the PERA 2015 CAFR states that, using the GASB standards as a guide 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 needed to meet the initial, layered, 30-year closed amortization period will be 22.31%, and using the funding policy approved by the PERA Board in March 2015 and the 2015 actuarial valuation based on a 7.5% investment rate of return and discount rate, the 2016 ADC for the State Division Fund needed to meet the layered, 30-year closed amortization period will be 22.71%.

For historical information regarding employer contributions based on the ARC, see PERA's Comprehensive Annual Financial Report for calendar year 2013 and Note 18B to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C.

Effective January 1, 2017, the PERA Board lowered the investment rate of return and discount rate from 7.5% to 7.25%, which will increase the State's pension liability in future years.

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 decreased following the negative effects of the global economic downturn that began in 2008, with a net investment return for the Plan of 1.5% in 2015. 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 2014-15 CAFR appended to this Official Statement as Appendix C, 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 2015 CAFR.

The PERA 2015 CAFR reports that at December 31, 2015, the actuarial value of assets of the State Division Plan was approximately \$13.9 billion and the AAL of the Plan was approximately \$24.1 billion, resulting in a UAAL of approximately \$10.2 billion and a funded ratio (i.e., the actuarial value of Plan assets divided by the AAL) of only 57.6%. This UAAL would amortize over a 44-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 2015 CAFR reports that at December 31, 2015, the UAAL of the Plan was approximately \$10.7 billion and the funded ratio was 55.6%.

Table 2 below sets forth for each of the years 2006-2015 the UAAL, the funded ratio and related information for the State Division Plan based on the actuarial value of Plan assets, and Table 3 below sets forth such information based on the market value of Plan assets.

The total pension liability for the State Division Plan was determined by actuarial valuations as of December 31, 2014, and accepted actuarial procedures were applied to roll forward the total pension liability to December 31, 2015. 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: (a) price inflation is assumed to be 3.90%; (b) real wage growth is assumed to be 1.10%; (c) salary increases (including assumed wage inflation of 3.90%) are projected to range from 3.90% to 9.57%; (d) 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 (e) 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 2015 CAFR.

Effective January 1, 2017, the PERA Board lowered the investment rate of return and discount rate from 7.5% to 7.25%, which will increase the State's pension liability in future years.

Table II
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*	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL As Percentage of Employer Payroll
2015	$13,882,820	$24,085,671	$10,202,851	57.6%	$2,641,867	386.2%
2014	13,523,488	23,408,321	9,884,833	57.8	2,564,670	385.4
2013	13,129,460	22,843,725	9,714,265	57.5	2,474,965	392.5
2012	12,538,675	21,191,495	8,652,820	59.2	2,384,934	362.8
2011	12,010,045	20,826,543	8,816,498	57.7	2,393,791	368.3
2010	12,791,946	20,356,176	7,564,230	62.8	2,392,080	316.2
2009	13,382,736	19,977,217	6,594,481	67.0	2,384,137	276.6
2008	13,914,371	20,498,668	6,584,297	67.9	2,371,369	277.7
2007	14,220,681	19,390,296	5,169,615	73.3	2,236,518	231.1
2006	13,327,290	18,246,010	4,918,720	73.0	2,099,325	234.3

* 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 2015 CAFR

Table III
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*	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL As Percentage of Employer Payroll
2015	$13,391,398	$24,085,671	$10,694,273	55.6%	$2,641,867	404.8%
2014	13,956,630	23,408,321	9,451,691	59.6	2,564,670	368.5
2013	13,935,754	22,843,725	8,907,971	61.0	2,474,965	359.9
2012	12,766,459	21,191,495	8,425,036	60.2	2,384,934	353.3
2011	12,001,770	20,826,543	8,824,773	57.6	2,393,791	368.7
2010	12,487,105	20,356,176	7,869,071	61.3	2,392,080	329.0
2009	11,611,758	19,977,217	8,365,459	58.1	2,384,137	350.9
2008	10,508,301	20,498,668	9,990,367	51.3	2,371,369	421.3
2007	14,852,029	19,390,296	4,538,267	76.6	2,236,518	202.9
2006	14,041,260	18,264,010	4,222,750	76.9	2,099,325	201.1

* 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 2015 CAFR.
Source: PERA Comprehensive Annual Financial Reports for calendar years 2006 through 2015

Since contribution rates to the State Division Plan are fixed by statute, unless changes are made to such rates or changes are made to Plan provisions to reduce benefit payments, improvements in the funding status of the State Division Plan are expected to come primarily from increases in investment returns on Plan assets or changes in the actuarial assumptions used to determine the value of Plan assets and the AAL. Changes to contribution rates or other Plan provisions, or the use of alternative Plan funding strategies, would require legislative action by the General Assembly, of which there can be no assurance.

