

*In the opinion of Kutak Rock LLP, Bond Counsel to the State Treasurer, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, the portion of Base Rent which is designated and paid as interest on the Series 2020A Certificates is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel also is of the opinion that the portion of Base Rent which is designated and paid as interest on the Series 2020B Certificates is included in gross income for federal income tax purposes. Additionally, in the opinion of Bond Counsel, under existing Colorado statutes, the portion of Base Rent which is designated and paid as interest on the Series 2020 Certificates is exempt from State of Colorado tax. See "TAX MATTERS" herein.*



**\$68,670,000**  
**STATE OF COLORADO**  
**NATIONAL WESTERN CENTER**  
**LEASE PURCHASE FINANCING PROGRAM**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2020A (TAX-EXEMPT)**

**\$44,225,000**  
**STATE OF COLORADO**  
**NATIONAL WESTERN CENTER**  
**LEASE PURCHASE FINANCING PROGRAM**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2020B (FEDERALLY TAXABLE)**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside front cover**

The State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, Series 2020A (Tax-Exempt) (the "Series 2020A Certificates"), and the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, Series 2020B (Federally Taxable) (the "Series 2020B Certificates," and together with the Series 2020A Certificates, the "Series 2020 Certificates") will be executed and delivered pursuant to and secured by a State of Colorado National Western Center Lease Purchase Financing Program Master Trust Indenture, dated as of March 1, 2018 (the "Master Indenture"), and a State of Colorado National Western Center Lease Purchase Financing Program Series 2020 Supplemental Trust Indenture, to be dated as of October 1, 2020 (the "2020 Supplemental Indenture"), both by Zions Bancorporation, National Association (formerly known as ZB, National Association dba Zions Bank), as trustee (the "Trustee"). (The Master Indenture, as supplemented by the 2020 Supplemental Indenture and as further supplemented and amended from time to time, is referred to as the "Indenture"). The Series 2020 Certificates will be paid and secured, on parity with the Series 2018 Certificates and any additional series of certificates executed and delivered pursuant to the Indenture, and will evidence undivided interests in the right to receive certain revenues payable by the State of Colorado (the "State") under the annually renewable State of Colorado National Western Center Lease Purchase Financing Program Lease Purchase Agreement dated as of March 1, 2018, as amended (the "Lease"), by and between the Trustee, as lessor, and the State, acting by and through the Department of the Treasury, as lessee. *Capitalized terms not otherwise defined on this cover page have the meanings set forth in this Official Statement.*

Pursuant to the Lease Purchase Act, the State will pay Rent under the Lease, subject to the terms of the Lease, from moneys in the National Western Center Trust Fund (as created and defined in the Lease Purchase Act). In accordance with the Lease Purchase Act, the National Western Center Trust Fund will be funded from moneys transferred from the State's General Fund.

The proceeds of the Series 2020 Certificates will be used to (a) finance the construction of certain facilities for the Board of Governors of the Colorado State University System (the "Institution") at the National Western Center complex in Denver, Colorado; (b) pay capitalized interest on the Series 2020 Certificates and the Series 2018 Certificates; and (c) pay the costs of execution and delivery of the Series 2020 Certificates and other expenses.

Interest on the Series 2020 Certificates, at the rates per annum set forth on the inside front cover of this Official Statement, will be payable semiannually each March 1 and September 1, commencing on March 1, 2021. Principal of the Series 2020 Certificates is payable in the amounts and on the dates shown on the inside front cover of this Official Statement. The Series 2020 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 2020 Certificates. Beneficial Ownership Interests in the Series 2020 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 2020 Certificates by the rules and operating procedures applicable to the DTC book-entry system as described herein.

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**Maturity Schedule on the Inside Front Cover**

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The Series 2020 Certificates are subject to redemption prior to maturity as described herein.

Upon the occurrence of an Event of Default or Event of Nonappropriation under the Lease, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property, subject to the terms of the Lease and the Indenture. The Leased Property will consist of the land and the buildings, structures and improvements now or hereafter located on such land that the Institution has deeded or leased to the Trustee pursuant to a Deed or Site Lease, the Trustee has leased to the State pursuant to the Lease and the State has subleased to the Institution pursuant to one or more Subleases.

Payment of Rent and all other payments by the State under the Lease shall constitute currently appropriated expenditures of the State and shall be paid solely from the National Western Center Trust Fund. All obligations of the State under the Lease shall be subject to the action of the Colorado General Assembly by annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Lease are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 20(4) of Article X of the State Constitution. In the event the State does not renew the Lease, the sole security available to the Trustee, as lessor under the Lease, shall be the Leased Property leased under the Lease, subject to the terms of the Lease.

The Series 2020 Certificates, the Series 2018 Certificates and any additional series of certificates executed and delivered pursuant to the Indenture (collectively, the "Certificates") evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, the Lease, any Sublease, any Deed, any Site Lease or any other document or instrument shall be construed or interpreted (a) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly for Rent for such Fiscal Year; (b) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI or Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (c) as a delegation of governmental powers by the State; (d) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the State Constitution; or (e) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

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

*The Series 2020 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 Bond Counsel to the State Treasurer, and certain other conditions. Kutak Rock LLP also has served as disclosure counsel to the State Treasurer in connection with this Official Statement. Certain legal matters will be passed upon for the State Treasurer by the Attorney General of the State. Certain legal matters will be passed upon for the Underwriters by their counsel, Kline Alvarado Veio, PC. North Slope Capital Advisors has acted as a municipal advisor to the State in connection with the offering and execution and delivery of the Series 2020 Certificates. The Series 2020 Certificates are expected to be delivered through the facilities of DTC on or about October 14, 2020.*

**Wells Fargo Securities**

**RBC Capital Markets**

**Stifel**

## MATURITY SCHEDULE

**\$68,670,000**  
**STATE OF COLORADO**  
**NATIONAL WESTERN CENTER**  
**LEASE PURCHASE FINANCING PROGRAM**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2020A (TAX-EXEMPT)**

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP Numbers<sup>1</sup></b>
2022	\$4,430,000	5.000%	0.290%	108.826	196711SR7
2023	4,660,000	5.000	0.300	113.469	196711SS5
2024	4,905,000	5.000	0.390	117.737	196711ST3
2025	5,155,000	5.000	0.490	121.723	196711SU0
2026	5,415,000	5.000	0.620	125.253	196711SV8
2027	5,690,000	5.000	0.780	128.216	196711SW6
2028	5,985,000	5.000	0.940	130.768	196711SX4
2029	6,290,000	5.000	1.110	132.809	196711SY2
2030	6,620,000	5.000	1.250	134.752	196711SZ9
2031	6,955,000	5.000	1.330	133.873 <sup>C</sup>	196711TA3
2032	7,310,000	5.000	1.420	132.892 <sup>C</sup>	196711TB1
2033	5,255,000	5.000	1.520	131.813 <sup>C</sup>	196711TC9

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**\$44,225,000**  
**STATE OF COLORADO**  
**NATIONAL WESTERN CENTER**  
**LEASE PURCHASE FINANCING PROGRAM**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2020B (FEDERALLY TAXABLE)**

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP Numbers<sup>1</sup></b>
2033	\$2,395,000	2.427%	100.000	196711TD7
2034	7,920,000	2.527	100.000	196711TE5
2035	8,125,000	2.627	100.000	196711TF2
2036	8,345,000	2.727	100.000	196711TG0

\$17,440,000 2.959% Term Certificates due September 1, 2038 - Price: 100.000; CUSIP No.<sup>1</sup> 196711TH8

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<sup>1</sup> Copyright 2020, 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 the State are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Series 2020A Certificates. None of the State, the State Treasurer or the Underwriters take responsibility for the accuracy of the CUSIP numbers.

<sup>C</sup> Priced to the par call date of September 1, 2030.

## **USE OF INFORMATION IN THIS OFFICIAL STATEMENT**

This Official Statement, which includes the cover page and the Appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Series 2020 Certificates in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2020 Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the State or the Underwriters.

The information set forth in this Official Statement has been obtained from the State, the Institution, the sources referenced throughout this Official Statement and other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the State. In accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2020 Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the State or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2020 Certificates. The Trustee does not have and does not assume any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents, except the information concerning and obtained from the Trustee for inclusion herein.

This Official Statement has been prepared only in connection with the original offering of the Series 2020 Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2020 Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the State, the Series 2020 Certificates and the terms of the offering, including the merits and risks involved. The Series 2020 Certificates have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

**THE PRICES AT WHICH THE SERIES 2020 CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS.**

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

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



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## **OFFICIAL STATEMENT**

### **Relating to**

**\$68,670,000**  
**STATE OF COLORADO**  
**NATIONAL WESTERN CENTER**  
**LEASE PURCHASE FINANCING PROGRAM**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2020A (TAX-EXEMPT)**

**\$44,225,000**  
**STATE OF COLORADO**  
**NATIONAL WESTERN CENTER**  
**LEASE PURCHASE FINANCING PROGRAM**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2020B (FEDERALLY TAXABLE)**

### **INTRODUCTION**

This Official Statement, including the cover page, inside front cover pages and appendices, provides information in connection with the delivery and sale of the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, Series 2020A (Tax-Exempt) (the “Series 2020A Certificates”), and the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, Series 2020B (Federally Taxable) (the “Series 2020B Certificates,” and together with the Series 2020A Certificates, the “Series 2020 Certificates”). The Series 2020 Certificates are being executed and delivered pursuant to and secured by a State of Colorado National Western Center Lease Purchase Financing Program Master Trust Indenture, dated as of March 1, 2018 (the “Master Indenture”), by Zions Bancorporation, National Association (formerly known as ZB, National Association dba Zions Bank), as trustee (the “Trustee”), and a State of Colorado National Western Center Lease Purchase Financing Program Series 2020 Supplemental Trust Indenture, to be dated as of October 1, 2020 (the “2020 Supplemental Indenture”), by the Trustee. The Master Indenture, as supplemented by the 2020 Supplemental Indenture and as further supplemented and amended from time to time, is referred to herein as the “Indenture.” The Series 2020 Certificates, the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, Series 2018A (Tax-Exempt) (the “Series 2018A Certificates”), the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, Series 2018B (Taxable) (the “Series 2018B Certificates,” and together with the Series 2018A Certificates, the “Series 2018 Certificates”) and any additional series of certificates executed and delivered pursuant to the Indenture (collectively, the “Certificates”) will be paid and secured on a parity and will evidence undivided interests in the right to receive certain revenues payable by the State of Colorado (the “State”) under the annually renewable State of Colorado National Western Center Lease Purchase Financing Program Lease Purchase Agreement, dated as of March 1, 2018 (the “Original Lease”), by and between the Trustee, as lessor, and the State, acting by and through the Department of the Treasury, as lessee, as amended by the State of Colorado National Western Center Lease Purchase Financing Program 2020 Amendment to Lease Purchase Agreement, to be dated as of October 1, 2020 (the “2020 Amendment to Lease”), by and between the Trustee, as lessor, and the State, acting by and through the Department of the Treasury, as lessee. The Original Lease, as amended by the 2020 Amendment to Lease and as further amended from time to time, is referred to herein as the “Lease.” As of September 15, 2020, the Series 2018 Certificates were outstanding in the aggregate principal amount of \$111,870,000. Capitalized terms used herein and not otherwise defined have the meanings assigned to them in “APPENDIX B-1—GLOSSARY.”

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. Each prospective investor should read this Official Statement in its entirety to obtain information essential to making an informed investment decision and should give particular attention to the section

entitled “CERTAIN RISK FACTORS.” The offering of Series 2020 Certificates to potential investors is made only by means of the entire Official Statement.

### **COVID-19 Pandemic**

The spread of a novel strain of coronavirus called COVID-19 is currently altering the behavior of businesses and people in a manner that is having significant negative effects on global, national, state and local economies. Specifically, COVID-19 has resulted in substantial reduction of revenues historically available to the State. **Investors should review information regarding the COVID-19 pandemic in “CERTAIN RISK FACTORS—Potential Impact of COVID-19 Pandemic,” and Appendices E and F. As discussed herein, COVID-19 is expected to materially adversely impact the finances of the State beginning in Fiscal Year 2020.** Unless, otherwise noted, historical, financial, economic and demographic data contained herein does not reflect the impact of COVID-19.

### **Authority for Delivery**

The Series 2020 Certificates are being executed and delivered pursuant to the Indenture and under authority granted by the laws of the State, including legislation enacted in the 2015 session of the Colorado General Assembly (the “General Assembly”). Pursuant to a portion of House Bill 15-1344 (codified in Sections 23-31-901 through 23-31-905, Colorado Revised Statutes, as amended) (collectively, the “Lease Purchase Act”), the General Assembly authorized the execution by the State Treasurer of one or more lease purchase agreements and related instruments with a maximum term of 20 years of principal and interest payments for the purpose of financing the construction of certain facilities for the Board of Governors of the Colorado State University System (the “Institution”) at the National Western Center in Denver, Colorado and affiliated facilities on the Institution’s campus in Fort Collins, Colorado (the “Approved Projects”), paying capitalized interest on the Certificates (including the Series 2020 Certificates) and paying the costs of execution and delivery of the Certificates (including the Series 2020 Certificates) and other expenses. Pursuant to the Lease Purchase Act, the maximum amount of the principal component of such lease purchase agreements shall not exceed \$250,000,000, plus reasonable and necessary administrative, monitoring, and closing costs and interest, including capitalized interest.

### **The Program**

The Series 2020 Certificates are being issued, and the Series 2018 Certificates were issued, pursuant to the Indenture and under authority granted by the Lease Purchase Act. The General Assembly established the National Western Center Lease Purchase Financing Program (the “Program”) in order to implement the Lease Purchase Act and the State Treasurer created the National Western Center Trust Fund to provide funding for Approved Projects. In accordance with the Lease Purchase Act, all Approved Projects to be financed by the Lease, including the Series 2020 Projects (as defined herein), have been included in the unified, Five-Year Capital Improvements Report prepared and transmitted by the Colorado Commission on Higher Education (“CCHE”) pursuant to Section 23-1-106, C.R.S., prioritized for funding by the Office of State Planning and Budgeting (“OSPB”) in its submission to the Capital Development Committee (“CDC”) made pursuant to Section 24-37-304 (1) (c.3) (I) (C), C.R.S., recommended for funding by the CDC pursuant to Section 2-3-1305, C.R.S., and included in the Governor’s Annual Executive Budget proposed to the General Assembly pursuant to Section 24-37-301, C.R.S. In accordance with the Lease Purchase Act, the State Treasurer entered into the Lease and, subject to annual appropriation, is required to transfer from the State General Fund to the National Western Center Trust Fund the lesser of \$20,000,000 or the amount due under the Lease during the fiscal year, and such moneys in the National Western Center Trust Fund are used to make payments under the Lease.

## **Annual Appropriation by the General Assembly; State General Fund**

The Certificates (including the Series 2020 Certificates) will be payable solely from amounts annually appropriated by the General Assembly to make payments under the Lease, as described in “—Sources of Payment for the Certificates” below. The Lease Purchase Act requires that, to the extent appropriated, such payments by the State will be made from the National Western Center Trust Fund established by the Lease Purchase Act. In accordance with the Lease Purchase Act, the State Treasurer will, subject to annual appropriation, transfer from the State General Fund to the National Western Center Trust Fund the lesser of \$20,000,000 or the amount due under the Lease during the fiscal year, and such moneys in the National Western Center Trust Fund will be used to make payments under the Lease.

**Investors should closely review the financial and other information included in this Official Statement regarding the State and the State General Fund to evaluate any risks of nonappropriation by the General Assembly. See “CERTAIN RISK FACTORS,” “STATE FINANCIAL INFORMATION” and Appendices A, E, F, G and H hereto. In particular, investors should review information regarding the COVID-19 pandemic in “CERTAIN RISK FACTORS—Potential Impact of COVID-19 Pandemic” and Appendices E and F. As discussed herein, COVID-19 is expected to materially adversely impact the finances of the State beginning in Fiscal Year 2020. Unless, otherwise noted, historical financial, economic and demographic data contained herein does not reflect the impact of COVID-19.**

## **Purpose of the Series 2020 Certificates**

The proceeds derived from the offering and sale of the Series 2020 Certificates will be used to (a) finance the costs of constructing, improving and equipping certain Approved Projects, including the Hydro Building, the Terra Building and the Vida Building at the National Western Center complex in Denver, Colorado (the “Series 2020 Projects”); (b) pay capitalized interest on the Series 2020 Certificates and the Series 2018 Certificates; and (c) pay the costs of execution and delivery of the Series 2020 Certificates and other expenses. See “PLAN OF FINANCE.”

## **Leased Property**

Pursuant to the State of Colorado National Western Center Lease Purchase Financing Program Site Lease, dated as of March 1, 2018 (the “Original Site Lease”), by and between the Institution, as site lessor, and the Trustee, as amended by the State of Colorado National Western Center Lease Purchase Financing Program 2020 Amendment to Site Lease, to be dated as of October 1, 2020 (the “2020 Amendment to Site Lease”), by and between the Institution, as site lessor and the Trustee, certain land owned by the Institution and the buildings, structures and improvements then or thereafter located on such land (collectively, the “Leased Property”) has been and will be leased to the Trustee. The Original Site Lease, as amended by the 2020 Amendment to Site Lease and as further amended from time to time, is referred to herein as the “Site Lease.” See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—The Leased Property” for a description of the Leased Property. The Leased Property in turn is being leased by the Trustee to the State, pursuant to the Lease, and the State is subleasing the Leased Property to the Institution under the State of Colorado National Western Center Lease Purchase Financing Program Sublease, dated as of March 1, 2018 (the “Original Sublease”), by and between the State, as sublessor, and the Institution, as sublessee, as amended by the State of Colorado National Western Center Lease Purchase Financing Program 2020 Amendment to Sublease, to be dated as of October 1, 2020 (the “2020 Amendment to Sublease”), by and between the State, as sublessor, and the Institution, as sublessee. The Original Sublease, as amended by the 2020 Amendment to Sublease and as further amended from time to time, is referred to herein as the “Sublease.” Any additional property added to the Leased Property pursuant to the Site Lease, the Lease and the Sublease will secure the holders of all of the Certificates, including holders of the Series

2020 Certificates. The State also may substitute other property for any portion of the Leased Property upon delivery to the Trustee of certain items as described in “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—The Leased Property—Substitution of Leased Property.” Upon any decision of the State not to appropriate and thereby terminate the Lease in a particular year, the State would relinquish its right to use all of the Leased Property or any portion thereof through the term of the Site Lease. In such event, the Institution will have the option to purchase all, but not less than all, of the Leased Property under the Sublease upon certain conditions as further described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—The Leased Property—Sublessee’s Purchase Option.”

### **Terms of the Series 2020 Certificates**

***Payments.*** The Series 2020 Certificates will be dated the date of delivery and bear interest from such date to maturity, payable semiannually on March 1 and September 1 of each year, commencing March 1, 2021 (each an “Interest Payment Date”). Interest on the Series 2020 Certificates will be calculated based on a 360-day year consisting of twelve 30-day months. The Series 2020 Certificates will mature in the amounts and on the dates as shown on the inside cover of this Official Statement. See “THE SERIES 2020 CERTIFICATES—Generally.” The Series 2020 Certificates will bear interest at the per annum rates shown on the inside cover of this Official Statement.

***Denominations.*** The Series 2020 Certificates are deliverable in authorized denominations of \$5,000 and integral multiples thereof; provided that no Series 2020 Certificate may be in a denomination which exceeds the principal coming due on any maturity date and no individual Series 2020 Certificate may be executed and delivered for more than one maturity.

***Redemption.*** The Series 2020 Certificates are subject to redemption prior to maturity, as described in “THE SERIES 2020 CERTIFICATES—Redemption of the Series 2020 Certificates.”

***Additional Certificates.*** The Master Indenture permits the execution and delivery of Certificates in addition to the Series 2020 Certificates and the Series 2018 Certificates secured by the Trust Estate on parity with the Series 2020 Certificates and the Series 2018 Certificates, without notice to or approval of the owners of the Outstanding Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. For a description of these conditions, see “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Additional Series of Certificates.” If any Certificates in addition to the Series 2020 Certificates and the Series 2018 Certificates are executed and delivered, the Lease must be amended to include any additional Leased Property, if any, as may be leased by the State in connection with the execution and delivery of such additional Certificates.

For a more complete description of the Series 2020 Certificates, the Lease, the Site Lease, the Sublease and the Indenture pursuant to which the Series 2020 Certificates are being executed and delivered, see “THE SERIES 2020 CERTIFICATES” and “APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE.”

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

The principal of and interest on the Certificates (including the Series 2020 Certificates) are payable solely from annually appropriated Base Rent, other Lease Revenues received by the Trustee pursuant to the Lease and other moneys in the Trust Estate in accordance with the terms of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.” The Lease provides that the obligation of the State to pay Base Rent and Additional Rent during the Lease Term will, subject only to the other terms of the Lease, be absolute and unconditional and will not be abated or offset for any reason related to the

Leased Property and that, notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State will, during the Lease Term, pay all Rent when due; the State will not withhold any Rent payable during the Lease Term pending final resolution of such dispute and will not assert any right of setoff or counterclaim against its obligation to pay Rent; provided, however, that the payment of any Rent will not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee will affect the State's obligation to pay Rent during the Lease Term. The Lease provides that an Event of Nonappropriation will be deemed to have occurred, subject to the State's right to cure described below:

(a) on June 30 of any Fiscal Year, commencing on June 30, 2021, if the General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year; or

(b) on June 30 of the Fiscal Year in which such event occurred or on June 30 of any subsequent Fiscal Year in which such insufficiency became apparent, as applicable, if:

(i) a Property Damage, Defect or Title Event has occurred;

(ii) the Net Proceeds received as a consequence of such event are not sufficient to repair, restore, modify, improve or replace the affected portion of the Leased Property in accordance with the Lease; and

(iii) the General Assembly has not appropriated amounts sufficient to proceed under the Lease or the State has not substituted property pursuant to the Lease by June 30 of the Fiscal Year in which such Property Damage, Defect, or Title Event occurred or by June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the affected portion of the Leased Property becomes apparent.

Notwithstanding the description of an Event of Nonappropriation in the preceding paragraph, an Event of Nonappropriation will not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (A) the General Assembly has appropriated amounts sufficient, or the State has substituted property in the manner required, to avoid an Event of Nonappropriation as described in the above paragraph; and (B) the State has paid all Rent due during the period from June 30 through the date of such appropriation or substitution.

If an Event of Nonappropriation has occurred, the Trustee may exercise any of the remedies described in "APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE—Remedies on Default," including the sale or lease of the Trustee's interest in the Leased Property, subject to the purchase option of the Institution under the Sublease. The Institution has the right under the Sublease to purchase all, but not less than all, of the Leased Property subject to the Sublease following the occurrence of an Event of Default or Event of Nonappropriation under the Lease, by paying an amount equal to the principal amount of the Attributable Certificates and interest thereon through the closing date for the purchase of such Leased Property. The net proceeds from the exercise of such remedies will be applied toward the payment of the Certificates (including the Series 2020 Certificates) under the Master Indenture. See "APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—MASTER INDENTURE—Use of Moneys Received From Exercise of Remedies." There can be no assurance that

such proceeds will be sufficient to pay all of the principal and interest due on the Certificates (including the Series 2020 Certificates).

The State has the option to terminate the Lease and release the Leased Property from the Indenture by paying the State's Purchase Option Price. See "APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE—State's Option To Purchase all Leased Property." The State also has the option to purchase a portion of the Leased Property affected by a Property Damage, Defect or Title Event and release that portion of the Leased Property from the Indenture by paying the State's Purchase Option Price with respect to such portion of the Leased Property. See "APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE—State's Option to Purchase Affected Leased Property Following Property Damage, Defect or Title Event." The State may also substitute other property for any portion of the Leased Property as described in "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—The Leased Property—Substitution of Leased Property."

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

### **Certain Risks to Owners of the Series 2020 Certificates**

Certain factors described in this Official Statement could affect the payment of Base Rent under the Lease, the values of the Leased Property and the market price of the Series 2020 Certificates to an extent that cannot be determined at this time. Each prospective investor should read this Official Statement in its entirety to make an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."

### **Availability of Continuing Information**

Upon delivery of the Series 2020 Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2020 Certificates, to file such ongoing information regarding the State as described in "CONTINUING DISCLOSURE" herein. A form of the Continuing Disclosure Undertaking is attached hereto as Appendix C.

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

This Official Statement contains economic and demographic information about the State prepared and compiled in June 2020 by Development Research Partners, Inc. for use by the State Treasurer. See "APPENDIX G—CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION." Development Research Partners, Inc. has consented to the inclusion of such information in this Official



Statement. As a direct result of the COVID-19 pandemic, the information in Appendix G, such as employment figures, has changed materially since the date of such information. See “CERTAIN RISK FACTORS—Potential Impacts of COVID-19 Pandemic.” Neither the State nor the Underwriters 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.

## Other Information

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

The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents (including the Lease Purchase Act) may be obtained during the offering period, upon request to the Underwriters at Wells Fargo Bank, National Association, 1700 Lincoln Street, 21<sup>st</sup> Floor, Denver, Colorado 80230, Attention: Ryan Poulsen, Vice President, Telephone: (303) 863-6008.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State or the Institution and the purchasers or holders of any of the Series 2020 Certificates.

## PLAN OF FINANCE

### General

The proceeds derived from the offering and sale of the Series 2020 Certificates will be used to (a) finance the costs of constructing, improving and equipping the Series 2020 Projects; (b) pay capitalized interest on the Series 2020 Certificates and the Series 2018 Certificates; and (c) pay the costs of execution and delivery of the Series 2020 Certificates and other expenses.

### Series 2020 Projects

Proceeds of the Series 2020 in the estimated amounts set forth in the table below, will be deposited to the Series 2020A Project Account and the Series 2020B Project Account, respectively, and used to pay a portion of the costs of constructing, improving and equipping the Series 2020 Projects. The Series 2020 Projects will consist of the Hydro Building, the Terra Building and the Vida Building, as further described below.

<u>Series 2020 Projects</u>	<u>Series 2020A Project Account</u>	<u>Series 2020B Project Account</u>
Hydro Building	\$ 6,160,000	\$ 2,640,000
Terra Building	33,950,000	14,550,000
Vida Building	<u>42,000,000</u>	<u>18,000,000</u>
Total	<u>\$82,110,000</u>	<u>\$35,190,000</u>

*Hydro Building.* The Institution’s Hydro Building (formerly referred to as the Water Resources Center) will be located at the National Western Center complex (the “NWC”) in Denver, Colorado (the “Hydro Building”). The Hydro Building will create a convening place for rural, urban, and global water and agricultural interests, taking advantage of a location near the South Platte River, in a unique urban context and partnerships within the Denver Metro area. The Institution’s involvement at the NWC is a critical component for continued growth in agricultural, water, health, energy, and environmental innovation, creating research and development opportunities, showcasing Colorado’s innovation economy on both the national and international stages, and creating public-private partnerships with major industries to advance science, technology, engineering and mathematics (STEM) disciplines. The Hydro Building will consist of approximately 122,424 gross square feet. A major partner in the project will be Denver Water, which will own and operate its Water Quality Compliance Laboratory as part of the project. The Hydro Building will host multi-disciplinary, year-round programs that draw tourists, K-20 students, water and food system professionals and researchers, conferences and community members. Construction of the Hydro Building is expected to begin in late 2020 and is expected to be completed in September 2022.

*Terra Building.* The Institution’s Terra Building (formerly referred to as the CSU Center) will be located at the NWC (the “Terra Building”). The Terra Building will further the mission of global impact at the NWC by providing K-20 education, interactive learning opportunities for families, and flexible conference and exhibit space. The facility will tie together research, outreach, and education. The Terra Building will not only provide opportunities for families, visitors, and tourists to engage with topics of global importance, but also be a driver of economic development via research, innovation, and collaboration with industries and institutions. The Terra Building will consist of approximately 61,124 gross square feet and will include a teaching kitchen, food laboratories, CSU Extension and Engagement offices, classrooms, K-12 educational spaces, controlled-environment agricultural research, soil and plant laboratories, and outdoor agriculture spaces, as well as gathering and event spaces. It will host educational offerings from field trips to cooking classes, and will be connected via a unique bridge over National Western Drive South to the Hydro Building. Construction of the Terra Building began in September 2020 and is expected to be completed in April 2022.

*Vida Building.* The Institution’s Vida Building (formerly known as the Animal Health Complex) will be located at the NWC (the “Vida Building”). The Vida Building will bring together university experts, veterinarians from around the region, clinical and therapeutic service providers, and non-profit organizations to create a space focused on various aspects of animal health, including the connection between people and animals. The facility will provide: a home for veterinarians to treat equine athletes; a space for equine assisted therapies and activities; a clinic for companion animal care; educational facilities that inspire visitors of all ages and showcase the connection between people and animals; and short-term living spaces to support student education and other visitors to the site. The Vida Building will consist of approximately 128,445 gross square feet and will include indoor and outdoor arenas, horse barns, clinical treatment space for small animals and horses, offices, classrooms and a mix of residential living spaces. The Dumb Friends League is a partner in the Vida Building. The Vida Building will be located on the main thoroughfare through the NWC, across from the Hydro Building. The design of the Vida Building has been completed and construction began during the summer of 2020, with completion expected in February 2022. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—the Leased Property—Description of the Leased Property—Vida Building” for additional information about the Vida Building.

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## Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2020 Certificates are set forth in the following table.

	Series 2020A Certificates	Series 2020B Certificates	Total
<b>Sources of Funds</b>			
Principal Amount	\$68,670,000.00	\$44,225,000.00	\$112,895,000.00
Original Issue Premium	<u>18,619,186.85</u>	<u>—</u>	<u>18,619,186.85</u>
<i>Total Sources of Funds</i>	<u>\$87,289,186.85</u>	<u>\$44,225,000.00</u>	<u>\$131,514,186.85</u>
<b>Uses of Funds</b>			
Deposit to Project Accounts	\$82,110,000.00	\$35,190,000.00	\$117,300,000.00
Deposit to Capitalized Interest Accounts <sup>1</sup>	4,740,137.50	8,749,981.64	13,490,119.14
Deposit to Costs of Issuance Accounts <sup>2</sup>	<u>439,049.35</u>	<u>285,018.36</u>	<u>724,067.71</u>
<i>Total Uses of Funds</i>	<u>\$87,289,186.85</u>	<u>\$44,225,000.00</u>	<u>\$131,514,186.85</u>

<sup>1</sup> Capitalized interest on the Series 2020 Certificates and the Series 2018 Certificates through March 1, 2022.

<sup>2</sup> Such amounts (other than the Underwriters' discount) will be deposited to the Series 2020A Costs of Issuance Account and Series 2020B Costs of Issuance Account of the Costs of Issuance Account within the Construction Fund and will be used to pay costs of execution and delivery including legal fees, rating agency fees, printing costs and municipal advisor's fees, and to pay items in the nature of those paid as Additional Rent under the Lease through June 30, 2021. For information concerning the Underwriters' discount, see "UNDERWRITING."

## THE SERIES 2020 CERTIFICATES

### Generally

General information describing the Series 2020 Certificates appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by reference to the Site Lease, the Lease, the Sublease, the Master Indenture, the 2020 Supplemental Indenture and the form of Series 2020 Certificates included in the 2020 Supplemental Indenture. See "APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE."

The Series 2020 Certificates will bear interest from the date of delivery, or from the last Interest Payment Date to which interest has been paid, at the rates (calculated on the basis of a 360-day year of twelve 30-day months), and will mature in the amounts and on the dates, set forth on the inside cover page of this Official Statement. Interest on the Series 2020 Certificates will be payable semiannually on each Interest Payment Date, being March 1 and September 1, commencing on March 1, 2021. The Series 2020 Certificates will be executed and delivered as fully registered certificates in the denomination of \$5,000 or any integral multiple thereof. Principal of the Series 2020 Certificates will be payable to the registered owner (initially, Cede & Co.) upon presentation and surrender of the Series 2020 Certificates to the Trustee in Denver, Colorado. Interest on the Series 2020 Certificates will be payable by the Trustee on or before each Interest Payment Date to the registered owner (initially, Cede & Co.) as of the Record Date. The "Record Date" for the Series 2020 Certificates will be the February 15 or August 15 (whether or not a Business Day) immediately prior to each Interest Payment Date. For so long as Cede & Co., nominee of DTC, is the registered owners of the Series 2020 Certificates, payments of principal and interest will be made as described in "—Book-Entry System" under this caption.

## Book-Entry System

DTC will act as securities depository for the Series 2020 Certificates. The Series 2020 Certificates will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be executed and delivered for each maturity of each Series of the Series 2020 Certificates bearing interest at the same rate, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX I—DTC BOOK-ENTRY SYSTEM."

## Redemption of the Series 2020 Certificates

***Optional Redemption of Series 2020 Certificates.*** The Series 2020A Certificates maturing on and after September 1, 2031 may be called for redemption in whole or in part, at the option of the State, and if in part in Authorized Denominations and from such maturities as the State determines and by lot within a maturity, at a redemption price equal to the principal amount of the Series 2020A Certificates, plus accrued interest to the redemption date (without any premium), on any date on and after September 1, 2030; provided that the Base Rent payable under the Lease following such redemption in part corresponds to the principal and interest payable on the Series 2020A Certificates Outstanding following such redemption in part.

The Series 2020B Certificates may be called for redemption in whole or in part, at the option of the State, and if in part in Authorized Denominations and from such maturities as the State determines and by lot within a maturity, at a redemption price equal to the principal amount of the Series 2020B Certificates, plus accrued interest to the redemption date (without any premium), on any date on and after September 1, 2030; provided that the Base Rent payable under the Lease following such redemption in part corresponds to the principal and interest payable on the Series 2020B Certificates Outstanding following such redemption in part.

***Mandatory Sinking Fund Redemption.*** The Series 2020B Certificates maturing on September 1, 2038 (the "Series 2020B Term Certificates") are subject to mandatory sinking fund redemption on September 1 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 2020B Term Certificates will be selected for redemption on each mandatory sinking fund redemption date by lot.

<b>Mandatory Sinking Fund Redemption Date (September 1)</b>	<b>Principal Amount</b>
2037	\$8,590,000
2038 <sup>1</sup>	8,850,000

<sup>1</sup> Maturity Date.

At its option, to be exercised on or before the forty-fifth day next preceding each mandatory sinking fund redemption date, the State may (i) purchase and cancel any Series 2020B Term Certificates; and (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for any Series 2020B 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 2020B Term Certificate so purchased and cancelled or previously redeemed will be credited at the principal amount thereof to the mandatory sinking fund redemption obligation on such mandatory sinking fund redemption dates, and the principal amount of Series 2020B

Term Certificates to be redeemed as part of such mandatory sinking fund redemption on such date will be accordingly reduced.

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

(a) The Series 2020 Certificates will be called for redemption in whole, at a redemption price determined pursuant to subparagraph (b) below, on any date, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease and the Termination of the Lease by the Trustee.

(b) The redemption price for any redemption pursuant to this Section will be the lesser of (i) the principal amount of the Series 2020 Certificates, plus accrued interest to the redemption date (without any premium); or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Lease with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under the Lease; and (B) the other amounts available in the Trust Estate for payment of the redemption price of the Series 2020 Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under the Lease, which amounts will be allocated among the Series 2020 Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under the Lease in proportion to the principal amount of each such Certificate. Notwithstanding any other provision hereof, the payment of the redemption price of any Certificate pursuant to this Section and any similar provision of any other Supplemental Indenture will be deemed to be the payment in full of such Certificate and no Owner of any Certificate redeemed pursuant to this Section or any similar provision of any other Supplemental Indenture will have any right to any payment from the Trustee or the State in excess of such redemption price.

(c) In addition to any other notice required to be given under the Indenture, the Trustee will, immediately upon obtaining knowledge of the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2020 Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under such Lease (i) that such event has occurred and (ii) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price set forth in clause (i) of subparagraph (b) above or any similar provision of any other Supplemental Indenture. If the funds then available to the Trustee are sufficient to pay the redemption price set forth in clause (i) of subparagraph (b) above, such redemption price will be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the redemption price set forth in clause (i) of subparagraph (b) above, the Trustee will (A) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Lease; and (B) subject to the applicable provisions of the Indenture, immediately begin to exercise and will diligently pursue all remedies available to it under the Lease in connection with such Event of Nonappropriation or Event of Default. See “APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE—Remedies on Default.” The remainder of the redemption price, if any, will be paid to the Owners of the Certificates subject to redemption if and when funds become available to the Trustee from the exercise of such remedies.

***Redemption of Series 2020 Certificates in Whole or in Part Upon Payment of Purchase Option Price Following a Property Damage, Defect or Title Event.*** The Series 2020 Certificates will be called for redemption, in whole or in part, and if in part in Authorized Denominations and from such Series and such maturities as the State will determine and by lot within a maturity of the same Series, at a redemption price equal to the principal amount of the Series 2020 Certificates, plus accrued interest to the redemption date (without any premium), on any date, in the event of, and from moneys received by the Trustee from, the exercise by the State of its option pursuant to the Lease to purchase the portion of the Leased Property that is affected by a Property Damage, Defect or Title Event when the costs of the repair, restoration, modification, improvement or replacement of such portion of the Leased Property are more than the Net Proceeds.

***Notice of Redemption.*** Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, will be given by the Trustee by mailing a copy of the redemption notice by United States first class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, will not affect the validity of any proceedings of any Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture will be conclusively presumed to have been duly given, whether or not the Owner receives the notice. If at the time of mailing of notice of redemption there will not have been deposited with the Trustee moneys sufficient to redeem all the Certificates called for redemption, which moneys are or will be available for redemption of Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice will be of no effect unless such moneys are so deposited.

***Redemption Payments.*** On or prior to the date fixed for redemption, the Trustee will apply funds to the payment of the Certificates called for redemption, together with accrued interest thereon to the redemption date. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to the Indenture (which, in the case of certain redemptions, may be less than the full principal amount of the Outstanding Certificates and accrued interest thereon to the redemption date), interest on the Certificates so called for redemption will no longer accrue after the date fixed for redemption. The Trustee will pay to the Owners of Certificates so redeemed the amounts due on their respective Certificates, at the operations center of the Trustee upon presentation and surrender of the Certificates.

### **State's Purchase Option Price**

***State's Option to Purchase All Leased Property.*** The State has been granted in the Lease the option to purchase all, but not less than all, of the Leased Property by paying to the Trustee the "State's Purchase Option Price"; provided that the State simultaneously purchases all Leased Property subject to the Lease. For purposes of a purchase of all the Leased Property as described in this paragraph, the "State's Purchase Option Price" is an amount sufficient (a) to pay all the Outstanding Certificates, to redeem all the Outstanding Certificates (subject to and in accordance with the applicable redemption provisions of the Indenture and only at the times and redemption prices otherwise applicable to the Certificates) or to defease all the Certificates in accordance with the defeasance provisions of the Indenture; and (b) to pay all Additional Rent payable through the date on which the Leased Property is conveyed to the State or its designee pursuant to the Indenture, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the Leased Property and the payment, redemption or defeasance of the Outstanding Certificates.

In order to exercise its option to purchase the Leased Property as described in the previous paragraph, the State must: (a) give written notice to the Trustee (i) stating that the State intends to purchase the Leased Property as described in the previous paragraph; (ii) identifying the source of funds it will use

to pay the State's 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 State's Purchase Option Price to the Trustee in immediately available funds on the closing date.

***State's Option to Purchase Affected Leased Property Following Property Damage, Defect or Title Event.*** The State has been granted in the Lease the option to purchase any portion of the Leased Property affected by a Property Damage, Defect or Title Event for which the costs of repair, restoration, modification, improvement or replacement are more than the Net Proceeds, by electing to pay to the Trustee the "State's Purchase Option Price," which, for purposes of a purchase of the affected portion of the Leased Property as described in this paragraph, is an amount sufficient (a) to pay all the Attributable Certificates (defined below in the following paragraph), to redeem all the Attributable Certificates in accordance with the applicable redemption provisions of the Indenture (which may be different or may not be permitted) or to defease all the Attributable Certificates in accordance with the defeasance provisions of the Indenture; and (b) to pay all Additional Rent payable through the date of conveyance of such portion of the Leased Property to the State or its designee as described in this paragraph, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of such portion of the Leased Property and the payment, redemption or defeasance of the Attributable Certificates. See "—Redemption of the Series 2020 Certificates" under this caption.

As used in the discussion under this caption, the term "Attributable Certificates" means (a) a principal amount of the Outstanding Certificates determined by multiplying the principal amount of all the Outstanding Certificates by a fraction, the numerator of which is the Fair Market Value of the portion of the Leased Property to be purchased before the occurrence of the Damage, Defect or Title Event and the denominator of which is the Fair Market Value of all the Leased Property; and (b) which principal amount will be allocated among the maturities of the Outstanding Certificates in proportion to the principal amount of each maturity of the Outstanding Certificates, rounded to the nearest \$5,000 in principal amount of each such maturity. The rounding pursuant to clause (b) of this definition will be accomplished in any reasonable manner selected by the State in its sole discretion.

In order to exercise its option to purchase the affected portion of the Leased Property as described under this caption, the State must: (a) give written notice to the Trustee prior to the end of the Scheduled Lease Term (i) stating that the State intends to purchase the affected portion of the Leased Property as described herein; (ii) identifying the affected portion of the Leased Property that will be purchased; (iii) identifying the source of funds it will use to pay the portion of the State's Purchase Option Price in excess of the Net Proceeds; and (iv) specifying a closing date for such purchase (which is at least 30 days and not more than 90 days after the delivery of such notice); and (b) pay the portion of the State's Purchase Option Price in excess of the Net Proceeds to the Trustee in immediately available funds on the closing date.

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## BASE RENTALS

The following table sets forth the State's Base Rent obligations (amounts rounded to the nearest dollar) after execution and delivery of the Series 2020 Certificates scheduled under the Lease with respect to the Leased Property (assuming that the State chooses not to terminate the Lease during the Lease Term, which it has an annual option to do), which also constitutes the payment schedule for the Series 2018 Certificates and the Series 2020 Certificates.

### Base Rent and Certificate Payment Schedule<sup>1,2</sup>

Base Rent Payment Date	Series 2018 Certificates <sup>3</sup>	Series 2020A Principal	Series 2020A Interest <sup>3</sup>	Series 2020B Principal	Series 2020B Interest <sup>3</sup>	Total Base Rent
March 1, 2021	\$ 2,405,124	—	\$ 1,306,638	—	\$ 462,499	\$ 4,174,261
September 1, 2021	12,265,124	—	1,716,750	—	607,663	14,589,537
March 1, 2022	2,261,908	—	1,716,750	—	607,663	4,586,321
September 1, 2022	6,326,908	\$ 4,430,000	1,716,750	—	607,663	13,081,321
March 1, 2023	2,201,807	—	1,606,000	—	607,663	4,415,470
September 1, 2023	6,391,807	4,660,000	1,606,000	—	607,663	13,265,470
March 1, 2024	2,136,715	—	1,489,500	—	607,663	4,233,878
September 1, 2024	6,496,715	4,905,000	1,489,500	—	607,663	13,498,878
March 1, 2025	2,027,715	—	1,366,875	—	607,663	4,002,253
September 1, 2025	6,612,715	5,155,000	1,366,875	—	607,663	13,742,253
March 1, 2026	1,913,090	—	1,238,000	—	607,663	3,758,753
September 1, 2026	6,733,090	5,415,000	1,238,000	—	607,663	13,993,753
March 1, 2027	1,792,590	—	1,102,625	—	607,663	3,502,878
September 1, 2027	6,862,590	5,690,000	1,102,625	—	607,663	14,262,878
March 1, 2028	1,665,840	—	960,375	—	607,663	3,233,878
September 1, 2028	6,995,840	5,985,000	960,375	—	607,663	14,548,878
March 1, 2029	1,532,590	—	810,750	—	607,663	2,951,003
September 1, 2029	7,137,590	6,290,000	810,750	—	607,663	14,846,003
March 1, 2030	1,392,465	—	653,500	—	607,663	2,653,628
September 1, 2030	7,277,465	6,620,000	653,500	—	607,663	15,158,628
March 1, 2031	1,245,340	—	488,000	—	607,663	2,341,003
September 1, 2031	7,435,340	6,955,000	488,000	—	607,663	15,486,003
March 1, 2032	1,090,590	—	314,125	—	607,663	2,012,378
September 1, 2032	7,600,590	7,310,000	314,125	—	607,663	15,832,378
March 1, 2033	927,840	—	131,375	—	607,663	1,666,878
September 1, 2033	7,747,840	5,255,000	131,375	\$ 2,395,000	607,663	16,136,878
March 1, 2034	780,666	—	—	—	578,600	1,359,266
September 1, 2034	7,885,666	—	—	7,920,000	578,600	16,384,266
March 1, 2035	636,897	—	—	—	478,531	1,115,428
September 1, 2035	8,036,897	—	—	8,125,000	478,531	16,640,428
March 1, 2036	487,158	—	—	—	371,809	858,967
September 1, 2036	8,192,158	—	—	8,345,000	371,809	16,908,967
March 1, 2037	331,247	—	—	—	258,025	589,272
September 1, 2037	8,351,247	—	—	8,590,000	258,025	17,199,272
March 1, 2038	168,962	—	—	—	130,936	299,898
September 1, 2038	<u>8,518,962</u>	<u>—</u>	<u>—</u>	<u>8,850,000</u>	<u>130,936</u>	<u>17,499,898</u>
Total <sup>4</sup>	<u>\$161,867,084</u>	<u>\$68,670,000</u>	<u>\$26,779,138</u>	<u>\$44,225,000</u>	<u>\$19,289,882</u>	<u>\$320,831,104</u>

<sup>1</sup> Payments will be made by the State to the Trustee three business days prior to each March 1 and September 1 Base Rent Payment Date.

<sup>2</sup> There will be credited against the amount of Base Rent otherwise payable under the Lease the amount on deposit in the Certificate Fund that is not restricted by the Indenture to the payment of the redemption price of Certificates or the costs of defeasing Certificates, including any Rent received by the State and delivered to the Trustee with directions to deposit it in the Certificate Fund.

<sup>3</sup> Includes the interest on the Series 2020 Certificates and the Series 2018 Certificates that will be paid with a portion of the proceeds of the Series 2020 Certificates through March 1, 2022.