Fiduciary Net Position of the State Division Plan

The Statement of Fiduciary Net Position of the State Division Plan as of December 31, 2015, is included in PERA's basic financial statements set forth in the Financial Section of the PERA 2015 CAFR. The following table sets forth for each of the years 2006-2015 the changes in fiduciary net position of the State Division Plan.

Table IV
Changes in Fiduciary Net Position
State Division
(Cash Basis; Dollar Amounts in Thousands)

	For the Year Ended December 31,									
	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Additions:										
Employer Contributions	$ 484,005	$ 444,372	$ 401,658	$ 335,073	$ 283,222	$ 287,624	$ 297,240	$ 270,353	$ 232,997	$ 208,795
Member Contributions	217,980	211,610	202,799	227,058	258,678	223,240	194,168	191,481	179,971	169,965
Purchased Service	26,946	22,446	22,241	16,358	11,277	12,496	8,830	13,315	8,259	39,480
Net Investment Income (loss)	210,337	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
Other	5,023	3,289	4,869	150	331	1	3	7	4	1
Total Additions	944,291	1,462,479	2,563,225	2,089,883	786,177	2,076,503	2,242,812	(3,270,687)	1,809,496	2,340,104
Deductions:										
Benefit Payments	1,417,862	1,352,293	1,295,780	1,231,922	1,174,707	1,122,435	1,071,725	999,279	925,761	849,229
Refunds	63,567	61,152	68,735	69,221	70,090	68,844	58,416	56,716	56,578	65,911
Disability Insurance Premiums	2,088	2,309	2,229	1,570	1,685	1,661	2,004	1,794	1,833	1,772
Administrative Expenses	10,779	10,067	9,780	8,568	8,685	8,942	8,729	8,639	6,963	7,889
Other	3,406	3,171	3,593	3,911	(4,546)	(726)	(1,519)	6,613	7,592	3,103
Total Deductions	1,497,702	1,428,992	1,380,117	1,315,192	1,250,621	1,201,156	1,139,355	1,073,041	998,727	927,904
Change in Fiduciary Net Position	(553,411)	33,487	1,183,108	774,691	(464,444)	875,347	1,103,457	(4,343,728)	810,769	1,412,200
Fiduciary Net Position Held at Beginning 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	12,629,060
Fiduciary Net Position Held at End of Year	$13,460,536	$14,013,947	$13,980,460	$12,797,352	$12,022,661	$12,487,105	$11,611,758	$10,508,301	$14,852,029	$14,041,260

Source: PERA 2015 CAFR

Net Pension Liability of the State Division Plan

As noted above, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed UAAL, and also requires disclosing the plan's net pension liability and ratio of fiduciary net position to total pension liability. The schedule of net pension liability presents multi-year trend information about whether the fiduciary net position is increasing or decreasing over time relative to total pension liability.

The following table sets forth for the years 2013-2015 (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 2015 CAFR includes a schedule showing the sources of the changes in net pension liability for 2014 and 2015 (information for 2013 is not available). See also "—Implementation of Changes in Pension Accounting Standards Applicable to the State—GASB 68" hereafter.