<sup>4</sup> Totals may not sum due to rounding.



## **SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES**

### **Payments by the State**

Each Certificate evidences undivided interests in the right to receive Lease Revenues pursuant to the Lease, including: (a) the Base Rent; (b) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to the Lease); (c) any portion of the proceeds of Certificates deposited with or by the Trustee in the Certificate Fund to pay accrued or capitalized interest on the Certificates; (d) earnings on moneys on deposit in any fund, account or subaccount and all other revenues from the Lease, to the extent such earnings or revenues are deposited into a fund, account or subaccount that is part of the Trust Estate; and (e) any other moneys to which the Trustee may be entitled for the benefit of the Certificate Owners. All payment obligations of the State under the Lease, including but not limited to payment of Base Rent, are from year to year only and do not constitute a mandatory charge or requirement in any year beyond the State's then current Fiscal Year. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained in the Lease are the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse will be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing the 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.

Under the Lease Purchase Act, Base Rent and Additional Rent must be paid from the amounts on deposit in the National Western Center Trust Fund. To the extent appropriated by the General Assembly, the State Treasurer will transfer from the State General Fund to the National Western Center Trust Fund the lesser of \$20,000,000 or the amount due under the Lease during the Fiscal Year, and such moneys in the National Western Center Trust Fund will be used to make payments under the Lease. There is no obligation of the State to appropriate such State General Fund moneys, or to appropriate any other State moneys to be transferred to the National Western Center Trust Fund, for purposes of paying Base Rent or Additional Rent under the Lease. See "STATE FINANCIAL INFORMATION" and Appendices A, E, F, G and H hereto.

PAYMENT OF RENT AND ALL OTHER PAYMENTS BY THE STATE SHALL CONSTITUTE CURRENTLY APPROPRIATED EXPENDITURES OF THE STATE AND MAY BE PAID SOLELY FROM LEGALLY AVAILABLE MONEYS IN THE NATIONAL WESTERN CENTER TRUST FUND. ALL OBLIGATIONS OF THE STATE UNDER THE LEASE SHALL BE SUBJECT TO THE ACTION OF THE GENERAL ASSEMBLY IN ANNUALLY MAKING MONEYS AVAILABLE FOR PAYMENTS UNDER THE LEASE. THE OBLIGATIONS OF THE STATE TO PAY RENT AND ALL OTHER OBLIGATIONS OF THE STATE UNDER THE LEASE ARE SUBJECT TO APPROPRIATION BY THE GENERAL ASSEMBLY IN ITS SOLE DISCRETION, AND SHALL NOT BE DEEMED OR CONSTRUED AS CREATING AN INDEBTEDNESS OF THE STATE WITHIN THE MEANING OF ANY PROVISION OF THE STATE CONSTITUTION OR THE LAWS OF THE STATE CONCERNING OR LIMITING THE CREATION OF INDEBTEDNESS OF THE STATE AND SHALL NOT CONSTITUTE A MULTIPLE FISCAL YEAR DIRECT OR INDIRECT DEBT OR OTHER FINANCIAL OBLIGATION OF THE STATE WITHIN THE MEANING OF SECTION 3 OF ARTICLE XI OR SECTION 20(4) OF ARTICLE X OF THE STATE CONSTITUTION OR ANY OTHER LIMITATION OR PROVISION OF THE STATE CONSTITUTION, STATE STATUTES OR OTHER STATE LAW. IN THE EVENT THE STATE DOES NOT RENEW THE LEASE, THE SOLE SECURITY AVAILABLE TO THE TRUSTEE, AS LESSOR UNDER THE LEASE, SHALL BE THE

LEASED PROPERTY. THE STATE'S OBLIGATIONS UNDER THE LEASE SHALL BE SUBJECT TO THE STATE'S ANNUAL RIGHT TO TERMINATE THE LEASE UPON THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION. SEE "CERTAIN RISK FACTORS."

### **Lease Term**

The Lease Term with respect to payment of Rent solely from annual appropriations of the State from the National Western Center Trust Fund is comprised of the Initial Term (which commenced on March 22, 2018 and ended on June 30, 2018) and successive one year Renewal Terms, subject to expiration of the Lease Term in accordance with the Lease. The Lease Term of the Lease will expire upon the earliest of any of the following events: (a) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with the Lease; (b) June 30 of any Renewal Term during which an Event of Nonappropriation has occurred; (c) the purchase of all the Leased Property by the State pursuant to the Lease; or (d) termination of the Lease following an Event of Default in accordance the Lease.

Upon termination of the Lease Term, all unaccrued obligations of the State under the Lease will terminate, but all obligations of the State that have accrued thereunder prior to such termination will continue until they are discharged in full; and if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property thereunder will terminate and (a) the State will, within 90 days, vacate the Leased Property; and (b) if and to the extent the General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (a) above, the State will pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property as further described in "APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE—Remedies on Default."

### **Renewal of the Lease Term**

The State is not permitted to renew the Lease with respect to less than all of the Leased Property. Accordingly, a decision not to renew the Lease would mean the loss of the use by the State of all of the Leased Property. However, the Indenture and the Lease permit the State to purchase the Leased Property and thereby redeem or defease the Outstanding Certificates, as described in "THE SERIES 2020 CERTIFICATES—State's Purchase Option Price." The Institution, as Sublessee, also has the right to purchase all, but not less than all, of the Leased Property subject to the Sublease upon an Event of Nonappropriation or Event of Default under the Lease as described in "—The Leased Property—Sublessee's Purchase Option" under this caption and to substitute different property for certain of the Leased Property as described in "—The Leased Property—Substitution of Leased Property" under this caption.

Upon a nonrenewal of the Lease Term by reason of an Event of Nonappropriation or an Event of Default and so long as the State has not exercised its purchase option with respect to all the Leased Property, and the Institution has not exercised its purchase option of the Leased Property, the State and the Institution are required to vacate the Leased Property within 90 days. The Trustee may proceed to exercise any remedies available to the Trustee for the benefit of the Owners of the Certificates (including the Series 2020 Certificates) and may exercise any other remedies available upon default as provided in the Lease, including the sale of an assignment of the Trustee's interest under the Site Lease. See "CERTAIN RISK FACTORS," and "APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE,

## SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE— Remedies on Default.”

The Lease places certain limitations on the availability of money damages against the State or the Institution as a remedy. For example, the Lease provides that a judgment requiring a payment of money may be entered against the State or the Institution by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the Lease and only as to certain liabilities as described in the Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of the Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Lease and the Indenture), are required to be used to redeem the Certificates (including the Series 2020 Certificates), if and to the extent any such moneys are realized. See “CERTAIN RISK FACTORS,” and “APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE—Remedies on Default.”

### **The Leased Property**

**Generally.** The Leased Property upon execution and delivery of the Series 2020 Certificates is described generally in the table below. The valuation methods used in the following table are described in more detail in “CERTAIN RISK FACTORS—Effect of a Nonrenewal of a Lease.” The State is not permitted to renew the Lease with respect to less than all of the Leased Property and a decision not to renew the Lease would mean a loss of all of the Leased Property for the State unless the purchase option for all of the Leased Property has been exercised by the State, and for the Institution which has not exercised its purchase option with respect to the Leased Property under the Sublease. See “THE SERIES 2020 CERTIFICATES—State’s Purchase Option Price.” The State may make substitutions, or may consent to substitutions by the Institution, of Leased Property in accordance with the terms of the Lease and the Sublease as described in “—Substitution of Leased Property” under this caption. Owners of the Series 2020 Certificates should not assume that it will be possible to foreclose upon or otherwise dispose of the Leased Property, or any portion thereof, for an amount equal to the respective principal amounts of the Certificates (including the Series 2020 Certificates) plus accrued interest thereon. See “CERTAIN RISK FACTORS—Effect of Nonrenewal of a Lease” for a description of some of the factors that may impact the value of the Leased Property.

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The following table describes the Leased Property subject to the Site Lease between the Trustee and the Institution upon the issuance of the Series 2020 Certificates:

**Leased Property <sup>1</sup>**

<b>Description of Leased Property</b>	<b>Land / Existing Buildings Value</b>	<b>Cost of Improvements</b>	<b>Fair Market Value<sup>4</sup></b>
Health Education Outreach Center <sup>2</sup>	\$ 1,000,000	\$ 22,300,000	\$ 23,300,000
Equine Veterinary Teaching Hospital <sup>2</sup>	10,200,000	20,800,000	31,000,000
Diagnostic Medical Center Building	79,000,000	—	79,000,000
Translational Medicine Institute <sup>2</sup>	77,800,000	—	77,800,000
Vida Building <sup>3</sup>	<u>5,000,000</u>	<u>60,000,000</u>	<u>65,000,000</u>
Total	<u>\$173,000,000</u>	<u>\$103,100,000</u>	<u>\$276,100,000</u>

<sup>1</sup> The Leased Property shown in this table, or any portion thereof, may be released and other property substituted therefor as described in “—Substitution of Leased Property” under this caption.

<sup>2</sup> A portion of the proceeds of the Series 2018 Certificates were and are being used to construct the Health Education Outreach Center, the Equine Veterinary Teaching Hospital and the Translational Medicine Institute.

<sup>3</sup> A portion of the proceeds of the Series 2020 Certificates will be used to construct the Vida Building. See “PLAN OF FINANCE—Series 2020 Projects.”

<sup>4</sup> Fair Market Value (“FMV”) of the Leased Property as shown on this table is based on (i) the value of the land subject to the Site Lease as estimated by the Institution, plus (ii) the replacement value of existing improvements on such Leased Property as determined by the insurer providing casualty or property insurance or the Institution’s risk management program, plus (iii) the expected cost of improvements funded with proceeds of the Series 2018 Certificates and the Series 2020 Certificates and applied to certain of such properties; such value has not been determined or confirmed by any third party evaluation.

Source: The Institution

***Descriptions of the Leased Property.***

Health Education Outreach Center (Anatomy Addition). The Health Education Outreach Center (Anatomy Addition) (the “HEOC”) added approximately 38,000 gross square feet to the existing Anatomy-Zoology Building on the Institution’s Ft. Collins campus. The HEOC includes student study areas, an anatomy computer lab, gross anatomy lab, neurology anatomy lab, office space for an outreach coordinator, support spaces and cooler space. The HEOC links or will link directly with various components of the NWC program and facilities, particularly the Vida Building, and other human and animal health programs, including the Institution’s One Health Institute at the NWC. Outreach and educational programs at the National Western Center Sports Medicine Clinic will provide an entry point for K-12 students to complete additional programs, such as anatomy camps, at the on-campus HEOC facility. The HEOC was completed in January 2019.

Equine Veterinary Teaching Hospital. The Johnson Family Equine Hospital (formerly known as the Equine Veterinary Teaching Hospital) (the “Equine Hospital”) will be an approximately 99,250 gross square foot building located on the Institution’s Ft. Collins campus. Construction of the hospital is currently underway and is scheduled for completion in September 2021. The Equine Hospital will include enhanced laboratory, clinical, and classroom learning opportunities for students, clients, and clinicians, such as: (i) bench-to-bedside research facilities with immediate benefits for diagnosis and treatment; (ii) observation areas in critical care to provide improved teaching and learning opportunities for veterinary students along with the latest in biosecurity and care of critical patients; (iii) the latest diagnostic capabilities; and (iv) the largest research program in the world for equine sports medicine, orthopedic treatment, imaging, and neurology. Incorporating a horse-friendly design, the new hospital will bring 30 clinicians in all areas of care under one roof. Hard- and soft-surface arenas for lameness evaluation, and the latest in advanced

imaging technology will improve diagnostic ability, and board-certified specialists will offer a full array of services. The Equine Hospital will link directly with the Vida Building and the Institution's faculty and students will do rotations at both facilities. Outreach and educational programs at the Vida Building will provide an entry point for K-12 students to complete additional programs at the Equine Hospital and generate interest for the veterinary program at the Institution. See "Project Development Agreement" below.

Diagnostic Medical Center Building. The Diagnostic Medicine Center is an approximately 113,000 gross square foot building located at the Veterinary Health Complex on the Institution's Ft. Collins campus. It was completed in August 2009 and houses the Veterinary Diagnostic Laboratory, the Extension Veterinarian, the Clinical Pathology Laboratory and the Animal Population Health Institute. The Veterinary Diagnostic Laboratory processes about 500,000 diagnostic tests, including necropsies, each year. The building includes 2,000 square feet of Biosafety Level 3 (BSL 3) laboratory space. It also features abundant necropsy space and an additional 1,200 square feet of Biosafety Level 2 (BSL 2) necropsy space. The Veterinary Diagnostic Laboratory is one of seven labs in the nation selected by the U.S. Department of Agriculture to test for bovine spongiform encephalopathy, or mad cow disease, and is a core laboratory of the National Animal Health Laboratory Network.

Translational Medicine Institute. The Veterinary Health Complex on the Institution's Ft. Collins campus also includes an approximately 130,000 gross square foot animal research and laboratory facility known as the C. Wayne McIlwraith Translational Medicine Institute for the Institute for Biologic Translational Therapies and an associated 48-stall research horse barn (collectively, the "TMI"). The TMI provides state of the art facilities for research and teaching in areas such as stem cells, engineered tissues and organs, regenerative therapies and biological therapies. The TMI links or will link directly with the Vida Building and other human and animal health programs, including the Institution's One Health Institute at NWC. Outreach and educational programs at the Vida Building will provide an entry point for K-12 students to complete additional programs at the TMI and generate interest for veterinary and biomedical programs at the Institution. The TMI opened in December 2018. See "Project Development Agreement" below.

Vida Building. See "PLAN OF FINANCE—Series 2020 Projects—Vida Building" for a description of the Vida Building.

The Vida Building will be located at the NWC. When fully built-out the NWC will consist of a 250 acre state-of-the-art, multi-purpose campus, that will (a) house the National Western Stock Show (an annual livestock and horse show, featuring livestock competitions and auctions, rodeos and other activities); (b) serve as a hub for year-round creative, experiential education for all ages and for research and commercial activity that promotes, supports, and helps to preserve the western lifestyle while highlighting innovation and global issues of health, food systems, food security, water, and the environment; and (c) provide an attractive environment for additional agricultural business and science investments that will increase other economic and work force development activities in the surrounding neighborhoods, to encourage revitalization of those neighborhoods, and position the State as an agricultural innovations cluster leader. Although located near the facilities that are used for the annual National Western Stock Show (historically held in January of each year), the Vida Building will not be used as part of the activities associated with National Western Stock Show and operation of the Vida Building (or the Hydro Building or Terra Building) is not dependent upon whether the National Western Stock Show takes place or the number of people that attend the National Western Stock Show.

The NWC will be located on land that has been developed for commercial and industrial use since at least 1903. Historical activities undertaken on or near the land consisted of, and in some cases still consist of, metal smelting, trash incineration, stock yards, animal processing and rendering facilities, heavy

industry, waste disposal, auto repair, gas stations, automotive salvage yards, railroads, textile mills and highways, to name a few. Potentially these activities may have impacted the air, groundwater and soil at or near the NWC. As part of the planning process for development of the NWC, numerous environmental studies and assessments were undertaken. Certain of these studies and assessment found underground and aboveground storage tanks, asbestos, petroleum hydrocarbons and various solvents at various locations on the NWC land and in the soil and the groundwater in the NWC.

In 2017, the City and County of Denver (“Denver”), the Institution and The Western Stock Show Association entered into a National Western Center Framework Agreement (the “Framework Agreement”), that, among other things, sets forth Denver’s agreement to sell and the Institution’s agreement to purchase certain parcels of land in the NWC and the Institution’s agreement to construct on such parcels the Hydro Building, the Terra Building and the Vida Building in the NWC. Pursuant to the Framework Agreement, the parcels Denver sells to the Institution must be in “Pad-Ready Condition” and the Institution is not obligated to purchase any parcel that is not in “Pad-Ready Condition.” The Framework Agreement defines “Pad-Ready Condition” as, at the time of conveyance of a parcel, the following conditions have been met with respect to such parcel: (a) for below existing structure footprints only, completion of abatement and demolition of above ground existing structures, including excavation and removal of foundation obstructions four feet below existing ground level, backfilled, and compacted with suitable material (or two feet below basement level if existing basement exists); (b) removal of existing in-use underground utilities to the edge of the parcel or to the utility main as required by the specific utility. Existing utilities shall be cut and capped in a condition that may permit temporary use during construction; (c) completion of site clearance, specifically, removal of existing site surfacing and site appurtenances as appropriate to the agreed parcel boundary; (d) bulk earthworks and associated grading to agreed sub grade level; (e) *environmental site cleanup (in accordance with a cleanup plan approved by the Colorado Department of Public Health and Environment National Western Center pursuant to the Voluntary Cleanup and Redevelopment Act, C.R.S. §§15-16-301 to - 310, or other applicable regulatory program) to support future land use*; (f) provision and maintenance of site access as agreed between Denver and the Institution; (g) provision of temporary water supply, sanitary connection, and electricity connections to support construction at the point of conveyance; (h) provision of permanent utilities to the agreed parcel boundary location no later than six months prior to substantial completion of planned construction associated with the Denver’s site wide infrastructure improvements along public rights-of-way; and (i) provision of perimeter sidewalks, bike paths, street lighting, landscaping, etc. associated with the City’s site wide infrastructure improvements along public rights-of-way.

At the time of purchase of the parcel upon which the Vida Building is being constructed, Denver and the Institution determined that the land was in “Pad-Ready Condition,” including all environmental site cleanup, if any, being completed. However, upon commencement of construction and installation of the foundations for the Vida Building, it was discovered that there was previously undocumented foundation materials associated with a building previously located on the site that was impeding the ability to install the foundations for the Vida Building. It was determined by the contractor that the old foundations needed to be excavated and removed in order to install the new foundations for the Vida Building. As of the date of this Official Statement, the excavation and removal of the old foundations (including the remediation of certain asbestos materials found in the soil during such excavation) has been completed and construction of the Vida Building has recommenced. The Institution estimates that the excavation and removal of the old foundations (including the remediation of the asbestos materials) could increase the cost of the Vida Building by approximately \$2 million. The Institution is in discussions with Denver about covering a portion of this cost pursuant to the terms of the Framework Agreement. The Institution also is working with the contractor of the Vida Building to identify costs savings that can be realized during construction of the Vida Building in order to absorb this increased cost.

See “CERTAIN RISK FACTORS—Effect of Nonrenewal of the Lease—Factors Affecting Value of Leased Property.”

Project Development Agreement (TMI and Equine Hospital). The Institution has developed a master plan for development of the south part of its Ft. Collins campus (the “South Campus”) and its Foothills Campus. Development on the South Campus includes, among other facilities, the Equine Hospital and the TMI. Certain portions of the development of the South and Foothills Campuses (including the Equine Hospital and the TMI) are being procured through a public-private partnership with a third party developer. After a formal solicitation process for developers, the Institution selected Tetrad Holdings LLC (together with any special purpose entities formed by Tetrad Holdings LLC to undertake any development, “Tetrad”) as its preferred developer of the South and Foothills Campuses. The Institution and Tetrad entered into a Project Development Agreement, dated February 16, 2018 (as amended from time to time, the “Project Development Agreement”) which sets forth, among other things, Tetrad’s obligations to design, build, finance, operate and maintain, as applicable, certain agreed upon facilities on the South and Foothills Campuses, and the Institution’s agreement to pay Tetrad for designing, building, financing, operating and maintaining, as applicable, such facilities. Tetrad designed and built the TMI and is currently maintaining the facility. Additionally, Tetrad has designed and is currently building the Equine Hospital. Once completed, Tetrad is expected to maintain the Equine Hospital. As required by the provisions of the Project Development Agreement, at the time of delivery of the Series 2020 Certificates, the Trustee will agree to be bound by the terms and conditions (including all financial terms) of the Project Development Agreement. Upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease and the related termination thereof, the Trustee may proceed to sell or lease the Leased Property or any portion thereof. However, any sale or lease of the TMI and/or the Equine Hospital would be subject to the terms of the Project Development Agreement, unless the Trustee terminated the Project Development Agreement with respect to the TMI and/or Equine Hospital, as applicable. Any termination of the Project Development Agreement would require the payment to Tetrad of a termination fee. Neither the State nor the Institution can predict the amount of such termination fee, but such fee could be significant. The continuing applicability of the Project Development Agreement to the TMI and/or the Equine Hospital or the termination of the Project Development Agreement could delay or limit the ability of the Trustee to sell or re-let the TMI and/or the Equine Hospital. See “CERTAIN RISK FACTORS—Effect of Nonrenewal of the Lease.”

***State’s Purchase Option.*** The State has the right to purchase all of the Leased Property, or any portion of the Leased Property affected by a Property Damage, Defect or Title Event for which the costs of repair, modification, improvement or replacement are more than the Net Proceeds, as described in “THE SERIES 2020 CERTIFICATES—State’s Purchase Option Price.”

***The Sublease.*** The State and the Institution have entered into the Sublease pursuant to which the Institution, as Sublessee, subleases the Leased Property from the State. There is no annual Rent payable by the Institution under the Sublease. The Institution will be responsible for acquiring, constructing and equipping the Projects (including the Series 2020 Projects), and for administering and implementing the Projects (including the Series 2020 Projects). Pursuant to the Sublease, the Institution agrees to maintain the Leased Property and to provide all insurance for the Leased Property as required by the Lease. See “CERTAIN RISK FACTORS—Insurance of the Leased Property” and “APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—SUBLEASE—Taxes, Utilities and Insurance” and “—Maintenance and Operation of Leased Property.”

***Sublessee’s Purchase Option.*** The Institution has the option to purchase all, but not less than all, of the Leased Property subject to the Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the Lease as described in “APPENDIX B-2—SUMMARY OF CERTAIN

PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—SUBLEASE—Sublessee’s Purchase Option.” In the Lease, the Trustee has agreed to notify the Institution of the occurrence of an Event of Default or Event of Nonappropriation under the Lease.

***Substitution of Leased Property.*** The Institution is permitted by the Sublease to substitute other property for the Leased Property subject to the Sublease with the consent of the State and upon delivery of certain items, including a title insurance policy; a certificate regarding the useful life and essentiality of the substituted property and the determination of value as described below. See “APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—SUBLEASE—Substitution of Other Property for or Release of Leased Property.” Furthermore, the State is permitted under the Lease to substitute other property for certain Leased Property and to release Leased Property so long as, following the substitution and release, either (a) the Fair Market Value of the substituted property determined as of the date of substitution is equal to or greater than the Initial Value of the Leased Property for which it is being substituted; or (b) all of the Leased Property has a Fair Market Value at least equal to the principal amount of all Outstanding Certificates. The State’s certification as to the value may be given based and in reliance upon certifications by the Institution. It is likely that the State and the Institution will seek to substitute property for a portion of the Leased Property (and release the Leased Property for which there is a substitution) in compliance with the terms of the Lease and the Sublease, and the State expects to approve such substitution and release to the extent the requirements of the Lease are satisfied.

***Insurance.*** The Leased Property is required to be insured by the Institution under the Sublease and in the event of a default by the Institution, by the State as described in “CERTAIN RISK FACTORS—Insurance of the Leased Property,” and the insurance proceeds are required to be applied by the Trustee as described in “APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE—Property Damage, Defect or Title Event.” Pursuant to the Sublease, the Institution will undertake to provide such insurance with respect to the Leased Property subject to the Sublease as required by the Lease.

### **Additional Series of Certificates**

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

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

(b) If Leased Property is being added, removed or modified in connection with the issuance of such Series of Certificates, the Trustee has received forms of a new Deed or Site Lease



and an amendments to the Lease adding any new Leased Property, and/or amendments to an existing Deed or Site Lease and the Lease removing or modifying any Leased Property that is to be removed or modified.

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

(d) The State has certified to the Trustee that: (i) the Fair Market Value of the Leased Property after the execution and delivery of such Series of Certificates is at least equal to the principal amount of the Certificates that will be Outstanding after the execution and delivery of such Series of Certificates; and (ii) no Event of Default or Event of Nonappropriation exists under the Lease. The certification of the State pursuant to clause (i) may be given based on and in reliance upon certifications by a Sublessee that deeded or leased the Leased Property to the Trustee pursuant to Deeds or Site Leases.

(e) The Trustee has received a standard leasehold title insurance policy (or for portions of the Leased Property conveyed to the Trustee by Deed, if any, a standard owner's title insurance policy), an amendment or supplement to a previously issued standard leasehold or owner's title insurance policy or a commitment to issue such a policy, amendment or supplement, which, when considered together with policies or amendments or supplements to policies received by the Trustee in connection with the execution and delivery of other Certificates, insure(s) the Trustee's interest in the real estate included in the Leased Property, and if all or any portion of the Trustee's title to the real estate included in the Leased Property is a leasehold interest, then also insuring the title of the fee owner of such real estate, subject only to Permitted Encumbrances, in an amount that is not less than the lesser of the principal amount of the Certificates that will be Outstanding after the execution and delivery of such Series of Certificates or the insurable value of the real property included in the Leased Property after the execution and delivery of such Series of Certificates.

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

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

(h) The Trustee has received a written opinion of Bond Counsel to the effect that the Certificates of such Series have been duly authorized, executed and delivered pursuant to the Lease Purchase Act, the Master Indenture and the Supplemental Indenture executed and delivered in connection with the execution and delivery of such Series of Certificates and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Outstanding Tax-Exempt Certificate.

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

## **CERTAIN RISK FACTORS**

THE PURCHASE AND OWNERSHIP OF THE SERIES 2020 CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2020 CERTIFICATES SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, GIVING PARTICULAR ATTENTION TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2020 CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2020 CERTIFICATES TO AN EXTENT THAT CANNOT BE DETERMINED.

### **Option to Renew the Lease Annually**

The obligation of the State, as Lessee, to make payments under the Lease does not constitute an obligation of the State to apply its general resources beyond the current Fiscal Year. The State is not obligated to pay Base Rent or Additional Rent under the Lease unless funds are appropriated by the General Assembly each year, notwithstanding the fact that sufficient funds may or may not be on deposit in the National Western Center Trust Fund or otherwise may be available for such purpose from any other source. If, on or before June 30 of each Fiscal Year the General Assembly does not specifically appropriate amounts sufficient to pay all Base Rent and Additional Rent, as estimated, for the next Fiscal Year, then an “Event of Nonappropriation” will occur. If an Event of Nonappropriation occurs, the Lease is not renewed and is therefore terminated. Under the terms of the Lease, in addition to other circumstances, an Event of Nonappropriation is also deemed to have occurred, subject to the State’s right to cure described below, if the General Assembly fails to appropriate sufficient funds to repair and replace the Leased Property or to pay the State’s Purchase Option Price following a Property Damage, Defect or Title Event or condemnation of the Leased Property or any portion thereof. Notwithstanding the foregoing, an Event of Nonappropriation will not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (a) the General Assembly has appropriated amounts sufficient, or the State has substituted property in the manner required, to avoid an Event of Nonappropriation; and (b) the State has paid all Rent due during the period from June 30 through the date of such appropriation or substitution. See “APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE—Event of Nonappropriation.”

There is no assurance that the State will renew the Lease from Fiscal Year to Fiscal Year and therefore not terminate the Lease, and the State has no obligation to do so. There is no penalty to the State (other than loss of the use of the Leased Property for itself and, unless the purchase option under the Sublease has been exercised, the Institution) if the State does not renew the Lease on an annual basis and therefore terminates all of its obligations under the Lease. Various political and economic factors could lead to the failure to appropriate or budget sufficient funds to make the required payments under the Lease, and prospective investors should carefully consider any factors which may influence the State budgetary process. The appropriation of funds may be affected by the continuing need of the State or the Institution for the Leased Property. In addition, the ability of the State to maintain adequate revenues for its operations and obligations in general (including obligations associated with the Lease) is dependent upon several factors outside the State’s control, such as the economy and federal funding. Restrictions imposed under the State Constitution on the State’s revenues and spending apply to the collection and expenditure of certain revenues which may be used to pay Base Rent and Additional Rent, and also may impact the ability of the State to appropriate sufficient funds to pay Base Rent and Additional Rent each year. See “—Potential Impact of COVID-19 Pandemic” below. See also “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES,” “STATE FINANCIAL INFORMATION” and Appendices A, E, F, G and H hereto.

Payment of the principal of and interest on the Certificates (including the Series 2020 Certificates) upon the occurrence of an Event of Lease Default or an Event of Nonappropriation 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 “—Effect of a Nonrenewal of the Lease” under this caption.

The State is not permitted to renew any of the Lease with respect to less than all of the Leased Property. Accordingly, a decision not to renew the Lease would mean the loss of the use of all of the Leased Property by the State. However, the Institution, as Sublessee, has the right to exercise a purchase option under its Sublease in order to purchase and retain the right to use the Leased Property in the event that the State chooses to nonappropriate and thereby terminate the Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—The Leased Property.”

The Trustee, as Lessor or as Trustee, has no obligation to, nor will it, make any payment on the Certificates (including the Series 2020 Certificates) or otherwise pursuant to the Lease except to the extent of amounts in the Trust Estate under the Indenture.

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

**General.** In the event of nonrenewal of the State’s obligations under the Lease upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease, the State is required to vacate the Leased Property under the Lease and the Institution, as Sublessee, is required to vacate the Leased Property being used under the Sublease (unless the purchase option under the Sublease has been exercised by the Institution) within 90 days. The Sublease will automatically terminate upon any nonrenewal of the Lease by the State. Upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease and the related termination thereof, the Trustee may proceed to sell or 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, unless the Institution has purchased the Leased Property that is the subject of the Sublease. The Lease places certain limitations on the availability of money damages against the State as a remedy. For example, the Lease provides that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the Lease and only as to certain liabilities as described in the Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of the Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Lease and the Indenture), are required to be used to redeem the Certificates, if and to the extent any such moneys are realized. See “APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE—Events of Default Defined” and “—Remedies on Default” and “THE SERIES 2020 CERTIFICATES—Redemption of the Series 2020 Certificates—Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default.”

The moneys derived by the Trustee from the exercise of the remedies described above may be less than the aggregate principal amount of the outstanding Certificates and accrued interest thereon. If any Certificates are redeemed subsequent to a termination of the Lease for an amount less than the aggregate principal amount thereof and accrued interest thereon, such partial payment will be deemed to constitute a redemption in full of such Certificates pursuant to the Master Indenture and applicable series indenture; and upon such a partial payment, no owner of any Certificate (including any Series 2020 Certificate) will have any further claims for payment upon the State, the Institution or the Trustee.

***Factors Affecting Value of Leased Property.*** A potential purchaser of the Series 2020 Certificates should not assume that it will be possible to sell, lease or sublease the Leased Property or any portion thereof after a termination of the Lease Term for an amount equal to the aggregate principal amount of the Certificates then Outstanding plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with the execution and delivery of the Certificates or the acquisition of the Leased Property. The FMV of the Leased Property is based on (i) the value of the land subject to the Site Lease as estimated by the Institution, plus (ii) the replacement value of existing improvements on such Leased Property as determined by the insurer providing casualty or property insurance or the Institution's risk management program, plus (iii) the expected cost of improvements funded with proceeds of the Certificates and applied to certain of such properties; such value has not been determined or confirmed by any third party evaluation. FMV may not equate to a market value or price at which property can be leased or sold under current market conditions. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—The Leased Property." The FMV of the Leased Property could be adversely affected by a number of factors including, without limitation, the presence, or even the alleged presence, of hazardous substances (see "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—The Leased Property—Descriptions of the Leased Property—Vida Building" above for a discussion of the presence of hazardous substances on the land upon which the NWC is being developed). Present or future zoning requirements or other land use regulations may also restrict use of the Leased Property. The Institution and the State may also substitute other property for certain Leased Property as described in "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—The Leased Property—Substitution of Leased Property."

In addition, the buildings and facilities comprising the Leased Property have been designed and constructed to the specifications of the Institution. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—The Leased Property." These unique features may make the buildings and facilities less attractive to buyers or other lessees if the Trustee is required to sell or re-let the facilities following the termination of the Lease as the result of an Event of Nonappropriation or an Event of Default under the Lease. Thus, any buyer or other lessees may not be willing to pay a sufficient purchase price or rent to cover the added costs/expense associated with the unique features of the buildings and the facilities. The Trustee's inability to recover the costs of the unique features from a buyer or new lessee may make it difficult or impossible to generate the amount necessary to pay the entire principal of and interest due on the Certificates (including the Series 2020 Certificates).

Additionally, as described under "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—The Leased Property—Descriptions of the Leased Property—Project Development Agreement (TMI and Equine Hospital)," the TMI and the Equine Hospital are subject to the provisions of the Project Development Agreement. As required by the provisions of the Project Development Agreement, at the time of delivery of the Series 2020 Certificates, the Trustee will agree to be bound by the terms and conditions (including all financial terms) of the Project Development Agreement. Upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease and the related termination thereof, the Trustee may proceed to sell or lease the Leased Property or any portion thereof. However, any sale or lease of the TMI and/or the Equine Hospital would be subject to the terms of the Project Development Agreement, unless the Trustee terminated the Project Development Agreement with respect to the TMI and/or Equine Hospital, as applicable. Any termination of the Project Development Agreement would require the payment to Tetrad of a termination fee. Neither the State nor the Institution can predict the amount of such termination fee, but such fee could be significant. The continuing applicability of the Project Development Agreement to the TMI and/or the Equine Hospital or the termination of the Project Development Agreement could delay or limit the ability of the Trustee to sell or re-let the TMI and/or the Equine Hospital, which in turn could make it difficult or impossible to generate the amount necessary to pay the entire principal of and interest due on the Certificates (including the Series 2020 Certificates).

*Upon termination of the Lease, there is no assurance of any payment of the principal of or interest on Series 2020 Certificates by the State, the Institution or the Trustee.*

Payment of the principal of and interest on the Certificates (including Series 2020 Certificates) is paid from the State's payment of the Base Rent and other sources identified in "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES," which sources do not include any payments generated from the Leased Property, other than the Base Rent. The State is not permitted to renew the Lease with respect to less than all of the Leased Property. Accordingly, a decision not to renew the Lease would mean the loss of use by the State of all of the Leased Property. Investors should be aware that value of the Leased Property could be affected if there are design or construction defects in any of the buildings subject to the Lease.

### **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 Nonappropriation or an 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 Lessee may be in default under the Lease. The right of the Trustee to obtain possession of the Leased Property and to sell, lease or sublease portions of the Leased Property could be delayed until appropriate alternative space is obtained by the Institution. As long as the Trustee is unable to take possession of the Leased Property, it will be unable to sell or re-lease the Leased Property as permitted under the Lease and the Indenture or to redeem or pay the Series 2020 Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

### **Effects on the Series 2020 Certificates of a Termination of State's Obligations Under the Lease**

Bond Counsel has expressed no opinion as to the effect of any termination of the State's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for federal or State income tax purposes of any moneys received by the Owners of the Series 2020 Certificates subsequent to such termination. See "TAX MATTERS." If the Lease is terminated and the subject property is re-let to a lessee that is not a governmental entity, the excludability of interest on the Series 2020A Certificates from gross income for federal income tax purposes may be adversely affected. There is no assurance that any amounts representing interest received by the Owners after termination of the Lease will be excluded from gross income under federal or State laws or that the Series 2020 Certificates will be transferable without registration, or a transactional exemption from registration, under the federal securities law following the term of the Lease.

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

The Lease requires that, in the event of a default by a Sublessee (including the Institution), the State will provide casualty and property damage insurance with respect to the Leased Property in an amount equal to the lesser of: (a) the principal amount of all Outstanding Certificates; or (b) the full replacement value of the Leased Property. The Institution, as Sublessee, is required under the Sublease to insure the related Leased Property. The Lease permits the State, in its discretion, to provide the required insurance coverage under blanket insurance policies or through a self-insurance program provided through the State's risk management program or an independent risk management program provided by a Sublessee. See "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF INSURANCE—Self Insurance." There is no assurance that, in the event the Lease is terminated as a result of damage to or destruction or

condemnation of the Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Series 2020 Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date. See “THE SERIES 2020 CERTIFICATES—Redemption of the Series 2020 Certificates—Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default.”

### **Actions Under the Sublease**

Although the State’s payment of Rent under the Lease will not depend or be conditioned upon payment of Rent, if any, under the Sublease, certain actions by the Institution in respect of the related Leased Property could have an adverse effect on the interests of the owners of the Series 2020 Certificates. For example, failure to operate or maintain the Leased Property under the Sublease in accordance with the terms thereof could diminish the value of that Leased Property; if, for whatever reason, the Lease is terminated or the Trustee exercises re-letting or sale remedies thereunder, that diminished value could adversely affect the Trustee’s ability to recoup rentals or obtain a sale price sufficient to pay the principal of and interest on all of the Certificates then Outstanding under the Indenture, including the Series 2020 Certificates, or to redeem the outstanding principal and interest in whole, as the case may be. Violations of environmental laws similarly could diminish the re-letting or sale value of the subject Leased Property, and could lead to statutory remedies under applicable federal and state laws. Failure by the Institution to obtain the casualty and property insurance policies required by the Sublease could limit the principal amount of outstanding Certificates (including the Series 2020 Certificates) redeemed upon the damage or destruction of the subject Leased Property under certain circumstances.

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

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

The State relies on revenue estimation as the basis for budgeting and establishing aggregate funds available for expenditure for its appropriation process. By statute, the Governor’s Office of State Planning and Budgeting (“OSPB”) is responsible for developing the General Fund revenue estimate. The most recent OSPB revenue forecast was issued on September 18, 2020 (the “OSPB September 2020 Revenue Forecast”), and is included in its entirety in this Official Statement. See “STATE FINANCIAL INFORMATION,” “APPENDIX E—THE STATE GENERAL FUND—Revenue Estimation; OSPB Revenue and Economic Forecasts” and “APPENDIX F—OSPB SEPTEMBER 2020 REVENUE FORECAST.” The Colorado Legislative Council also prepares quarterly revenue forecasts which are released on the same dates as the OSPB revenue forecasts.

The next OSPB revenue forecast will be released in December 2020. Due in part to the fact that the ever-evolving impact of COVID-19 has made forecasting more difficult, General Fund revenue projections in subsequent OSPB revenue forecasts may be materially different from the OSPB September 2020 Revenue Forecast. A revenue shortfall could adversely affect the State’s ability to appropriate sufficient amounts to pay Base Rent in subsequent years. If a revenue shortfall is projected for any forecasted years which would result in a budgetary shortfall, budget cuts will be necessary to ensure the balanced budget. See “APPENDIX E—THE STATE GENERAL FUND—Revenue Estimation; OSPB

## Revenue and Economic Forecasts—Revenue Shortfalls” and “APPENDIX F—OSPB SEPTEMBER 2020 REVENUE FORECAST.”

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See also “CAUTIONARY STATEMENT REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT” at the beginning of this Official Statement.

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

### **Potential Impact of COVID-19 Pandemic**

The spread of COVID-19 is currently altering the behavior of businesses and people in a manner that is having significant negative effects on global, national, state and local economies. State and local governments, including the State of Colorado, have announced orders, recommendations and other measures intended to limit the size of public gatherings and regulate public spaces in order to minimize interpersonal contact and slow the spread of COVID-19. Beginning in March 2020, public health orders implemented throughout the country (including in Colorado) closed restaurants (with the exception of carry-out or delivery, in most instances), bars, health clubs, theaters and other public spaces. So called “shelter-in-place” and “safer at home” orders were implemented in several states, including Colorado. Beginning in May 2020, some of these restrictions were modified or eliminated. These measures are changing rapidly and it is not possible to predict with any certainty whether an increase in the number of residents that test positive for COVID-19 may lead to the resumption of restrictions on businesses and individuals. Travel restrictions have been imposed and local and regional business travel has been severely curtailed. Since March 2020, unemployment claims have significantly increased. According to the U.S. Bureau of Labor Statistics, as of July 2020, over 228,000 people in the State were unemployed (preliminary; not seasonally adjusted), resulting in an unemployment rate of 7.4% (preliminary; not seasonally adjusted); as compared to March 2020, where, according to the U.S. Bureau of Labor Statistics, approximately 164,000 people in the State were unemployed (preliminary; not seasonally adjusted), resulting in an unemployment rate of 5.2% (preliminary; not seasonally adjusted). The Colorado Department of Public Health and Environment provides information relating to COVID-19 and related developments in the State of Colorado on its website, [covid19.colorado.gov](https://covid19.colorado.gov). Reference to such website is presented herein for informational purposes only and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The OSPB September 2020 Revenue Forecast is set forth in its entirety in Appendix F and explicitly incorporates the potential impact of COVID-19 in the assumptions used as the basis for its forecast. General Fund revenue is forecasted to increase by 2.4% in the Fiscal Year ended June 30, 2020 (as compared to General Fund revenues for the Fiscal Year ended June 30, 2019), to decrease by 4.7% in the Fiscal Year ending June 30, 2021 (as compared to General Fund revenues forecasted for the Fiscal Year ended June 30, 2020), and to increase by 4.7% in the Fiscal Year ending June 30, 2022 (as compared to General Fund

revenues forecasted for the Fiscal Year ending June 30, 2021). The OSPB September 2020 Revenue Forecast is forecasting significantly lower revenues to the State General Fund than both the revenue forecasts in the OSPB December 2019 Revenue Forecast and the OSPB March 2020 Revenue Forecast for the Fiscal Years ending June 30, 2021 through June 30, 2022. In an effort to reduce State expenses, on September 22, 2020, the Governor announced that, except for certain exempt employees, all State employees making \$50,000 or more will be required to take 1 to 4 furlough days before the end of 2020. The number of furlough days required to be taken by a State employee will depend upon such employee's salary, with those employees with higher salaries being required to take more furlough days. See "APPENDIX E—THE STATE GENERAL FUND." Investors are encouraged to review both Appendix E and Appendix F in their entirety.

In addition to lost State revenues, the State incurred or is incurring significant expenses in healthcare costs attributable to (a) expanded testing of vulnerable populations, (b) scaling up epidemiology and contact tracing, (c) increasing testing capacity at the State Lab, including new equipment, supplies and personnel and (d) improving coordination to rapidly respond to and contain disease outbreaks. The State's emergency funding plan entails progressively identifying funding by source. First, agencies and the Governor's office have been identifying all available federal funds to cover COVID-19 response, including, but not limited to, the Family First Coronavirus Response Act (HR 6201), the CARES Act (HR 748) and the Paycheck Protection Program and Health Care Enhancement Act (HR 266)). Second, for costs not able to be covered by federal funds, agencies and the Governor's Office plan to use the State emergency funds. Finally, agencies have been working with the OSPB and the Joint Budget Committee of the General Assembly to identify needs as part of the regular budget and planning process. On May 18, 2020, the Governor announced the allocation of \$1.674 billion in federal funds under the CARES Act. Such allocation includes, but is not limited to: \$205 million to local public health agencies for COVID-19 response; \$500 million to local school districts to increase free instructional hours for kindergarten through 12th grade; \$450 million to public institutions of higher education to increase student retention and completions; \$275 million to local governments to facilitate compliance with COVID-19-related public health measures; and \$85 million for payroll expenses and other necessary State expenditures for employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. As of May 11, 2020, the OSPB estimated that the State had over \$101 million and \$197 million in its Disaster Emergency Fund and State Emergency Fund, respectively. The State anticipates that it will receive additional federal funds and that it will need to make withdrawals from State emergency funds in the future. However, due in part to their interrelationship, it is not possible to predict with any certitude at this point the timing and amounts of such receipts or withdrawals.

The State Treasurer is closely monitoring the General Fund cash flows and will evaluate potential cash management options, as necessary. There can be no assurances that the fiscal stress and cash pressures currently facing the State will not continue or become more difficult.

The State cannot predict (i) the duration or extent of the COVID-19 pandemic; (ii) the duration or expansion of related business closings, public health orders, regulations and legislation; and (iii) what effect the COVID-19 pandemic will continue to have on global, national and local economies, including whether a recession may be triggered. While it is too early to determine with any confidence the possible full extent of the effect of COVID-19 on the State or the General Fund, such impact is expected to be significant and to have a material adverse effect on the State's finances. Accordingly, the impact of COVID-19 could have a negative effect on the ability of the General Assembly to make payments under the Lease.

### **Control of Remedies**

Under the Indenture, the Owners of a majority in principal amount of all the Certificates then Outstanding have the right, at any time, to the extent permitted by law, to direct the Trustee to act or refrain



from acting or to direct the manner or timing of any action by the Trustee under the Indenture, the Lease, any Site Lease or any Sublease or to control any proceedings relating to the Indenture, the Lease, any Site Lease or Sublease; provided that such direction is not otherwise than in accordance with the provisions of the Indenture. The interests of Owners of the Series 2020 Certificates may vary from the interests of the Owners of other Series of Certificates for a variety of reasons. See “APPENDIX B-2—SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE—LEASE—Events of Default Defined” and “—Remedies on Default”

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

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

### **Cyber Security Risks**

The State, like other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private or sensitive information, the State is a potential target for a variety of cyber threats, including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the State’s digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. Recognizing the potential damage that could be caused by any such attacks, the State has established the Governor’s Office of Information Technology (“OIT”) as the single source for the State’s cybersecurity readiness and awareness. The OIT has promulgated a series of policies and standards for State agencies and information security and provides mandatory training for State employees except those in the Department of Law, who receive training from the Department’s own cybersecurity specialist due to the nature of the work performed by that Department. In addition, the State has procured insurance coverage for data breaches and other security and privacy incidents. The State does not believe that any material security breaches to its digital systems have occurred over the past 12-18 months, although employee computers at the Colorado Department of Transportation were the subject of a ransomware attack in February 2018. Nevertheless, no assurance can be given that the State’s efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the State.

### **Potential Limitation of Tax Exemption of Interest on Series 2020A Certificates**

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2020A Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Series 2020A Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Series 2020A Certificates. Prospective purchasers of the Series 2020A Certificates should consult their

own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See “TAX MATTERS—Changes in Federal and State Tax Law.”

### **Income Taxation Risk Upon Defeasance of the Series 2020B Certificates**

In the event the State were to defease all or a portion of the Series 2020B Certificates, for federal income tax purposes, the Series 2020B Certificates that are the subject of such a defeasance may be deemed to be retired and “reissued” as a result of the defeasance. In such an event, a Holder who owns such a Series 2020B Certificate would recognize gain or loss on the Series 2020B Certificate at the time of defeasance. Holders who own Series 2020B Certificates should consult their own tax advisors regarding the tax consequences of a defeasance of the Series 2020B Certificates. See “TAX MATTERS—Series 2020B Certificates (Federally Taxable)—Defeasance.”