Table V
Net Pension Liability State Division[1]
(Dollar Amounts in Thousands)

	For the Year Ended December 31,		
	2015	**2014**	**2013**
Total Pension Liability[2]	$23,991,569	$23,420,461	$22,888,431
Plan Fiduciary Net Position	13,460,536	14,013,947	13,980,460
Net Pension Liability	10,531,033	9,406,514	8,907,971
Net Pension Liability As a Percentage of Total Pension Liability	56.11%	59.84%	61.08%
Covered Employee Payroll	$ 2,641,867	$ 2,564,670	$ 2,474,965
Net Pension Liability As a Percentage of Covered Employee Payroll	398.62%	366.77%	359.92%

[1] Information for years prior to 2013 is not available.
[2] The total pension liability for the State Division was determined by actuarial valuations as of December 31, 2014, and accepted actuarial procedures were applied to roll-forward the total pension liability to December 31, 2015. The actuarial valuations as of December 31, 2014, 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 2015 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:

(a) The aggregate amount of investment trust shares, corporate stocks, corporate bonds and convertible debentures cannot exceed 65% of the book value of the fund.

(b) Neither common nor preferred stock of a single corporation can exceed 5% of the book value of the fund.

(c) 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 2015 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

Implementation of Changes in Pension Accounting Standards Applicable to the State—GASB 68

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68") is a GASB pronouncement that is related to GASB 67 and applicable to governmental entities, such as the State, that provide their employees with pension benefits. GASB 68 is effective for fiscal years beginning after June 15, 2014, and accordingly has been implemented in the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C. 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, $9.9 billion as of December 31, 2014, and $10.2 billion as of December 31, 2015.

The State reported a liability in the State's Fiscal Year 2015-16 unaudited BFS of approximately \$10.3 billion (approximately \$10.1 billion for the State Division and \$0.2 billion for the Judicial Division) at June 30, 2016, for its proportionate share of the net pension liability, compared to a reported liability in the State's Fiscal Year 2014-15 CAFR of approximately \$9.1 billion (approximately \$9.0 billion for the State Division and \$0.1 billion for the Judicial Division) at June 30, 2015, for its proportionate share of the net pension liability. The amounts presented for each Division were determined as of the calendar year-end that occurred within the Fiscal Year. See also Note 18C to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C for a description of the methodology utilized to determine these amounts.

There is a difference between the net pension liability for the State reported by PERA and the State in their respective financial statements. The difference results from PERA's inclusion of employers in the State Division and the Judicial Division which are not included in the State's financial statement reporting entity. The PERA Board has statutory authority to assign employers to the State Division and Judicial Division that are not part of the State's financial statement reporting entity as defined by GASB Statement No. 14, as amended by GASB Statements No. 39 and 61. Examples of these employers in the State Division include Pinnacol Insurance, Fire and Police Pension Association and District Attorneys. Denver County Courts is the only Judicial Division employer that is not part of the State's financial statement reporting entity. The State includes in its financial statements a percentage of the net pension liability reported by PERA in its financial statements for each Division to determine the State's proportionate share in accordance with requirements of GASB 68. Additional information concerning the State's reporting entity can found in Note 3 to the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C, and additional information concerning the proportionate share calculation can be found in Note 18C of the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 unaudited BFS.

The State's proportionate share of the net pension liability at the end of Fiscal Years 2013-14 through 2015-16 in accordance with requirements of GASB 68 is set forth in the following table.

Table VI
State's (Primary Government's) Proportionate Share of the Net Pension Liability*
(Amounts in Thousands)

	Fiscal Year 2015-16		Fiscal Year 2014-15		Fiscal Year 2013-14	
	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division
State's Proportion of the Net Pension Liability (Asset)	95.71%	93.96%	95.85%	93.60%	95.86%	93.44%
State's Proportionate Share of Net Pension Liability (Asset)	\$10,079,249	\$172,828	\$9,015,773	\$129,500	\$8,539,181	\$102,756
State's Covered-Employee Payroll	\$2,717,027	\$51,896	\$2,530,865	\$50,596	\$2,476,598	\$46,957
State's Proportionate Share of the Net Pension Liability (Assets) As a Percentage of Its Covered-Employee Payroll	370.97%	333.03%	356.23%	255.95%	344.79%	218.83%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	127.82%	150.82%	148.98%	201.98%	156.94%	252.48%

* The amounts presented for each Fiscal Year were determined as of the calendar year-end that occurred within the Fiscal Year and were calculated as described in Note 18C to the Financial Statements and Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2014-15 CAFR and the State's Fiscal Year 2015-16 Unaudited BFS appended to this Official Statement.