### **Secondary Market**

While the Underwriters expect, insofar as possible, to maintain a secondary market in the Series 2020 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 2020 Certificates should therefore be prepared, if necessary, to hold their Series 2020 Certificates to maturity or prior redemption, if any.

## **THE STATE**

### **General Profile**

Colorado became the 38<sup>th</sup> state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,315 to 14,433 feet above sea level. The current population of the State is approximately 5.8 million. The State’s major economic sectors include agriculture, professional and business services, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also “APPENDIX A—STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019” and “APPENDIX G—CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION” for additional information about the State.

### **Organization**

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

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

## **STATE FINANCIAL INFORMATION**

It is important for prospective investors to analyze the financial and overall status of the State, including the State General Fund, in order to evaluate the likelihood of an Event of Default or an Event of Nonappropriation. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” and “CERTAIN RISK FACTORS.” This section and the following section captioned “DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS” have been included to provide prospective purchasers with information relating to such matters. See also “APPENDIX A—STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019,” “APPENDIX E—THE STATE GENERAL FUND,” “APPENDIX F—OSPB SEPTEMBER 2020 REVENUE FORECAST,” “APPENDIX G—CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION” and “APPENDIX H—STATE PENSION SYSTEM.” With the exception of the State economic and demographic information, which has been provided by Development Research Partners, Inc., the information in these sections and appendices has been provided by the State. Unless otherwise noted, historical financial, economic and demographic data contained herein does not reflect the impact of the COVID-19 pandemic.

### **The State Treasurer**

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

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

## **Taxpayer's Bill of Rights**

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

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

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

TABOR further requires the State to maintain an emergency reserve equal to 3% of its fiscal year spending (the "TABOR Reserve"), which may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. The annual Long Appropriation Bill (the "Long Bill") designates the resources that constitute the TABOR Reserve, which historically have consisted of portions of various State funds plus certain State real property. The amounts of the TABOR Reserve for Fiscal Years 2019-20 and 2020-21 have been estimated in the OSPB September 2020 Revenue Forecast to be \$424.2 million and \$444.1 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 sales.

The maximum annual percentage change in State fiscal year spending is limited by TABOR to inflation (determined as the percentage change in U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index) plus the percentage change in State population in the prior calendar year, adjusted for revenue changes approved by voters after 1991, being the base year for calculating fiscal year spending. The operation of TABOR created State budget challenges in the early years following its passage, and in 2005 several measures were passed by the General Assembly in an effort to address these challenges, including one, designated "Referendum C," that was submitted to and approved by State voters and thereafter codified as Sections 24-77-1 103.6 and 106.5, C.R.S. Referendum C authorized the State to retain and spend any amount in excess of the TABOR limit in Fiscal Years 2005-06 through 2009-10. In addition, for Fiscal Years 2010-11 and thereafter, Referendum C created an Excess State Revenues Cap, or "ESRC," as a voter- approved revenue change under TABOR that now serves as the limit on the State's fiscal year revenue retention. The base for the ESRC was established as the highest annual State TABOR revenues received in Fiscal Years 2005-06 through 2009-10. This amount, which was determined to be the revenues received in Fiscal Year 2007-08,

is then adjusted for each subsequent Fiscal Year for inflation, the percentage change in State population, the qualification or disqualification of enterprises and debt service changes, each having their respective meanings under TABOR and other applicable State law. However, per S.B. 17-267, the ESRC for Fiscal Year 2017-18 is an amount equal to (i) the ESRC for Fiscal Year 2016-17 calculated as provided above (ii) less \$200 million. For subsequent Fiscal Years, the ESRC is to be calculated as provided above utilizing the ESRC for Fiscal Year 2017-18 as the base amount.

S.B. 17-267, also (i) terminated the Hospital Provider Fee program and implemented the Healthcare Affordability and Sustainability Fee, which fee is exempt from TABOR as it is collected by an enterprise created by S.B. 17-267 within the Department of Health Care Policy and Financing; (ii) exempts retail marijuana from the 2.9% State sales tax, which results in less revenue subject to TABOR in Fiscal Years 2017-18 and thereafter; and (iii) extends and expands the income tax credit for business personal property taxes paid, which is projected to reduce income tax collections in Fiscal Years 2018-19 and thereafter, but will be offset in part by the distribution of a portion of the special sales tax on retail marijuana sales to the General Fund on an ongoing basis.

As a result of Referendum C, the State was able to retain various amounts in excess of the previously applicable TABOR limit in Fiscal Years 2005-06 through 2013-14, and no refunds were required because such revenues were below the ESRC. In Fiscal Year 2014-15, TABOR revenues exceeded the TABOR limit and resulted in the State being \$150.0 million above the ESRC, thus triggering a TABOR refund. TABOR revenues again exceeded the TABOR limit in Fiscal Years 2015-16 and 2016-17 but were below the ESRC, and in Fiscal Year 2017-18, TABOR revenues exceeded the TABOR limit and resulted in the State being \$18.5 million above the ESRC, again triggering a TABOR refund. The OSPB September 2020 Revenue Forecast states that TABOR revenues are not forecasted to exceed the TABOR limit in Fiscal Years 2019-20 and 2020-21.

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

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

***Effect of TABOR on the Series 2020 Certificates.*** Voter approval under TABOR is not required for the issuance of the Series 2020 Certificates because the State’s obligations under the Lease are payable within any Fiscal Year only if amounts for such payments have been appropriated for such Fiscal Year and, therefore, such obligations do not constitute a “multiple fiscal year direct or indirect ... debt or other financial obligation” within the meaning of TABOR.

## State Funds

The principal operating fund of the State is the General Fund. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special State fund are required to be credited and paid into the General Fund. The State also maintains several statutorily created special State funds for which specific revenues are designated for specific purposes. See “APPENDIX E—THE STATE GENERAL FUND” and “APPENDIX F—OSPB SEPTEMBER 2020 REVENUE FORECAST.”

## Budget Process and Other Considerations

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

**Phase II (Legislative).** The JBC, consisting of three members from each chamber of the General Assembly, develops the legislative budget proposal embodied in the Long Bill, which is introduced in and approved by the General Assembly. Following receipt of testimony by State departments and agencies, the JBC marks up the Long Bill and directs the manner in which appropriated funds are to be spent. The Long Bill includes: (i) General Fund appropriations, supported by general purpose revenue such as taxes; (ii) General Fund Exempt appropriations primarily funded by TABOR-exempt or excess TABOR revenues retained under Referendum C; (iii) cash fund appropriations supported primarily by grants, transfers and departmental charges for services; (iv) reappropriated amounts funded by transfers and earnings appropriated elsewhere in the Long Bill; and (v) estimates of federal funds to be expended that are not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2020-21 was adopted by the General Assembly in June 2020.

**Phase III (Executive).** The Governor may approve or veto the Long Bill or any specific bills. In addition, the Governor may veto line items in the Long Bill or any other bill that contains an appropriation. The Governor’s vetoes are subject to override by a two-thirds majority of each house of the General Assembly. The Long Bill for Fiscal Year 2020-21 was approved and signed by the Governor in June 2020.

**Phase IV (Legislative).** During the Fiscal Year for which appropriations have been made, the General Assembly may increase or decrease appropriations through supplemental appropriations. Any supplemental appropriations are considered amendments to the Long Bill and are subject to the line item veto of the Governor.

**Revenues and Unappropriated Amounts.** For each Fiscal Year, a statutorily defined amount of unrestricted General Fund year-end balances is required to be retained as a reserve (as previously defined,

the “Unappropriated Reserve”), which may be used for possible deficiencies in General Fund revenues. Unrestricted General Fund revenues that exceed the required Unappropriated Reserve, based upon revenue estimates, are then available for appropriation, unless they are obligated by statute for another purpose. In response to economic conditions and their effect on estimated General Fund revenues, the General Assembly periodically modifies the required amount of the Unappropriated Reserve. Set forth in the following table are the Unappropriated Reserve requirements for Fiscal Years 2014-15 and thereafter. See also “APPENDIX E—THE STATE GENERAL FUND—General Fund Overview.”

**State of Colorado  
Unappropriated Reserve Requirement**

Fiscal Years	Unappropriated Reserve Requirement <sup>1,2</sup>
2014-15	6.50%
2015-16	5.60
2016-17	6.00
2017-18	6.50
2018-19 and thereafter <sup>3</sup>	7.25

<sup>1</sup> The Unappropriated Reserve requirement, which is codified as Section 24-75-201.1(1)(d), C.R.S., is a percentage of the amount appropriated for expenditure from the General Fund in the applicable Fiscal Year. Per H.B. 16-1419 and S.B. 16-218, for Fiscal Year 2015-16 only, the percentage is of the amount subject to the appropriations limit minus the amount of income tax revenue required to be diverted to a reserve fund to fund severance tax refunds resulting from the ruling of the Colorado Supreme Court on April 25, 2016, in BP America Production Company v. Colorado Department of Revenue. See “General Fund Overview” table in “APPENDIX E—THE STATE GENERAL FUND – General Fund Overview.”

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

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

Source: State Treasurer’s Office.

See also generally “APPENDIX E—THE STATE GENERAL FUND—General Fund Overview—Revenue Estimation; OSPB Revenue and Economic Forecasts” and “APPENDIX F—OSPB SEPTEMBER 2020 REVENUE FORECAST.”

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

Excluded from this appropriations limit are: (i) any General Fund appropriation that, as a result of any requirement of federal law, is made for any new program or service or for any increase in the level of service for any existing program beyond the existing level of service; (ii) any General Fund appropriation that, as a result of any requirement of a final State or federal court order, is made for any new program or service or for any increase in the level of service for an existing program beyond the existing level of

service; or (iii) any General Fund appropriation of any moneys that are derived from any increase in the rate or amount of any tax or fee that is approved by a majority of the registered electors of the State voting at any general election.

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

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

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

## **Fiscal Controls and Financial Reporting**

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

The State Controller is appointed by the Executive Director of the Department of Personnel & Administration. Except for certain institutions of higher education which have elected to establish their own fiscal rules, the State Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants or checks for payment of claims against the State. The State Controller prepares a Comprehensive Annual Financial Report, or “CAFR,” in accordance with generally accepted accounting principles (“GAAP”) applicable to governmental entities, with certain statutory exceptions for budget compliance and reporting. The State’s CAFR for Fiscal Year 2018-19 CAFR (the “Fiscal Year 2018-19 CAFR”) is appended to this Official Statement and includes the most current annual financial statements for the State.

## **Basis of Accounting**

For a detailed description of the State’s basis of accounting, see Note 1E to the financial statements in the State’s Fiscal Year 2018-19 CAFR appended to this Official Statement.

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

The financial reports and financial schedules contained in this Official Statement are based on principles that may vary based on the requirements of the report or schedule. The fund level financial statements and revenue estimates are primarily prepared on the modified accrual basis of accounting.



Revenue estimates are prepared for those revenues that are related primarily to the general taxing powers of the State, and to a lesser degree include intergovernmental transactions, fees for services and receipts from the federal government. The General Fund as defined in the financial statements includes revenues and expenditures for certain special cash receipts that are related to fees, permits and other charges rather than to the general taxing power of the State. See also “APPENDIX E—THE STATE GENERAL FUND—General” for a discussion of the distinction between the statutory General Fund and the GAAP General Fund.

## **Financial Audits**

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

The Office of the State Auditor, being the State’s independent auditor, has not been engaged to perform and has not performed since the date of the State Auditor’s report included herein, any procedures on the financial statements presented in the Fiscal Year 2018-19 CAFR, nor has the State Auditor performed any procedures relating to this Official Statement.

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

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

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

See also Notes 3 and 4 to the State’s Fiscal Year 2018-19 CAFR appended to this Official Statement and “APPENDIX E—THE STATE GENERAL FUND—Investment of the State Pool.”

## **The State General Fund**

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special State fund are required to be credited and paid into the General Fund. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose

Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. See “APPENDIX E—THE STATE GENERAL FUND” for a discussion of the General Fund.

## **DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS**

### **The State, State Departments and Agencies**

**Generally.** The State Constitution prohibits the State from incurring debt except for limited purposes, for limited periods of time and in inconsequential amounts. The State courts have defined debt to mean any obligation of the State requiring payment out of future years’ general revenues. The State currently has, and upon issuance of the Series 2020 Certificates will have, no outstanding general obligation debt.

**Government Activities.** The State is authorized to and has entered into lease purchase agreements in connection with various public projects, some of which have been financed by the sale of certificates of participation in the revenues of the related lease purchase agreements. The obligations of the State to make lease payments under such agreements each Fiscal Year are contingent upon annual appropriations by the General Assembly. See Notes 11 and 12 to the State’s Fiscal Year 2018-19 CAFR appended to this Official Statement for a discussion of the outstanding lease purchase agreements entered into by the State as of June 30, 2019, as well as the aggregate minimum lease payments due under such lease purchase agreements entered into by the State for Fiscal Years 2018-19 and thereafter. See also Note 21 to the State’s Fiscal Year 2018-19 CAFR appended to this Official Statement for a discussion of lease purchase agreements entered into by the State after June 30, 2019, but before publication of the Fiscal Year 2018-19 CAFR. Additionally, on June 2, 2020, the State issued its Rural Colorado Certificates of Participation Series 2020A in the aggregate principal amount of \$500,000,000, which are paid and secured by certain payments made by the State pursuant to a lease purchase agreement.

In addition to lease purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment, all of which contain a stipulation that continuation of the lease is subject to funding by the General Assembly. Historically, these agreements have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. In addition, these agreements generally are entered into through private negotiation with lessors, banks or other financial institutions rather than being publicly offered. See Notes 10 and 12 to the State’s Fiscal Year 2018-19 CAFR appended to this Official Statement for a discussion of the outstanding lease/rental agreements entered into by the State as of June 30, 2019, as well as the aggregate minimum payment obligations under such agreements in Fiscal Years 2018-19 and thereafter.

State departments and agencies, including State institutions of higher education, are also authorized to and have entered into annually renewable lease purchase agreements, and to issue revenue bonds and notes, for the purchase of equipment, the construction of facilities and infrastructure and other business-type activities. With the exception of the University of Colorado, which is governed by an elected Board of Regents, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. See Notes 11, 12 and 21 to the State’s Fiscal Year 2018-19 CAFR appended to this Official Statement for a discussion of such bonds and notes outstanding as of June 30, 2019, and of those issued after June 30, 2019, but before publication of the Fiscal Year 2018-19 CAFR. The revenue bonds and certificates of participation listed in such Notes have in most cases been publicly offered, while the notes payable listed in such Notes have generally been private financings directly with banks or other financial institutions. The State has contingent moral obligations to intercept revenue and make certain debt payments on notes and bonds issued by State school districts in the event they fail to

make a required payment to the holders of such notes and bonds. See Notes 19 and 21 to the State's Fiscal Year 2018-19 CAFR appended to this Official Statement.

See also the Statistical Section of the State's Fiscal Year 2018-19 CAFR for a ten-year summary of the total outstanding debt and related debt service expenditures of the State.

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

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

On August 4, 2020, the State issued \$410 million in aggregate principal amount of its Education Loan Program Tax and Revenue Anticipation Notes, Series 2020A in order to meet cash flow shortages experienced by local school districts in the State. Additionally, on August 6, 2020, the State issued \$600 million in aggregate principal amount of its General Fund Tax and Revenue Anticipation Notes, Series 2020, in order to fund anticipated cash flow shortfalls in the General Fund in Fiscal Year 2020-21.

See also the Statistical Section of the State's Fiscal Year 2018-19 CAFR appended to this Official Statement for a ten year history of the total outstanding debt and related debt service expenditures of the State.

### **State Authorities**

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

### **Pension and Post-Employment Benefits**

**General.** The State provides post-employment benefits to its employees based on their work tenure and earnings history through a defined benefit pension plan (as more particularly defined in "APPENDIX H—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 H—STATE PENSION SYSTEM.” For a detailed discussion of the State Division Plan, the State Division DC Plan, the limited healthcare plan and PERA, see Notes 6, 7 and 8 to the State’s Fiscal Year 2018-19 CAFR appended to this Official Statement, as well as PERA’s Comprehensive Annual Financial Report for calendar year 2019 (the “PERA 2019 CAFR”). The information in the State’s Fiscal Year 2018-19 CAFR and in this Official Statement regarding PERA is derived from the PERA 2019 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 and by each participating State employee at rates that are established by statute. The State has consistently made all statutorily required contributions to the State Division Plan. However, the State Division Plan remains significantly underfunded. In order to address the funding status of PERA’s defined benefit plans, including the State Division Plan, the General Assembly enacted S.B. 18-200, which made changes to the defined benefit plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability (“UAAL”) of such plans and thereby reach a 100% funded ratio for each of such plans within a 30-year period. S.B. 18-200 made changes to certain benefit and contribution provisions of the defined benefit plans administered by PERA, including implementing a provision that automatically adjusts employee and employer contribution rates, annual cost of living increases and the State’s annual direct contribution to PERA within certain statutory parameters so as to stay with in the 30-year funding goal. Previously, such adjustments required action by the General Assembly.

The PERA 2019 CAFR reports that at December 31, 2019, the actuarial value of assets of the State Division Plan was approximately \$14.922 billion and the actuarial accrued liability, or “AAL,” of the Plan was approximately \$25.718 billion, resulting in a UAAL of approximately \$10.796 billion, a funded ratio of 58.0 % and an amortization period of 27 years, all as further described in “APPENDIX H—STATE PENSION SYSTEM.” The actuarial value of assets for the State Division Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Based on the market value of assets of the State Division Plan, at December 31, 2019, the Plan had an UAAL of approximately \$9.898 billion and a funded ratio of 61.5%.

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

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

See generally “APPENDIX H—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, 2019, the Health Care Trust Fund had a UAAL of approximately \$1.099 billion, a funded ratio of 24.1% and a 20-year amortization period. Because the Health Care Trust Fund is a cost sharing, multiple employer plan, PERA's actuary has not determined the portion of the unfunded actuarial accrued liability that applies to each Division participant. The benefit provided by the Health Care Trust Fund is a fixed limited subsidy of the retiree's health care insurance premium payment, and the retiree bears all risk of medical cost inflation. See Notes 9 and 11 to the PERA 2019 CAFR for additional information regarding the Health Care Trust Fund.

***Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68 and GASB 75.*** GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68"), which is related to GASB 67 but is applicable to the State, is effective for fiscal years beginning after June 15, 2014, and accordingly was first implemented in the State's Comprehensive Annual Financial Report for Fiscal Year 2014-15 (the "Fiscal Year 2014-15 CAFR"). GASB 68 revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. GASB 68 requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. The State reported a net pension liability in the State's Fiscal Year 2018-19 CAFR of approximately \$13.531 billion at June 30, 2019, compared to a reported net pension liability in the State's Fiscal Year 2017-18 CAFR of approximately \$19.382 billion at June 30, 2018. These amounts were determined as of the calendar year-end that occurred within the Fiscal Year. Schedules presenting the State's proportionate share of the net pension liability for its retirement plan as of December 31, 2013-2018, 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 2018-19 CAFR. See also "Overall Financial Position and Results of Operations" in the Management's Discussion and Analysis in the State's Fiscal Year 2018-19 CAFR and Notes 1, 6, 7 and to the Financial Statements in the State's Fiscal Year 2018-19 CAFR, as well as "APPENDIX H—STATE PENSION SYSTEM" and particularly the section thereof entitled "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68."

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

***Effect of Pension Liability on the Certificates.*** For a discussion of the State's current pension liability, see the Management's Discussion and Analysis in the Financial Section of the State's Fiscal Year 2018-19 CAFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS." No assurances can be given that the assumptions underlying the State's current or future plans to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement and the State's Fiscal Year 2018-19 CAFR or the State's ability to fully pay its obligations, including the Certificates.

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

### **No Litigation Affecting the Series 2020 Certificates**

There is no litigation pending, or to the knowledge of the State threatened, either seeking to restrain or enjoin the issuance or delivery of the Series 2020 Certificates or questioning or affecting the validity of the Series 2020 Certificates or the proceedings or authority under which they are to be issued. There is also no litigation pending, or to the State's knowledge threatened, that in any manner questions the right of the State Treasurer to adopt the State Resolution and to secure the Series 2020 Certificates in the manner provided in the State Resolution and the Loan Program Statutes.

### **Governmental Immunity**

The Colorado Governmental Immunity Act, Article 10 of Title 24, C.R.S. (the "Immunity Act"), provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity, except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered. For incidents occurring prior to July 1, 2013, the limits are \$150,000 for injury to one person in a single occurrence and an aggregate of \$600,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$150,000; for incidents occurring on and after January 1, 2013, but before January 1, 2018, the maximum amounts that may be recovered under the Immunity Act are \$350,000 for injury to one person in a single occurrence and an aggregate of \$990,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$350,000; and for incidents occurring on and after January 1, 2018, but before January 1, 2022, the maximum amounts that may be recovered under the Immunity Act are \$387,000 for injury to one person in a single occurrence and an aggregate of \$1,093,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$387,000. These limits are subject to adjustment on January 1, 2022, and every four years thereafter based on the percentage change in the Consumer Price Index for Denver-Boulder-Greeley, or its successor index. In individual cases the General Assembly may authorize the recovery from the State of amounts in excess of these limits by legislative action initiated either directly by the General Assembly or upon recommendation of the State Claims Board. The Immunity Act does not limit recovery against an employee who is acting outside the course and scope of his/her employment. The Immunity Act specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable for punitive or exemplary damages. The Immunity Act does not prohibit claims in Colorado state court against public entities or their employees based on contract and may not prohibit such claims based on other common law theories. However, the Immunity Act does bar certain federal actions or claims against the State or State employees sued in their official capacities under federal statutes when such actions are brought in state court. The Eleventh Amendment to the U.S. Constitution bars certain federal actions or claims against the State or its employees sued in their official capacities under federal statutes when such actions are brought in federal court.

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 Note 9 and General Fund Components (in Supplementary Information) in the State's Fiscal Year 2018-19 CAFR appended to this Official Statement as Appendix A. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

## **Current Litigation**

For a description of pending material litigation in which the State is a defendant, see Note 19 to the State's Fiscal Year 2018-19 CAFR appended to this Official Statement as Appendix A. The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in Note 19, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in such Note.

## **TAX MATTERS**

### **Series 2020A Certificates (Tax-Exempt)**

***In General.*** In the opinion of Kutak Rock LLP, Bond Counsel to the State Treasurer ("Bond Counsel"), under existing laws, regulations, rulings and judicial decisions, the portion of Base Rent which is designated and paid as interest on the Series 2020A Certificates is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and continuing compliance by the State and others with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2020A Certificates. Failure to comply with such requirements could cause the portion of Base Rent which is designated and paid as interest on the Series 2020A Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020A Certificates. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2020A Certificates.

The accrual or receipt of interest on the Series 2020A Certificates may otherwise affect the federal income tax liability of the owners of the Series 2020A Certificates. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2020A Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, and 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 2020A Certificates.