Sources: State Fiscal Year 2014-15 CAFR and State Fiscal Year 2015-16 unaudited BFS

A ten year history of the State's contribution to PERA for the State and Judicial Divisions is also included in Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2015-16 unaudited BFS appended to this Official Statement as Appendix C. See also "Overall Financial Position and Results of Operations” in the Management’s Discussion and Analysis in the State’s Fiscal Year 2014-15 CAFR appended to this Official Statement as Appendix C, as well as the introduction to Notes 1-7 and Notes 18-20 to the Financial Statements in both such CAFR and the State’s Fiscal Year 2015-16 unaudited BFS.

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APPENDIX G

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "Disclosure Undertaking") is delivered by the State of Colorado, acting by and through the State Treasurer (the "State"), in connection with the execution and delivery of the captioned certificates of participation (the "Series 2016 Certificates") evidencing assignments of proportionate interests in the right to receive certain payments payable under the annually renewable State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement, dated as of December 29, 2016 (the "Lease"), entered by and between Zions Bank, a division of ZB, National Association, as Trustee under the State of Colorado Colorado Department of Transportation Headquarters Facilities Indenture of Trust, dated as of December 29, 2016 (the "Indenture"), as lessor, and the State of Colorado, acting by and through the Colorado Department of Transportation, as lessee. The Series 2016 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 2016 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 in "APPENDIX B – SELECTED STATE AND CDOT FINANCIAL INFORMATION" and "APPENDIX F – 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 2016 Certificates.

"Owner of the Series 2016 Certificates" means the registered owner of the Series 2016 Certificates, and so long as the Series 2016 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, 2016, and annually while the Series 2016 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 2016 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 2016 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 2016 Certificates, or other material events or events affecting the tax status of the Series 2016 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 2016 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 2016 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 2016 Certificates and shall extend to the earliest of: (a) the date all principal and interest on the Series 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 Certificates, and shall create no rights in any other person or entity

Date: December 29, 2016

STATE OF COLORADO,
acting by and through the State Treasurer

By:______________________________________
Jonathan Forbes, Deputy State Treasurer

APPENDIX H

FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

State of Colorado,
acting by and through the Colorado
Department of Transportation

Zions Bank, a division of ZB,
National Association, as Trustee

$70,000,000
State of Colorado
Colorado Department of Transportation
Headquarters Facilities Lease Purchase Agreement
Certificates of Participation
Series 2016

Ladies and Gentlemen:

We have been engaged by the State of Colorado, acting by and through the Colorado Department of Transportation (as so acting, "CDOT"), to act as special counsel in connection with the execution and delivery of the "State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2016" (the "Certificates"). The Certificates are being executed and delivered pursuant to the Colorado Highway Law, Part 2 of Article 1 of Title 43, Colorado Revised Statutes, as amended, including without limitation Sections 43-1-211 and 43-1-212, Colorado Revised Statutes, as amended, and the State of Colorado Colorado Department of Transportation Headquarters Facilities Indenture of Trust dated as of December 29, 2016 (the "Indenture") by Zions Bank, a division of ZB, National Association, as trustee thereunder (the "Trustee"). The Certificates evidence undivided interests in the right to certain payments by CDOT under the State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement dated as of December 29, 2016 (the "Lease") by and between the Trustee, as lessor, and CDOT, as lessee. Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

We have examined: the documents listed in the preceding paragraph; the State of Colorado Colorado Department of Transportation Headquarters Facilities Site Lease Agreement dated as of December 29, 2016 (the "Site Lease") by and between CDOT, as lessor, and the Trustee, as lessee; the Tax Compliance Certificate executed and delivered by the CDOT and the State Treasurer of the State of Colorado (the "State Treasurer") in connection with the execution and delivery of the Certificates; the Constitution and the laws of the State of Colorado; the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinions set forth herein; and the proceedings, certificates, documents, opinions and other papers delivered in connection with the execution and delivery of the Certificates. As to questions of fact material to our opinion, we have relied upon the representations and certifications set forth in the items examined, without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery by the Trustee and the enforceability against the Trustee of the Site Lease, the Lease, the Indenture and the Certificates, have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion delivered by the Attorney General of the State of Colorado in connection with the execution and delivery of the Certificates with respect to the authorization, execution and delivery of the Site Lease and the Lease, the enforceability of the Site Lease against CDOT (but not the enforceability of the Lease) and other matters, and have assumed that CDOT, the Trustee and other parties will comply with, and perform their obligations in accordance with, the Lease, the Indenture and the Site Lease.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. CDOT has the power to enter into and perform its obligations under the Lease.