Bond Counsel has expressed no opinion regarding the effect of any termination of the State's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for

federal income tax purposes of any monies received by the owners of the Series 2020A Certificates, or any other federal tax consequence related to the ownership and disposition of the Series 2020A Certificates.

***Tax Treatment of Original Issue Discount.*** The Series 2020A Certificates that have an original yield above their respective interest rates, as shown on the inside front cover of this Official Statement (collectively, the “Discount Certificates”) are being sold at an original issue discount. The difference between the initial public offering prices of such Discount 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 which is treated as having accrued with respect to such Discount Certificate or is otherwise required to be recognized in gross income is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Certificate (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Certificate which are attributable to accrued or otherwise recognized 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 Certificate, on days which are determined by reference to the maturity date of such Discount Certificate. The amount treated as original issue discount on such Discount Certificate for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Certificate (determined by compounding at the close of each accrual period); and (ii) the amount which would have been the tax basis of such Discount 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 Certificate during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Certificate the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Certificate is sold between semiannual compounding dates, original issue discount which 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 Certificates should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income, and with respect to the state and local tax consequences of owning a Discount Certificate.

***Recognition of Income Generally.*** Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Series 2020A Certificates under the Code.

***Tax Treatment of Original Issue Premium.*** The Series 2020A Certificates that have an original yield below their respective interest rates, as shown on the inside front cover of this Official Statement (collectively, the “Premium Certificates”) are being sold at a premium. An amount equal to the excess of the issue price of a Premium Certificate over its stated redemption price at maturity constitutes premium on such Premium Certificate. An initial purchaser of a Premium Certificate must amortize any premium over such Premium Certificate’s term using constant yield principles, based on the purchaser’s yield to



maturity (or, in the case of Premium Certificates callable prior to their maturity, 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 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 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 Certificates should consult with 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 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 2020A Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any certificate holder 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 do not in and of itself affect or alter the excludability of interest on the Series 2020A Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

#### **Series 2020B Certificates (Federally Taxable)**

***General Matters.*** Bond Counsel is of the opinion that the portion of Base Rent which is designated and paid as interest on the Series 2020B Certificates is included in gross income for federal income tax purposes. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2020B Certificates.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2020B Certificates under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2020B Certificates should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2020B Certificates.

In general, interest paid on the Series 2020B Certificates, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2020B Certificates, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Counsel has expressed no opinion regarding the effect of any termination of the State's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for federal income tax purposes of any monies received by the owners of the Series 2020B Certificates, or any other federal tax consequence related to the ownership and disposition of the Series 2020B Certificates.

***Original Issue Discount.*** If the Series 2020B Certificates are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified *de minimis* amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's

yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Owners of Series 2020B Certificates purchased at a discount 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 such Series 2020B Certificates.

***Recognition of Income Generally.*** Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Series 2020B Certificates under the Code.

***Certificate Premium.*** An investor that acquires a Series 2020B Certificate for a cost greater than its remaining stated redemption price at maturity and holds such certificate as a capital asset will be considered to have purchased such certificate at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable certificate premium that reduces interest payments under Section 171 of the Code. Certificate premium is generally amortized over the certificate's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Series 2020B Certificate purchased with a certificate premium should consult their own tax advisors as to the effect of such certificate premium with respect to their own tax situation and as to the treatment of certificate premium for state tax purposes.

***Market Discount.*** An investor that acquires a Series 2020B Certificate for a price less than the adjusted issue price of such certificate may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Series 2020B Certificate originally issued at a discount, the amount by which the issue price of such certificate, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest; and (b) in the case of a Series 2020B Certificate not originally issued at a discount, the amount by which the stated redemption price of such certificate at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2020B Certificate will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the certificate, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a certificate; or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment.

Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis; or (b) in proportion to the accrual of stated interest or, in the case of a Series 2020B Certificate with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2020B Certificate that acquired such certificate at a market discount also may be required to defer, until the maturity date of such certificate or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such certificate in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such certificate. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2020B Certificate for the days during the taxable year on which the owner held such certificate and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2020B Certificate matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto. Investors should also consult their own tax advisors with respect to when any original issue discount must be recognized as an item of gross income for federal income tax purposes.

***Unearned Income Medicare Contribution Tax.*** Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. Holders of the Series 2020B Certificates should consult with their tax advisor concerning this additional tax as it may apply to interest earned on the Series 2020B Certificates as well as gain on the sale of a Series 2020B Certificate.

***Sales or Other Dispositions.*** If an owner of a Series 2020B Certificate sells the certificate, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such certificate. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Series 2020B Certificate were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Series 2020B Certificate should consult its own tax advisor concerning the circumstances in which such certificate would be deemed reissued and the likely effects, if any, of such reissuance.

***Defeasance.*** The legal defeasance of the Series 2020B Certificates may result in a deemed sale or exchange of such certificates under certain circumstances. Owners of such Series 2020B Certificates should consult their tax advisors as to the federal income tax consequences of such a defeasance.

***Backup Withholding.*** An owner of a Series 2020B Certificate may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series 2020B Certificates, if such owner, upon issuance of the Series 2020B Certificates, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's

taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

***Foreign Investors.*** An owner of a Series 2020B Certificate that is not a “United States person” (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2020B Certificate will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2020B Certificate, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term “United States person” means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid and original issue discount accruing on Series 2020B Certificates owned by foreign investors. In those instances in which payments of interest on the Series 2020B Certificates continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2020B Certificates having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2020B Certificate.

***Tax-Exempt Investors.*** In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity’s exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series 2020B Certificate incurs acquisition indebtedness with respect to such certificate, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2020B Certificate is urged to consult its own tax advisor regarding the application of these provisions.

## **Exemption Under State Tax Law**

In the opinion of Bond Counsel, under existing Colorado statutes, the portion of Base Rent which is designated and paid as interest on the Series 2020 Certificates is exempt from State of Colorado tax.

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

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2020 Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Certificates 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 2020 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 2020 Certificates or the market value thereof would be impacted thereby. Purchasers of the Series 2020 Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2020 Certificates and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

## **ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2020B Certificates must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2020B Certificates could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the State or any dealer of the Series 2020B Certificates might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2020B Certificates are acquired by such plans or arrangements with respect to which the State or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2020B Certificates. The sale of the Series 2020B Certificates to a plan is in no respect a representation by the State or the Underwriters that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series 2020B Certificates should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

## UNDERWRITING

The Series 2020A Certificates are to be purchased by Wells Fargo Bank, National Association, RBC Capital Markets, LLC, and Stifel, Nicolaus & Company, Incorporated (collectively, the “Underwriters”) at a price equal to \$87,102,239.16 (representing the aggregate principal amount of the Series 2020A Certificates of \$68,670,000.00, plus an original issue premium of \$18,619,186.85, less an underwriting discount of \$186,947.69). The Series 2020B Certificates are to be purchased by the Underwriters at a price equal to \$44,104,265.97 (representing the aggregate principal amount of the Series 2020B Certificates of \$44,225,000.00 less an underwriting discount of \$120,734.03). The Underwriters have agreed to accept delivery of and pay for all the Series 2020 Certificates if any are delivered, provided that the obligation to make such purchase is subject to certain terms and conditions set forth in the Certificate Purchase Agreement related to the Series 2020 Certificates (the “Certificate Purchase Agreement”), the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2020 Certificates to certain dealers (including dealers depositing such Series 2020 Certificates into investment funds) and others at prices lower than the public offering prices stated on the inside cover page hereof. The public offering prices set forth on the inside front cover hereof may be changed after the initial offering by the Underwriters.

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

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

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 Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), the senior underwriter of the Series 2020 Certificates, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2020 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 2020 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 2020 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.

## **LEGAL MATTERS**

All legal matters incident to the validity and enforceability of the Series 2020 Certificates, as well as the treatment of interest on the Series 2020 Certificates for purposes of federal and State income taxation, are subject to the approving legal opinion of Kutak Rock LLP, as Bond Counsel to the State Treasurer. A form of the opinion of Bond Counsel is appended to this Official Statement as Appendix D. Kutak Rock LLP also has served as disclosure counsel to the State Treasurer in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for 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, Kline Alvarado Veio, PC. Payment of legal fees to Kutak Rock LLP and Kline Alvarado Veio, PC is contingent upon the sale and delivery of the Series 2020 Certificates.

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), have assigned the following ratings and outlooks to the Series 2020 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. The State makes no representation regarding any rating outlooks related to the Series 2020 Certificates or any other obligations of the State. The State has furnished to the rating agencies certain information and materials relating to the Series 2020 Certificates and the Leased Property, including certain information and materials which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward, suspended or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of any such rating may have an adverse effect on the market price of the Series 2020 Certificates. None of the State, the Municipal Advisor (hereinafter defined) or the Underwriters undertake any responsibility to oppose any such revision, suspension or withdrawal.

## **MUNICIPAL ADVISOR**

The State has retained North Slope Capital Advisors as a municipal advisor (the "Municipal Advisor") in connection with the Series 2020 Certificates and with respect to the authorization, execution and delivery of the Series 2020 Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the Series 2020 Certificates.

## **CONTINUING DISCLOSURE**

Rule 15c2-12, adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, prohibits underwriters from purchasing or selling certain municipal securities unless the issuer of those securities, or an obligated person for whom financial or operating data is presented

in the final official statement, has undertaken to provide continuing disclosure information for the benefit of the owners of those securities. In accordance with Rule 15c2-12, the State, acting by and through the State Treasurer, will enter into a Continuing Disclosure Undertaking on the Closing Date, the form of which is appended to this Official Statement, pursuant to which the State Treasurer will agree for the benefit of the Owners and Beneficial Owners of the Series 2020 Certificates to file with the MSRB via its EMMA website (a) certain annual financial information and the State's audited annual financial statements not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2020, and (b) notices of the occurrence of certain events affecting the State and the Certificates within ten business days of their occurrence. See "APPENDIX C—FORM OF CONTINUING DISCLOSURE UNDERTAKING" for a description of the annual information and the notices of events to be provided and other terms of the Continuing Disclosure Undertaking.

The obligations of the State Treasurer pursuant to the Continuing Disclosure Undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2020 Certificates, and, if necessary, may be enforced by such Owners and Beneficial Owners by specific performance of such obligations by any judicial proceeding available. However, a breach of the State Treasurer's obligations pursuant to the Continuing Disclosure Undertaking does not constitute an Indenture Event of Default or a Lease Event of Default, and none of the rights and remedies provided in the Indenture and the Lease for such defaults will be available to the Owners and Beneficial Owners of the Certificates in the event of a breach of the Continuing Disclosure Undertaking.

### **Compliance With Other Continuing Disclosure Undertakings**

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

Partially in response to the foregoing, the State Treasurer requested and the General Assembly enacted legislation in 2012 to provide the State Treasurer with statutory authority over debt issuance and post-issuance compliance with continuing disclosure undertakings entered into by the State, the State Treasurer and certain State departments and agencies that utilize the State's credit (collectively, the "Included Entities") in connection with financial obligations issued by or for the benefit of the Included Entities. Consistent with this authorization, the responsibility for compliance with the continuing disclosure undertakings entered into by the Included Entities has been centralized with the State Treasurer, which is intended to ensure future compliance with such continuing disclosure undertakings.

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

In addition, consistent with its statutory authorization and as a result of the circumstances described above, the State Treasurer's office carried out a comprehensive review of compliance by the State with the continuing disclosure undertakings entered into by the Included Entities for the purpose of determining instances of material noncompliance with such continuing disclosure undertakings. Instances of material noncompliance discovered by the State Treasurer's office have been addressed by making appropriate



corrective filings or taking other remedial actions, either directly or by DAC Bond. The State also participated in the SEC's Municipal Continuing Disclosure Cooperation Initiative discussed in "MCDC Settlement Order with Securities and Exchange Commission" hereafter.

Due to various issues that were experienced by the State in connection with the implementation of a new integrated financial system, the State's unaudited Basic Financial Statements for Fiscal Year 2014-15 and the State's Fiscal Year 2014-15 CAFR were not completed and released until late January 2016 and late April 2016, respectively. As a result, the State was unable to post its Fiscal Year 2014-15 audited financial statements on EMMA by December 31, 2015, as required by numerous continuing disclosure undertakings entered into by the Included Entities. Notice of such noncompliance was posted on EMMA on January 25, 2016, and the State's unaudited Basic Financial Statements for Fiscal Year 2014-15 and the State's Fiscal Year 2014-15 CAFR were subsequently posted on EMMA on February 1, 2016, and May 2, 2016, respectively. The State was also unable to post its Fiscal Year 2015-16 audited financial statements on EMMA by December 31, 2016, as required by such continuing disclosure undertakings. Notice of such noncompliance was posted on EMMA on January 16, 2017, and the State's unaudited Basic Financial Statements for Fiscal Year 2015-16 and the State's Fiscal Year 2015-16 CAFR were posted on EMMA on January 16, 2017, and March 8, 2017, respectively. The State was also unable to post its Fiscal Year 2016-17 audited financial statements on EMMA by January 26, 2018, as required by such continuing disclosure undertakings. A notice of late filing was posted on EMMA on January 25, 2018, and the State's unaudited Basic Financial Statements for Fiscal Year 2016 17 and the State's Fiscal Year 2016 17 CAFR were posted on EMMA on January 9, 2018, and February 8, 2018, respectively.

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

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

### **MCDC Settlement Order With the 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 Colorado Department of Transportation ("CDOT"), executed an Offer of Settlement (the "Offer") with the SEC under the MCDC, which Offer was accepted by the SEC on August 24, 2016, and became an order of the SEC (the "Order"). As described in the Order, CDOT participated in one negotiated offering in 2011 in which the final official statement stated in relevant part that during the past five years, CDOT had complied in all material respects with its

continuing disclosure undertakings. Notwithstanding such statement, however, CDOT's audited financial statements for 2006, 2007, 2008, 2009 and 2010 were not filed until 2014 when it was discovered that such financial statements had not been filed previously with the Nationally Recognized Municipal Securities Information Repositories or the MSRB through the EMMA system, as applicable.

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

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

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

### **Additional Information**

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

### **MISCELLANEOUS**

The cover page, inside front cover, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2020 Certificates certain documents referred to herein may be obtained from the Underwriters at Wells Fargo Bank, National Association, 1700 Lincoln Street, 21<sup>st</sup> Floor, Denver, Colorado 80230, Attention: Ryan Poulsen, Vice President, Telephone: (303) 863-6008. 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.

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## **OFFICIAL STATEMENT CERTIFICATION**

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

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

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

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**APPENDIX A**

**STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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# COLORADO



## Comprehensive Annual Financial Report

*For the Fiscal Year  
Ended June 30, 2019*



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







# Comprehensive Annual Financial Report



Jared S. Polis  
Governor

*For the Fiscal Year  
Ended June 30, 2019*

Department of Personnel  
& Administration

Kara Veitch  
Executive Director

Robert Jaros  
State Controller



COLORADO

Department of Personnel & Ad

## **REPORT LAYOUT**

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes the controller's transmittal letter and the state's organization chart. The Financial Section includes the auditor's opinion, management's discussion and analysis, the basic financial statements, and the combining statements and schedules. The Statistical Section includes fiscal, economic, and demographic information about the state.

## **INTERNET ACCESS**

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

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

**STATE OF COLORADO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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# Introductory Section



## Comprehensive Annual Financial Report

*For the Fiscal Year Ended June 30, 2019*



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







## COLORADO

### Office of the State Controller

Department of Personnel & Administration

1525 Sherman St., 5<sup>th</sup> Floor  
Denver, CO 80203

January 21, 2020

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

I am pleased to submit the State of Colorado's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. The State Controller is responsible for the contents of the CAFR and is committed to sound financial management and governmental accountability.

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

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

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

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

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

### *PROFILE OF THE STATE GOVERNMENT*

The government of the State of Colorado serves an estimated 5,771,900 Coloradans. The services provided are categorized by function of government on the government-wide *Statement of Activities*. The largest of these are education, higher education, and social assistance.

#### **Structure of the State Government**

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



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

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

### **Component Units**

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

- Discretely Presented Component Units:
  - Colorado Water Resources and Power Development Authority
  - University of Colorado Foundation
  - Other Component Units (nonmajor):
    - Denver Metropolitan Major League Baseball Stadium District
    - HLC @ Metro, Inc.
- Blended Component Units:
  - University Physicians Inc., d/b/a CU Medicine
  - University of Colorado Property Construction, Inc.

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

### **Budgetary Process and Budgetary Control**

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

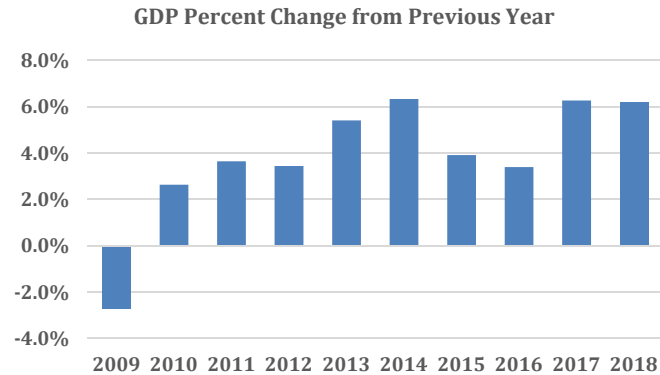
For the most part, operating appropriations lapse at the end of the fiscal year unless the State Controller approves, at a line item level, an appropriation roll-forward based on express legislative direction or extenuating circumstances. The State Controller may also, at a line item level and with the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

## ***ECONOMIC CONDITION AND OUTLOOK***

### **The State's Economy**

The State's General Fund general-purpose revenues reflect the overall condition of the State economy, which showed continued growth in Fiscal Year 2019; General Fund revenues increased by \$551 million (4.7 percent) from the prior year. Historically, Colorado economic activity and in-migration have been interdependent. Net migration has averaged approximately 55,300 from 2014 to 2018. Net migration has increased over this period from approximately 48,200 (2014) to 52,200 (2018) and is projected to be 52,400 and 49,400 for 2019 and 2020, respectively.

The chart below shows the percent change from the previous year of Colorado's gross domestic product (GDP) for the years 2009 to 2018. According to the Bureau of Economic Analysis (BEA), the GDP has, with the exception of a decrease in 2009, consistently increased over the last ten years. Colorado's 2018 GDP of \$371,750 million is a 6.2 percent increase from 2017 and a 45.5 percent increase from 2008.



Colorado has a diverse economy, comprising many industries. The table below shows GDP in current dollars and percent of total GDP by industry for the years 2008 and 2018. Over this ten-year period, the industry profile of the State's GDP has been stable, with growth across most industries.

Industry	2008		2018	
	2008 GDP (millions)	Percent of Total	2018 GDP (millions)	Percent of Total
Finance, Insurance, Real Estate, Rental, and Leasing	\$ 46,300.9	18.1 %	\$ 77,127.1	20.8 %
Professional and Business Services	35,619.5	14.0	54,645.0	14.7
Government and Government Enterprises	31,836.0	12.5	44,220.2	11.9
Educational Services, Health Care, and Social Assistance	16,403.1	6.4	26,653.2	7.2
Manufacturing	19,285.1	7.5	25,750.7	6.9
Information	19,372.3	7.6	20,176.4	5.4
Wholesale Trade	14,428.8	5.6	20,499.1	5.5
Construction	13,589.7	5.3	21,196.9	5.7
Retail Trade	13,949.4	5.5	19,124.2	5.1
Arts, Entertainment, Recreation, Accommodation, and Food Services	10,750.1	4.2	19,089.8	5.1
Transportation and Warehousing	6,761.8	2.6	14,393.5	3.9
Mining, Quarrying, and Oil and Gas Extraction	15,819.6	6.2	14,232.2	3.8
Other Services (Except Government and Government Enterprises)	5,947.8	2.3	8,379.1	2.3
Utilities	3,320.3	1.3	4,107.4	1.1
Agriculture, Forestry, Fishing and Hunting	2,182.3	0.9	2,154.8	0.6
All Industry Total	<u>\$ 255,566.7</u>		<u>\$ 371,749.6</u>	

The Governor's Office of State Planning and Budgeting (OSPb) described Colorado's economic outlook in the September 2019 *Colorado Economic and Fiscal Outlook*:

*"Colorado's economy has strengthened in recent months, but growth is expected to slow over the forecast period. Employment and wage growth have been strong, encouraging consumer activity, but the tight labor market is also constraining business growth as employers struggle to attract and retain talented employees. Lower housing and energy price growth is reducing inflation. While the agricultural and manufacturing industries face headwinds due to the ongoing trade war, Colorado's economic expansion is expected to continue."*

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

- Unemployment will average 3.1 percent for 2019 compared with 3.3 and 2.7 percent in 2018 and 2017, respectively, and is expected to remain at 3.1 percent in 2020.
- Wages and salary income will increase by 5.6 percent in 2019 and by 4.9 percent and 4.5 percent in 2020 and 2021, respectively.
- Total personal income will increase by 5.8 percent in 2019, 5.0 percent in 2020, and 4.3 percent in 2021.
- Inflation, measured by the Denver-Aurora-Lakewood Consumer Price Index, will be 1.9 percent in 2019 and 2.0 percent in 2020.

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

Senate Bill 18-200, enacted in 2018, addressed underfunded obligations of the Public Employees' Retirement Association (PERA), which provides benefits to state and local government retirees. The bill makes several provisions, including a recurring direct distribution to PERA of \$225 million per year and changes to contribution rates, formulas for calculating benefits, and cost of living allowances. With the enactment of this bill, a reduction to the State's unfunded pension liabilities is expected in future years until the liability is fully funded by 2048.

The General Assembly addressed one of the Governor's key issues, education, with House Bill 19-1262. With its enactment, the bill provides for the funding of full-day kindergarten through the existing school finance formula. For Fiscal Year 2020, \$183 million was appropriated to the Department of Education to fund the state share of additional costs associated with full-day kindergarten.

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

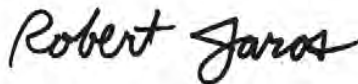
#### ***AWARDS AND ACKNOWLEDGEMENTS***

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 CAFR for the fiscal year ended June 30, 2018. This was the twenty-second 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 CAFR. 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 CAFR 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.