2. The Lease has been duly authorized, executed and delivered by CDOT and is a legal, valid and binding obligation of CDOT enforceable against CDOT in accordance with its terms.

3. The Certificates evidence legal, valid and binding undivided interests in the right to certain payments, as provided in the Certificates and the Indenture, from the Base Rentals payable by CDOT under the Lease as provided in the Lease.

4. Under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rentals paid by CDOT which is designated and paid as interest, as provided in the Lease, and received by the Owners of the Certificates (the "Interest Portion"), is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence assume compliance by the State Treasurer and CDOT with certain covenants designed to satisfy the requirements of the Code that must be met subsequent to the delivery of the Certificates. Failure to comply with such covenants could cause such Interest Portion to be included in gross income for federal income tax purposes, retroactive to the date of execution and delivery of the Certificates. We express no opinion regarding other federal tax consequences arising with respect to the Certificates, and we express no opinion as to the effect of any termination of CDOT's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Certificates subsequent to such termination. We note, however, that the Interest Portion is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on certain corporations.

5. Under existing State of Colorado statutes, to the extent the Interest Portion is excluded from gross income for federal income tax purposes, such Interest Portion is excluded from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. We express no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of Colorado or any other state or jurisdiction, and we express no opinion as to the effect of any termination of CDOT's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for State of Colorado income tax purposes of any moneys received by the Owners of the Certificates subsequent to such termination.

The rights of the Owners of the Certificates and the enforceability of the Certificates and the Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise of judicial discretion, by the exercise by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

This opinion is limited to the matters specifically set forth herein and we offer no other opinion or advice as to any other aspect of the transaction generally described herein. In particular, but without limitation, we offer no opinion or advice as to: the enforceability of the Site Lease, the Lease, the Indenture or the Certificates against the Trustee; the enforceability of the Site Lease against CDOT; the creditworthiness or financial condition of CDOT, the State of Colorado, the Trustee or any other person; the accuracy or completeness of the statements made in connection with the offer and sale of the Certificates; or the ability of CDOT to use moneys from any particular source for the purpose of making payments under the Lease.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

This opinion is based solely on the Constitution and laws of the State of Colorado, the provisions of the Code and the regulations, rulings and judicial decisions relevant to the opinions set forth herein, the other items described in the second paragraph hereof and the assumptions set forth herein. The opinions set forth herein may be affected by changes in the items described in the second paragraph hereof and actions taken or omitted or events occurring after the date hereof. This opinion speaks only as of its date and our engagement with respect to the Certificates has concluded with the delivery of this opinion. We have no obligation to update this opinion or to inform any person about any changes in the items described in the second paragraph hereof, any actions taken or omitted or events occurring after the date hereof or any other matters that may come to our attention after the date hereof.

Respectfully submitted,

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APPENDIX I

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 CDOT 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, CDOT, the State or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the registered owners of the Series 2016 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 2016 Certificates, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2016 Certificates or (v) any other related matter.

DTC will act as securities depository for the Series 2016 Certificates. The Series 2016 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 certificate for each maturity of the Series 2016 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. CDOT 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 2016 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 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 2016 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 2016 Certificates except in the event that use of the book-entry system for the Series 2016 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2016 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 2016 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 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 2016 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Certificates, such as redemptions, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2016 Certificates may wish to ascertain that the nominee holding the Series 2016 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 2016 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 2016 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2016 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 CDOT 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 CDOT, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Series 2016 Certificates to Cede & Co., or to such other nominee as may be requested by an authorized representative of DTC, is the responsibility of CDOT 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 2016 Certificates at any time by giving reasonable notice to CDOT. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered to the appropriate registered owners of the Series 2016 Certificates.

CDOT 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 2016 Certificates. In that event, certificates will be printed and delivered to DTC.

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