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

Sincerely,



Robert Jaros, CPA, MBA, JD  
Colorado State Controller



Government Finance Officers Association

**Certificate of  
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Reporting**

Presented to

**State of Colorado**

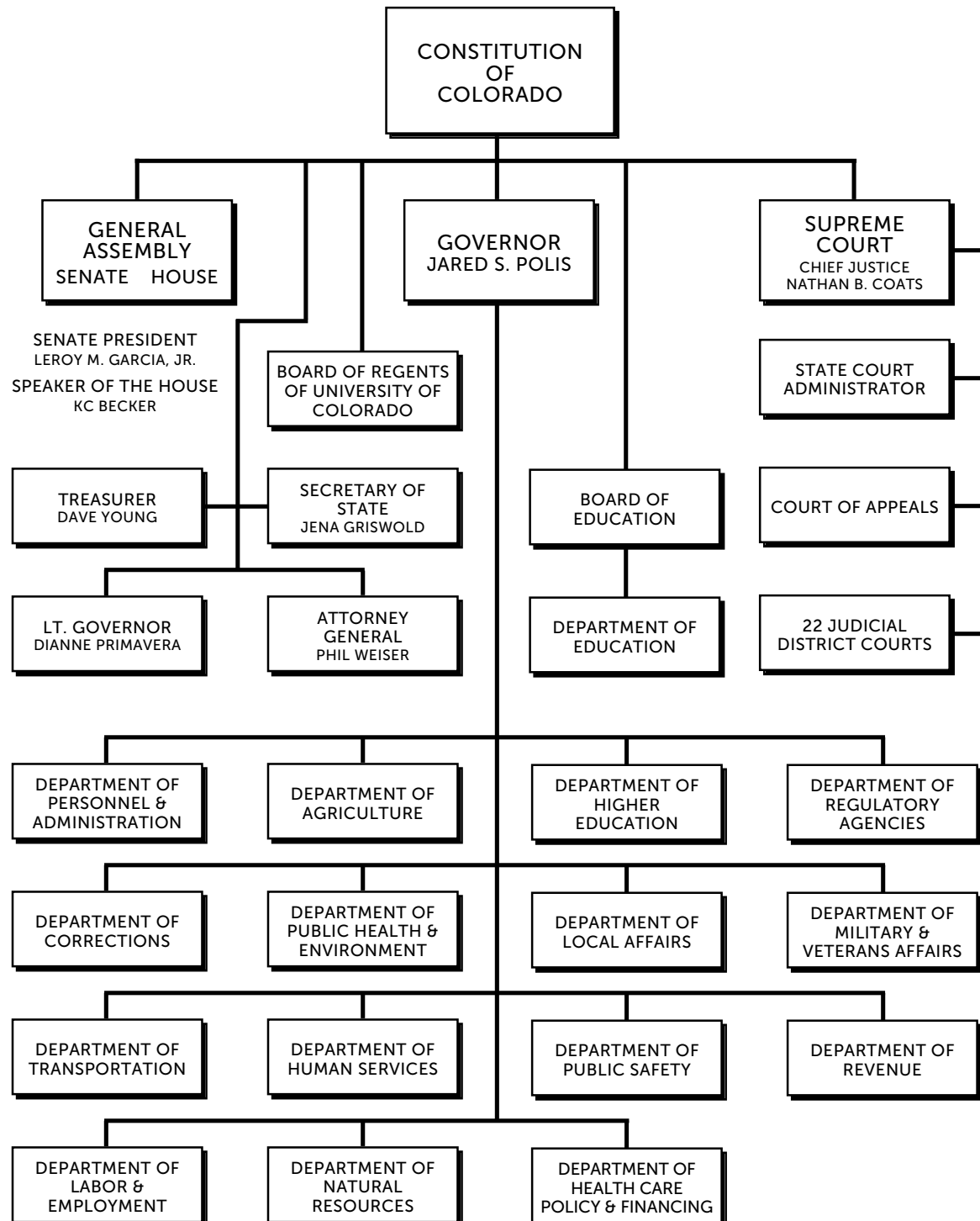
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrell*

Executive Director/CEO

# PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



# Financial Section



## Comprehensive Annual Financial Report

*For the Fiscal Year Ended June 30, 2019*



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



## *INDEPENDENT AUDITOR'S REPORT*

Members of the Legislative Audit Committee:

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado (State), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents. We have also audited the State's budgetary comparison schedule—general fund component (schedule) and the related note for the Fiscal Year Ended June 30, 2019, as displayed in the State's required supplementary information section.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements and schedule based on our audit. We did not audit the financial statements of the discretely presented component units



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identified in Note 1; or the University Physicians Inc., DBA CU Medicine (CU Medicine); a blended component unit, which represent the following:

PERCENTAGE OF FINANCIAL STATEMENTS AUDITED BY OTHER AUDITORS			
OPINION UNIT/DEPARTMENT	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	NET POSITION	REVENUES, ADDITIONS, AND OTHER FINANCING SOURCES
Aggregate Discretely Presented Component Units	100%	100%	100%
Fund Statements–Proprietary Funds			
Higher Education Institutions–Major Fund			
CU Medicine	5%	40%	2%
Government-wide statements			
Business-type activities			
CU Medicine	4%	15%	1%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts and disclosures included for those discretely presented component units and for CU Medicine, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Colorado Foundation and the Denver Metropolitan Major League Baseball Stadium District, which are discretely presented component units; and CU Medicine and the University of Colorado Property Construction, Inc., which are blended component units, were audited in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule.

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

## OPINIONS

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as well as the budgetary comparison schedule—general fund component of the State of Colorado, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## EMPHASIS OF MATTER

### *Change in Reporting Entity*

As discussed in Note 15 to the financial statements, the State has removed several component units from its reporting entity as reported in the Fiscal Year 2018 Comprehensive Annual Financial Report. This change was based on a reevaluation of financial significance, and is in accordance with other guidance. Our opinion is not modified with respect to this matter.

## OTHER MATTERS

### *Required Supplementary Information*

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

LOCATION OF REQUIRED SUPPLEMENTARY INFORMATION	
REQUIRED SUPPLEMENTARY INFORMATION	PAGES
Management’s discussion and analysis	23-37
Budgetary comparison schedules	164-169
Notes to required supplementary information	170-178
Budgetary comparison schedule-general fund component	179-181

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

#### *Other Information*

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

The combining nonmajor fund financial statements and schedule of TABOR revenue and computations are the responsibility of management, and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on the procedures performed as described above, the combining nonmajor fund financial statements and schedule of TABOR revenue and computations are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we will issue a separate report dated January 21, 2020, 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.

A handwritten signature in black ink, appearing to read "Jeffrey", is positioned above the date and location.

Denver, Colorado  
January 21, 2020

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

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## **INTRODUCTION**

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

## **OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

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

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

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

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

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

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

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

## Fund-Level Financial Statements

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

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

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

## **Notes to Basic Financial Statements**

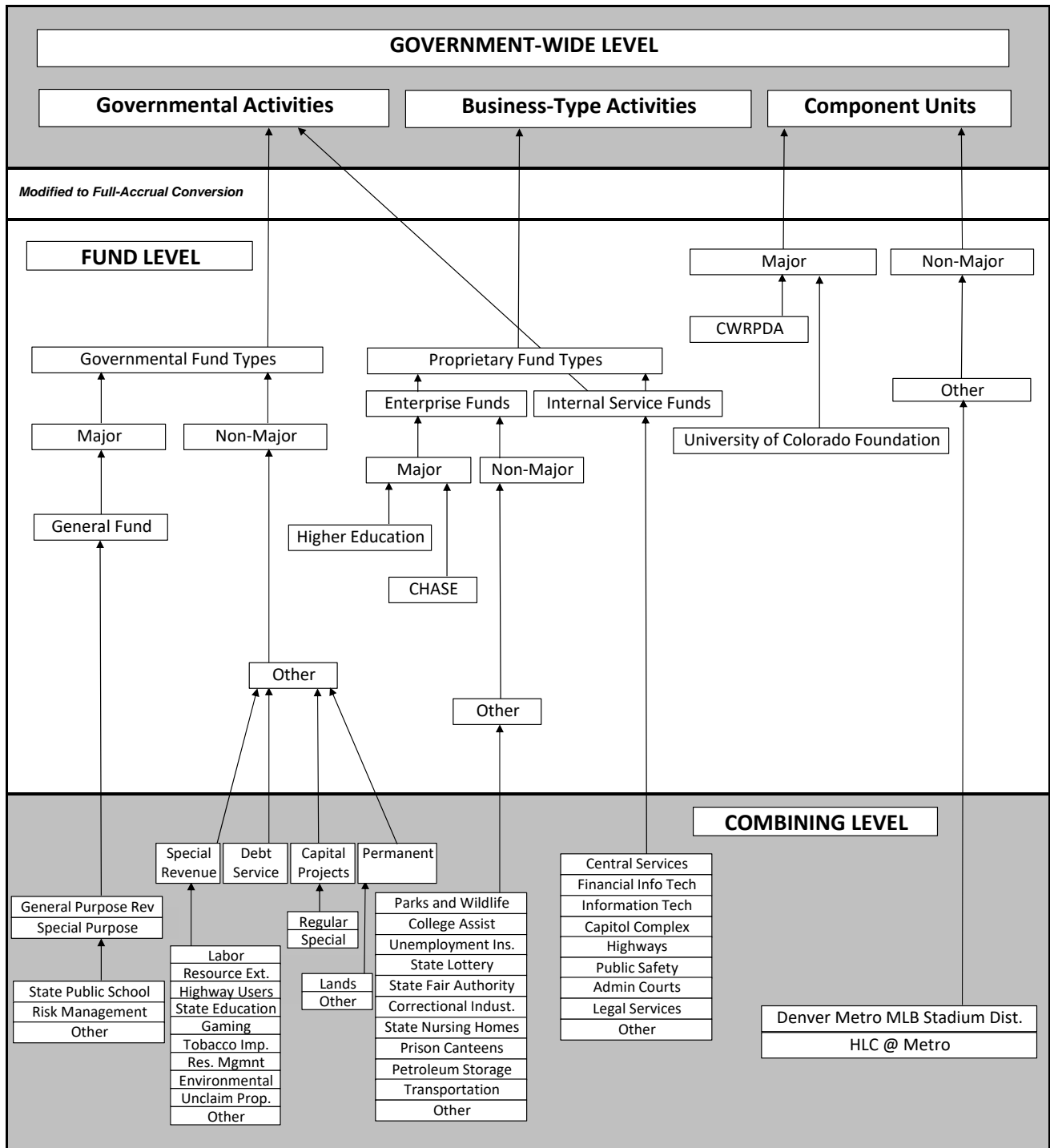
The notes to the financial statements are an integral part of the basic financial statements. They explain amounts shown in the financial statements and provide additional information that is essential to fair presentation.

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

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

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





## OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

### Government-wide Statement of Net Position

The amount of total net position is one measure of the health of the State's finances, and serves as a useful indicator of a government's financial position over time. However, this measure must be used with care because large portions of the balances related to capital assets or restricted assets may be unavailable to meet the day-to-day payments of the State. The State's combined total net position of both governmental and business-type activities increased from the prior fiscal year by \$2,233.1 million from \$10,200.9 in Fiscal Year 2018 to \$12,434.0 million in Fiscal Year 2019.

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

	(Amounts in Thousands)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Noncapital Assets	\$ 12,015,284	\$ 10,301,284	\$ 8,014,060	\$ 7,393,294	\$ 20,029,344	\$ 17,694,578
Capital Assets	12,222,923	12,199,565	10,294,533	9,871,474	22,517,456	22,071,039
Total Assets	24,238,207	22,500,849	18,308,593	17,264,768	42,546,800	39,765,617
Deferred Outflow of Resources	4,421,051	2,563,034	931,725	1,750,279	5,352,776	4,313,313
Current Liabilities	3,276,476	2,980,058	1,676,909	1,381,242	4,953,385	4,361,300
Noncurrent Liabilities	12,470,991	14,492,965	10,561,313	13,841,953	23,032,304	28,334,918
Total Liabilities	15,747,467	17,473,023	12,238,222	15,223,195	27,985,689	32,696,218
Deferred Inflow of Resources	4,997,905	560,903	2,482,076	620,945	7,479,981	1,181,848
Net Investment in Capital Assets	10,327,956	10,879,491	5,618,074	5,108,898	15,946,030	15,988,389
Restricted	3,797,509	3,401,621	2,619,832	2,117,540	6,417,341	5,519,161
Unrestricted	(6,211,579)	(7,251,155)	(3,717,886)	(4,055,531)	(9,929,465)	(11,306,686)
Total Net Position	\$ 7,913,886	\$ 7,029,957	\$ 4,520,020	\$ 3,170,907	\$ 12,433,906	\$ 10,200,864

The State's net investment in capital assets of \$15,946.0 million for governmental and business-type activities combined represents a decrease of \$42.4 million compared to the prior fiscal year. Net investment in capital assets is a noncurrent asset, and therefore not available to meet related debt service requirements that must be paid from current revenues or available liquid assets.

Assets restricted by the State Constitution or external parties account for another \$6,417.3 million, or 51.6 percent of net position. Restricted assets increased by \$898.1 million relative to the prior fiscal year. In general, these restrictions dictate how the related assets must be used by the State, and therefore, may not be available for use by any of the State's programs. Examples of restrictions on the use of net position include the constitutionally-mandated TABOR reserve, State Education Fund, Highway Users Tax Fund, and resources pledged to debt service.

The unrestricted component of total net position is a negative \$9,929.5 million for the fiscal year ended June 30, 2019, which represents an increase of \$1,377.2 million from the prior fiscal year. The increase is primarily due to the increase of Net Investments in Capital Assets in relation to Total Net Position. The State reports a negative or deficit amount for the unrestricted component only on a government-wide basis, not at the level of any fund. The State's current liabilities reported on the Statement of Net Position increased by \$592.1 million primarily due to the increase in the State's TABOR liability in Fiscal Year 2019. There also were increases in tax refunds payable; accounts payable and other accrued liabilities; unearned revenue; and notes, bonds, and COPs payable. Noncurrent liabilities decreased by \$5,302.6 million from the prior fiscal year. The decrease is primarily attributed to the significant decrease in the net pension liability of \$5,768.1 million as compared to the prior fiscal year, due to the effect of the portion of the annual \$225.0 million distribution attributable to the State and Judicial Division Trust Funds, directly made to the Public Employee's Retirement Association as required by Senate Bill 18-200. Other

Noncurrent liabilities, such as bonds and certificates of participation payable, have related capital assets while the net pension liability does not.

### **Governmental Activities:**

Overall, total assets and deferred outflows of resources of the State's governmental activities exceeded total liabilities and deferred inflows of resources by \$7,913.9 million, an increase in net position of \$883.9 million as compared to the prior fiscal year amount of \$7,030.0 million. Cash and restricted cash balances increased by \$703.9 million. Taxes Receivable, net of refunds payable and Other Receivables, net, increased by \$290.5 million, while investments and restricted investments increased by \$978.7 million. Capital assets, net of accumulated depreciation, increased by \$66.3 million due to various projects throughout the State.

Governmental activities' liabilities for notes, bonds, and Certificates of Participation at June 30, 2019 were \$2,159.4 million as compared to the prior fiscal year amount of \$1,435.3 million – an increase of \$724.1 million. These liabilities represent 29.7 percent of unrestricted financial assets (cash, receivables, and investments), and 8.9 percent of total assets of governmental activities. The governmental activities debt is primarily related to infrastructure, state buildings, and public school buildings. The infrastructure debt is secured by future federal revenues and state highway revenues, state building debt by gaming distributions and judicial fees, and public school buildings debt by School Trust Land revenues.

Governmental activities had a decrease of \$551.5 million in net investment in capital assets attributable primarily to the \$500.0 million issuance of State of Colorado Rural Colorado Certificates of Participation, Series 2018A. Restricted net position for governmental activities increased by \$395.9 million due to the increase in TABOR liability resulting from revenues exceeding the Excess State Revenues Cap by \$428.3 million – resulting in a refund of excess revenues (see Note 2B for more details). Unrestricted net position increased \$1,039.6 million from the prior year primarily due to the decrease in net pension liability.

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

Overall, total assets and deferred outflows of resources of the State's business-type activities exceeded total liabilities and deferred inflows of resources by \$4,520.0 million – an increase in net position of \$1,349.1 million as compared to the prior year amount of \$3,170.9 million. The decrease is primarily attributed to the significant decrease in the net pension liability of \$3,211.6 million as compared to the prior fiscal year, due to the effect of the portion of the annual \$225.0 million distribution attributable to the State Division Trust Fund, directly made to the Public Employee's Retirement Association as required by Senate Bill 18-200.

The State's Enterprise Funds have notes, bonds, and Certificates of Participation outstanding that total \$4,953.6 million, as compared to the prior fiscal year amount of \$5,124.3 million – a decrease of \$170.7 million. The majority of the outstanding revenue bonds is related to Higher Education Institutions and is invested in capital assets that generate a future revenue stream to service the related debt. The Division of Unemployment Insurance also has bonds outstanding secured by future employer insurance premiums.

Of the total net position for business-type activities, \$5,618.1 million was for investment in capital assets, and \$2,619.8 million is restricted for the purposes of various funds, which resulted in an unrestricted deficit of \$3,717.9 million. While the unrestricted deficit decreased in Fiscal Year 2019, the deficit is primarily a result of the initial recognition of the net pension liability in Fiscal Year 2015, and the recognition of the net OPEB liability in Fiscal Year 2018. Business-type activities reported a \$509.2 million increase in net investment in capital assets, primarily due to the construction of capital asset projects by institutions of higher education and the Other Enterprise Funds. Restricted net position for business-type activities reported an increase of \$502.3 million from the prior fiscal year.

### **Government-wide Statement of Activities**

The change in net position from the prior fiscal year is another important measure of the State's financial health. The following condensed statement of activities shows that for governmental activities, total expenses and transfers-

out were less than total revenues and transfers-in, which resulted in an increase to net position of \$860.7 million. Program revenues for governmental activities increased by \$34.1 million (0.2 percent), and General revenues for governmental activities increased by \$1,053.7 million (4.7 percent) due to increased tax collections.

Total expenses for governmental activities decreased by \$1,222.0 million (5.2 percent) from the prior fiscal year due to decreases in health and rehabilitation, justice, social assistance, and transportation activities. The following table was derived from the current and prior year government-wide *Statement of Activities*.

(Amounts in Thousands)						
Programs/Functions	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
<b>Program Revenues:</b>						
Charges for Services	\$ 1,606,484	\$ 1,449,976	\$ 7,933,992	\$ 7,514,242	\$ 9,540,476	\$ 8,964,218
Operating Grants and Contributions	6,822,479	6,627,757	5,119,323	5,082,655	11,941,802	11,710,412
Capital Grants and Contributions	428,332	745,497	62,609	89,542	490,941	835,039
<b>General Revenues:</b>						
Taxes	13,108,185	12,032,576	-	-	13,108,185	12,032,576
Restricted Taxes	1,348,050	1,273,482	-	-	1,348,050	1,273,482
Unrestricted Investment Earnings	30,196	21,798	-	-	30,196	21,798
Other General Revenues	95,051	199,934	-	-	95,051	199,934
<b>Total Revenues</b>	<b>23,438,777</b>	<b>22,351,020</b>	<b>13,115,924</b>	<b>12,686,439</b>	<b>36,554,701</b>	<b>35,037,459</b>
<b>Expenses:</b>						
General Government	1,493,871	739,872	-	-	1,493,871	739,872
Business, Community, and Consumer Affairs	734,786	912,495	-	-	734,786	912,495
Education	6,469,072	6,086,573	-	-	6,469,072	6,086,573
Health and Rehabilitation	935,044	1,258,445	-	-	935,044	1,258,445
Justice	1,970,515	3,254,155	-	-	1,970,515	3,254,155
Natural Resources	123,036	219,659	-	-	123,036	219,659
Social Assistance	8,589,168	8,810,715	-	-	8,589,168	8,810,715
Transportation	1,875,438	2,179,299	-	-	1,875,438	2,179,299
Payments to School Districts	-	-	-	-	-	-
Payments to Other Governments	-	-	-	-	-	-
Interest on Debt	109,075	60,778	-	-	109,075	60,778
Higher Education Institutions	-	-	7,111,041	8,612,196	7,111,041	8,612,196
Healthcare Affordability	-	-	3,414,018	3,294,611	-	3,294,611
Unemployment Insurance	-	-	385,192	444,181	385,192	444,181
Lottery	-	-	580,808	547,805	580,808	547,805
Parks and Wildlife	-	-	184,870	294,065	184,870	294,065
College Assist	-	-	222,726	247,361	222,726	247,361
Other Business-Type Activities	-	-	212,190	301,094	212,190	301,094
<b>Total Expenses</b>	<b>22,300,005</b>	<b>23,521,991</b>	<b>12,110,845</b>	<b>13,741,313</b>	<b>34,410,850</b>	<b>37,263,304</b>
<b>Excess (Deficiency) Before Contributions, Transfers, and Other Items</b>	<b>1,138,772</b>	<b>(1,170,971)</b>	<b>1,005,079</b>	<b>(1,054,874)</b>	<b>2,143,851</b>	<b>(2,225,845)</b>
<b>Contributions, Transfers, and Other Items:</b>						
Transfers (Out) In	(279,131)	(254,324)	279,131	254,324	-	-
Permanent Fund Additions	1,062	277	-	-	1,062	277
Internal Capital Contributions	-	44	57,541	51,439	57,541	51,483
Special Item	-	-	-	-	-	-
<b>Total Contributions, Transfers, and Other Items</b>	<b>(278,069)</b>	<b>(254,003)</b>	<b>336,672</b>	<b>305,763</b>	<b>58,603</b>	<b>51,760</b>
<b>Total Changes in Net Position</b>	<b>860,703</b>	<b>(1,424,974)</b>	<b>1,341,751</b>	<b>(749,111)</b>	<b>2,202,454</b>	<b>(2,174,085)</b>
<b>Net Position - Beginning</b>	<b>7,029,957</b>	<b>8,707,037</b>	<b>3,170,907</b>	<b>4,570,333</b>	<b>10,200,864</b>	<b>13,277,370</b>
Prior Period Adjustment (See Note 15A)	23,226	8,583	7,362	-	30,588	8,583
Accounting Changes	-	(260,689)	-	(650,315)	-	(911,004)
<b>Net Position - Ending</b>	<b>\$ 7,913,886</b>	<b>\$ 7,029,957</b>	<b>\$ 4,520,020</b>	<b>\$ 3,170,907</b>	<b>\$ 12,433,906</b>	<b>\$ 10,200,864</b>

Business-type activities' total expenses were less than total revenues, net transfers, and internal capital contributions by \$1,341.8 million, resulting in an increase in net position. From the prior year to the current year, program revenue from business-type activities increased by \$429.5 million, and expenses decreased by \$1,630.5 million (11.9 percent) due to the decrease in accrued pension expense from the prior year.

## **FUND-LEVEL FINANCIAL ANALYSIS**

### **Governmental Funds:**

Governmental fund assets exceeded liabilities resulting in total fund balance of \$8,579.0 million as compared to the prior fiscal year amount of \$7,349.4 million. The fund balance for all governmental funds increased from the prior fiscal year by \$1,229.6 million from the prior fiscal year which comprised of increases in the General Fund and Other Governmental Funds of \$56.2 million and \$3,743.5 million, respectively. The large increase in Other Governmental Funds was due to a change in the major fund determination in Fiscal Year 2019. The Resource Extraction, Highway Users Tax, Capital Projects, and State Education funds were reported as major in FY 2018, whereas those funds were deemed nonmajor and combined with Other Governmental Funds in Fiscal Year 2019. Overall, the increase in fund balance for all governmental funds in total was primarily attributable to increases in tax revenue and the face amount of bond/COP issuances during Fiscal Year 2019.

### **General Fund**

The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was \$2,063.0 million. General Fund revenues increased overall by approximately \$709.4 million (4.0 percent) over the prior year, and expenditures increased overall by \$819.1 million (4.8 percent) relative to the prior fiscal year, resulting in \$681.5 million excess of revenues over expenditures for Fiscal Year 2019. The overall fund balance of the General Fund only increased by \$56.2 million due the net of Transfers of (\$879.3 million). Individual and fiduciary income taxes (\$7,327.5 million), sales and use taxes (\$3,592.2 million), and federal grants and contracts (\$5,873.0 million) are the largest sources of revenue comprising 90.8 percent of total revenue of \$18,496.2 million. Overall expenditures increased by 4.8 percent from the prior year, due to moderate spending increases across all government functions.

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

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

Of the overall fund balance of the General Fund, \$947.6 million (45.9 percent) was attributable to the General Purpose Revenue Fund, including non-spendable, restricted, committed, and assigned amounts. The General Purpose Revenue Fund decreased by \$137.5 million from the prior fiscal year, which was attributable to increases in transfers out of the fund during Fiscal Year 2019. The General Purpose Revenue Fund's \$649.5 million year-end unrestricted cash and pooled cash balance increased by \$110.6 million from the prior year.

State law requires that the General Purpose Revenue Fund portion of the General Fund maintain a reserve of 6.5 percent of General Purpose Revenue Fund appropriations. Section 24-75-201.1 C.R.S. stipulates the reserve requirement as 7.25 percent of the amount appropriated for expenditure from the general fund for Fiscal Year 2019. The reserve for Fiscal Year 2019 is \$814.2 million. The reserve amount is included in the Budgetary Comparison Schedule for the General Fund – General Purpose Revenue Component, presented as Required Supplementary Information in the CAFR. Beginning and ending budgetary fund balance as show on the Schedule are net of the required reserve.

## **Proprietary Funds:**

### **Higher Education Institutions**

The net position of the Higher Education Institutions fund increased from the prior fiscal year by \$901.5 million, or 115.3 percent, which included the effect of the implementation of GASB Statement No. 75 – Accounting and Financial Reporting for Other Postemployment Benefits in the prior year. Salaries and fringe benefits expense experienced a sharp increase in Fiscal Year 2018 as compared to Fiscal Year 2017 resulting from GASB 75 implementation. Salaries and fringe benefits decreased in Fiscal Year 2019 by \$1,475.1 million (24.3 percent) as compared to the prior year. The higher education fund has a variety of revenue and funding sources, which, overall, were relatively consistent with the prior fiscal year. However, operating revenues increased by \$242.7 million mainly due to increases in tuition and fees and sales of goods and services. In addition, federal grants and contacts increased by \$78.0 million. Overall, total operating revenues increased by 3.8 percent, while total operating expenses decreased by 17.5 percent. Higher Education Institutions received capital contributions of \$120.4 million and \$139.3 million in Fiscal Years 2019 and 2018, respectively. Transfers-in to the Higher Education Institutions fund totaled \$375.6 million for Fiscal Year 2019, an increase of \$47.7 million compared to the prior fiscal year. Transfers-in are primarily from the General Fund for student financial aid and vocational training and from the Capital Projects Fund for capital construction.

### **Healthcare Affordability**

During the Fiscal Year 2017 legislative session, the general assembly passed Senate Bill 17-267 – Sustainability of Rural Colorado – which repealed the existing hospital provider fee program effective for Fiscal Year 2018. Section 17 of the bill created the new Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) within the Department of Healthcare Policy and Financing. The fund qualifies as a major enterprise fund based on the amount of revenues in the fund related to total revenues of all enterprise funds. As of June 30, 2019, net position was \$8.0 million. Although net position decreased by \$2.4 million from the prior year, there were large swings in receivables, and accounts payable and accrued liabilities of approximately \$137.0 million and \$111.9 million, respectively, – mainly due to the allocation of rebates from pharmaceutical drug rebates and Medicaid payables that were allocated to the CHASE fund beginning in FY 2019. Operating revenues of the fund totaled \$3,426.6 million, which mainly consists of federal grants and contracts (\$2,430.4 million) and fees charged to healthcare providers (\$996.3 million). Operating revenues increased by approximately \$105.6 million from the prior year due to increases in the rates of hospital provider fees. Operating expenses of the fund totaled \$3,414.0 million, which mainly consisted of payments to hospital providers for Medicaid services. Because CHASE is an enterprise for purposes of the Taxpayer's Bill of Rights (TABOR), its revenue does not count against the state fiscal year spending limit (Referendum C cap).

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

Fiscal Year 2019 is the twenty-sixth year of State operations under Article X, Section 20 of the State Constitution revenue limitations, also known as the Taxpayer Bill of Rights (TABOR). With certain exceptions, the rate of growth of State revenues is limited to the combination of the percentage change in the State's population and inflation based on the Denver-Boulder-Greeley CPI-Urban index. The exceptions include revenues from federal funds, gifts, property sales, refunds, damage recoveries, transfers, voter-approved revenue changes, and qualified enterprise fund revenues.

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

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

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

In years when Referendum C was not in effect, the State's ability to retain revenues was also affected by a requirement in TABOR commonly referred to as the ratchet down effect. The ratchet down occurs because each year's revenue retention limit is calculated based on the lesser of the prior year's revenues or the prior year's limit. When revenues are below the limit, it results in a permanent loss of the State's ability to retain current and future revenues collected. Referendum C effectively suspended the ratchet down effect during the five-year refund hiatus by authorizing the State to retain and spend any amount in excess of the TABOR limit.

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

During the 2017 legislative session, the general assembly passed Senate Bill 17-267, which made changes to the calculation of the ESRC, and also revised the TABOR refunding mechanism. Section 11 of the bill permanently reduces the Referendum C cap by reducing the Fiscal Year 2018 cap by \$200 million, and specifying that the base amount for calculating the cap for all future state fiscal years is the reduced Fiscal Year 2018. As is the case under current law, the reduced cap is annually adjusted for inflation, the percentage change in state population, the qualification or disqualification of enterprises, and debt service changes. Section 24 of the bill specifies that for any state fiscal year commencing on or after July 1, 2017, for which revenue in excess of the reduced Referendum C cap is required to be refunded in accordance with TABOR, reimbursement for the property tax exemptions for qualifying seniors and disabled veterans that is paid by the state to local governments for the property tax year that commenced during the state fiscal year is a refund of such excess state revenue. The exemptions continue to be allowed at current levels and the state continues to reimburse local governments for local property tax revenue lost as a result of the exemptions regardless of whether or not there are excess state revenues. Section 27 prioritizes the new TABOR refund mechanism ahead of the existing temporary state income tax rate reduction refund and sales tax refund mechanisms as the first mechanism used to refund excess state revenue.

For Fiscal Year 2019, State revenues subject to TABOR were \$14,788.4 million, which was \$428.3 million over the ESRC, and \$3,029.1 million over the fiscal year spending limit. Revenue in excess of the ESRC must be refunded to the taxpayers in the next fiscal year including any remaining un-refunded revenues. Therefore, the total amount to be refunded in the next fiscal year is \$435.0 million. Absent Referendum C, the State would have been required to refund the amount exceeding the retention limit.

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

## **ANALYSIS OF BUDGET VARIANCES**

The following analysis is based on the Budgetary Comparison Schedule for the General Fund – General Purpose Revenue Component included in Required Supplementary Information section of the CAFR. That schedule isolates general-purpose revenues and expenditures funded from those revenues, and it is therefore the best source for identifying general-funded budget variances.

### **Differences Between Original and Final Budgets**

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

- Department of Corrections – the Department had a net increase of \$18.2 million primarily comprised of a \$8.7 million in increases for payments to in-state private prisons and pre-release parole facilities, as well as purchased medical services and operating maintenance.
- Department of Education – the Department had a net decrease of \$65.9 million resulting from a decrease in public school finance assistance per House Bill 19-128.
- Department of Health Care Policy and Financing – the Department had a net increase of \$41.4 million mainly due to the passage of supplemental House Bills 19-113 and 19-207, impacting various health and welfare programs.
- Department of Human Services – the Department had a net decrease of \$13.0 million from the passage of supplemental House Bills 19-114 and 19-223, impacting various health and welfare programs.
- Judicial Department – the Judicial Department had a net increase of \$7.6 million from the passage of supplemental House Bills 19-115 and 19-207 related to court-appointed counsel and compensation for exonerated persons.
- Department of Revenue – the Department had a net increase of \$143.0 million primarily comprised of statutory retail marijuana retail sales tax transfers to the Older Coloradans program and the Marijuana Tax Cash Fund.

### **Differences Between Final Budget and Actual Expenditures**

In total, state departments reported general-funded appropriations reversions of \$19.8 million for Merit Pay, \$6.2 million for OIT, and \$4.5 million for Legislative reversions. In addition, departments reverted \$88.6 million to the General Fund for expenditures under the legally adopted final budget. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least \$1.0 million of General Fund reversions.

- Department of Corrections – the Department reverted \$1.6 million, primarily comprised of payments to local jails and vehicle lease payments.
- Governor's Office – the Governor's Office reverted \$1.3 million across multiple programs and budget lines.
- Department of Human Services – the Department reverted \$16.0 million across multiple programs and budget lines.
- Judicial Department – the Department reverted \$6.9 million, primarily consisting of several appropriations including conflict of interest contracts, mandated costs, court-appointed counsel, and the mental health liaison and diversion programs.



- Department of Local Affairs – the Department reverted \$1.1 million primarily related to the crime prevention initiative small business lending program.
- Department of Public Safety – the Department reverted \$1.2 million primarily related to DCJ Administrative Services and the EPIC resource center.
- Department of Revenue – the Department reverted \$26.6 million, primarily comprised of \$14.9 million for old age pension, \$9.9 million in non-appropriated transfers, and \$1.0 million for retail marijuana sales tax distributions to local governments.
- Department of Treasury - the Department reverted \$41.8 million consisting of \$39.5 million for the senior citizen and disabled veteran property tax exemption, and \$2.2 million for reimbursements to county treasurers.

### **CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

The State's net investment in capital assets at June 30, 2019 was \$15,946.0 million, as compared to \$15,988.4 million in Fiscal Year 2018. Included in this amount were \$18,442.9 million of net depreciable capital assets after reduction of \$13,316.5 million for accumulated depreciation. Non-depreciable capital assets totaled \$4,074.6 million – including land, construction in progress, non-depreciable infrastructure and other capital assets. The State added a net \$446.4 million and \$567.0 million of capital assets in Fiscal Years 2019 and 2018, respectively. Of the Fiscal Year 2019 additions, \$23.3 million was recorded in governmental activities, and \$423.1 million was recorded in business-type activities. General-purpose revenues funded \$90.4 million of capital and controlled maintenance expenditures during Fiscal Year 2019, and the balance of capital asset additions was funded by federal funds, cash funds, or borrowing. The table below provides information on the State's capital assets by asset type for both governmental and business-type activities.

The State's capital assets at June 30, 2019 and 2018, were as follows (see Note 5 for additional detail):

(Amounts in Thousands)	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Capital Assets Not Being Depreciated						
Land and Land Improvements	\$ 125,737	\$ 125,272	\$ 647,585	\$ 616,659	\$ 773,322	\$ 741,931
Collections	11,213	10,978	32,180	29,331	43,393	40,309
Other Capital Assets	2,136	2,136	15,461	15,461	17,597	17,597
Construction in Progress	957,814	771,863	1,162,309	1,094,137	2,120,123	1,866,000
Infrastructure	1,024,706	1,004,036	95,441	87,547	1,120,147	1,091,583
Total Capital Assets Not Being Depreciated	2,121,606	1,914,285	1,952,976	1,843,135	4,074,582	3,757,420
Capital Assets Being Depreciated						
Buildings and Related Improvements	3,432,389	3,445,526	11,086,080	10,541,827	14,518,469	13,987,353
Software	541,439	501,784	220,640	216,497	762,079	718,281
Vehicles and Equipment	980,135	987,183	1,270,225	1,200,967	2,250,360	2,188,150
Library Books, Collections, and Other Capital Assets	42,815	43,641	612,387	598,010	655,202	641,651
Infrastructure	12,407,645	12,180,948	1,165,641	1,028,393	13,573,286	13,209,341
Total Capital Assets Being Depreciated	17,404,423	17,159,082	14,354,973	13,585,694	31,759,396	30,744,776
Accumulated Depreciation	(7,303,106)	(6,873,802)	(6,013,416)	(5,557,355)	(13,316,522)	(12,431,157)
Total	\$ 12,222,923	\$ 12,199,565	\$ 10,294,533	\$ 9,871,474	\$ 22,517,456	\$ 22,071,039

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

Notes (TRANS), the pledged revenue stream is future federal revenues and State highway users taxes. Through the Colorado Housing and Finance Authority, the Division of Unemployment Insurance, a TABOR designated enterprise, issued bonds to spread the impact of the increased premiums resulting from the recession. The bonds will be repaid through employer insurance premiums collected over the life of the bonds. The State has other forms of borrowing that are small in relation to the revenue bonds and COPs. The schedule that follows shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing for capital leases, bonds and COPs (see Note 11). Revenue bonds in this schedule include net payments on interest rate swap derivatives.

For Fiscal Year 2019, the total principal amount of capital leases, revenue bonds, and COPs increased by 4.4 percent from prior year to \$6,964.2 million. The Fiscal Year 2019 increase was related to two new COP issuances – \$500.0 million for the Series 2018A State of Colorado Rural Colorado COPs, and \$240.4 million for the Series 2018N State of Colorado Building Excellent Schools Today COPs.

Fiscal Year 2019 (Amounts in Thousands)								
	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	\$ 123,600	\$ 13,449	\$ -	\$ -	\$ 2,055,104	\$ 1,135,147	\$ 2,178,704	\$ 1,148,596
Business-Type Activities	\$ 37,402	\$ 4,981	\$ 4,231,973	\$ 2,570,421	\$ 412,179	\$ 119,940	\$ 4,681,554	\$ 2,695,342
Total	\$ 161,002	\$ 18,430	\$ 4,231,973	\$ 2,570,421	\$ 2,467,283	\$ 1,255,087	\$ 6,860,258	\$ 3,843,938

Fiscal Year 2018 (Amounts in Thousands)								
	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	\$ 131,873	\$ 15,234	\$ -	\$ -	\$ 1,426,314	\$ 798,084	\$ 1,558,187	\$ 813,318
Business-Type Activities	\$ 48,152	\$ 7,562	\$ 4,602,833	\$ 2,767,615	\$ 461,461	\$ 140,340	\$ 5,112,446	\$ 2,915,517
Total	\$ 180,025	\$ 22,796	\$ 4,602,833	\$ 2,767,615	\$ 1,887,775	\$ 938,424	\$ 6,670,633	\$ 3,728,835

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

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

- **Public Employees Retirement Association Reforms** – The State Legislature passed – and the governor signed – Senate Bill 18-200 during the 2018 legislative session. Senate Bill 18-200 contained a package of reforms designed to reduce the overall risk profile of the PERA retirement plan and improve its funded status. The bill makes several changes to the pension plan including:
  - Increasing contribution rates from employers and employees.
  - Allocates \$225.0 million each year beginning in Fiscal Year 2019 to PERA to reduce the unfunded liability for the State Division, Judicial Division, Schools Division, and Denver Public Schools Division Trust Funds.
  - Modifies retirement benefits, including reducing the annual increase for all current and future retirees.
  - Raises the retirement age for new employees; and (5) establishes an automatic adjustment provision designed to keep PERA on a path to full funding in 30 years by 2048.
- **Changes in Other Post-Employment Benefits (OPEB) Reporting** – GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, became effective beginning in Fiscal Year 2018. The standards require, for purposes of governmental financial reporting, the State to recognize a liability for its proportionate share of the net OPEB liability (of all employers for benefits provided through the OPEB plan) — the collective net OPEB liability. The State also recognizes OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for

its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. See Note 7 for additional disclosures related to OPEB.

- Election 2000 Amendment 23 – This constitutional requirement was originally designed to exempt a portion of State revenues from TABOR and dedicate those revenues to education programs. With the passage of Referendum C, revenues in excess of the TABOR limit are not being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2011 and by inflation thereafter. This requirement will have an increasing impact if the inflation rate increases. The revenue diversion and mandated expenditure growth infringes on general funding for other programs when State revenues decline with the business cycle. Notwithstanding these expenditure increases, the State continues to face legal challenges that assert the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution.
- Cash Basis Accounting – For Fiscal Year 2003 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June pay-dates until July (after Fiscal Year-end). During Fiscal Year 2008, similar treatment was extended to certain Old Age Pension, Medicare, and Children’s Basic Health Plan expenditures. In Fiscal Year 2009, this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the pay-date shift beginning in Fiscal Year 2011 to all information technology staff formerly paid by the General Purpose Revenue Fund. Each of these items causes the outflow of resources to be deferred into the following year for General Fund budget purposes. As a result, the State does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. In Fiscal Year 2012, legislation was passed to eliminate the deferral of June pay dates until July for employees paid on a biweekly basis beginning in Fiscal Year 2013. 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 \$649.5 million at June 30, 2019, providing apparent liquidity. The General Purpose Revenue Fund taxes receivable increased by \$343.3 million to \$1,934.1 million, tax refunds payable increased by \$37.4 million to \$927.7 million, and deferred inflows related to the tax receivables not expected to be collected within the next year increased by \$60.3 million to \$245.1 million. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. If the State’s economy experiences another downturn, tax receivables will likely decline (due to declining personal income) and tax refunds will likely increase (due to higher than required estimated tax and withholding payments) putting additional pressure on the fund balance of the General Purpose Revenue Fund. The General Fund legally has access to short-term borrowing from the cash balances of other funds. However, those transfers become increasingly difficult as accessible cash fund balances are depleted from transfers in prior years.
- Debt Service – Various institutions of higher education, History Colorado, the Department of Public Safety, 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. The average debt service related to governmental activities over the next five years is \$148.1 million for these lease purchase agreements. The majority of the revenue streams to cover the debt service payments comprise cash sources, as there is no general obligation associated with these lease purchases and the investors’ sole recourse is the leased asset. However, if the revenue streams intended to fund this debt service do not materialize, the State will need to find other ways to pay for the service-potential represented by these capital assets. The average debt service related to business-type activities including revenue bonds over the next five years is \$355.5 million.



## **BASIC FINANCIAL STATEMENTS**

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**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

PRIMARY GOVERNMENT				
(DOLLARS IN THOUSANDS)	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
<b>ASSETS:</b>				
Current Assets:				
Cash and Pooled Cash	\$ 3,658,234	\$ 1,841,335	\$ 5,499,569	\$ 237,229
Investments	-	344,755	344,755	-
Taxes Receivable, net	1,722,496	115,535	1,838,031	-
Contributions Receivable, net	-	-	-	65,589
Other Receivables, net	708,209	770,415	1,478,624	85,212
Due From Other Governments	468,940	172,251	641,191	2,437
Internal Balances	43,557	(43,557)	-	-
Due From Component Units	19	28,175	28,194	-
Inventories	101,161	58,481	159,642	-
Prepays, Advances and Deposits	90,371	41,567	131,938	588
Total Current Assets	6,792,987	3,328,957	10,121,944	391,055
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,742,791	1,562,065	3,304,856	104,798
Restricted Investments	1,098,543	72,895	1,171,438	87,994
Restricted Receivables	445,384	39,570	484,954	1,429
Investments	1,177,035	2,900,742	4,077,777	2,071,735
Contributions Receivable, net	-	-	-	98,778
Other Long-Term Assets	758,544	109,831	868,375	918,683
Depreciable Capital Assets and Infrastructure, net	10,101,317	8,341,557	18,442,874	179,525
Land and Nondepreciable Capital Assets	2,121,606	1,952,976	4,074,582	24,849
Total Noncurrent Assets	17,445,220	14,979,636	32,424,856	3,487,791
TOTAL ASSETS	24,238,207	18,308,593	42,546,800	3,878,846
DEFERRED OUTFLOW OF RESOURCES:				
	4,421,051	931,725	5,352,776	9,042
<b>LIABILITIES:</b>				
Current Liabilities:				
Tax Refunds Payable	927,857	-	927,857	-
Accounts Payable and Accrued Liabilities	1,318,548	697,916	2,016,464	24,711
TABOR Refund Liability (Note 2B)	431,685	-	431,685	-
Due To Other Governments	283,432	73,297	356,729	1,530
Due To Component Units	-	206	206	-
Unearned Revenue	150,512	351,010	501,522	-
Accrued Compensated Absences	14,097	27,340	41,437	-
Claims and Judgments Payable	42,298	1,581	43,879	-
Leases Payable	26,162	5,474	31,636	-
Notes, Bonds, and COPs Payable	50,865	196,235	247,100	40,707
Other Current Liabilities	31,020	323,850	354,870	143,686
Total Current Liabilities	3,276,476	1,676,909	4,953,385	210,634
Noncurrent Liabilities:				
Deposits Held In Custody For Others	584	25	609	440,444
Accrued Compensated Absences	166,680	350,352	517,032	-
Claims and Judgments Payable	168,190	42,390	210,580	-
Capital Lease Payable	97,438	31,928	129,366	-
Derivative Instrument Liability	-	14,193	14,193	-
Notes, Bonds, and COPs Payable	2,108,495	4,757,334	6,865,829	469,919
Due to Component Units	-	1,798	1,798	-
Net Pension Liability	9,377,357	4,237,019	13,614,376	7,934
Other Postemployment Benefits	284,264	1,015,792	1,300,056	186
Other Long-Term Liabilities	267,983	110,482	378,465	80,252
Total Noncurrent Liabilities	12,470,991	10,561,313	23,032,304	998,735
TOTAL LIABILITIES	15,747,467	12,238,222	27,985,689	1,209,369
DEFERRED INFLOW OF RESOURCES:				
	4,997,905	2,482,076	7,479,981	394
<b>NET POSITION:</b>				
Net investment in Capital Assets:	10,327,956	5,618,074	15,946,030	155,611
Restricted for:				
Construction and Highway Maintenance	954,461	-	954,461	-
Education	203,648	870,941	1,074,589	-
Unemployment Insurance	-	1,258,552	1,258,552	-
Debt Service	104,011	80,693	184,704	-
Emergencies	191,245	34,000	225,245	-
Permanent Funds and Endowments:				
Expendable	10,651	173,553	184,204	1,087,300
Nonexpendable	1,291,071	83,198	1,374,269	607,413
Other Purposes	1,042,422	118,895	1,161,317	737,698
Unrestricted	(6,211,579)	(3,717,886)	(9,929,465)	90,103
TOTAL NET POSITION	\$ 7,913,886	\$ 4,520,020	\$ 12,433,906	\$ 2,678,125

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	Expenses		Program Revenues		
	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 1,518,082	\$ (24,211)	\$ 180,335	\$ 281,140	\$ 313
Business, Community, and Consumer Affairs	732,387	2,399	161,253	298,898	-
Education	6,467,332	1,740	29,915	650,597	-
Health and Rehabilitation	933,558	1,486	88,767	497,872	-
Justice	1,965,452	5,063	287,709	148,961	62
Natural Resources	121,909	1,127	190,485	143,047	162
Social Assistance	8,583,941	5,227	168,043	4,574,650	-
Transportation	1,873,636	1,802	499,977	227,314	427,795
Interest on Debt	109,075	-	-	-	-
Total Governmental Activities	22,305,372	(5,367)	1,606,484	6,822,479	428,332
Business-Type Activities:					
Higher Education	7,107,768	3,273	5,231,668	2,288,918	62,446
Healthcare Affordability	3,414,018	-	996,252	2,431,705	-
Unemployment Insurance	384,598	594	548,976	38,395	-
Lottery	579,925	883	680,733	2,319	-
Parks and Wildlife	184,762	108	190,014	45,201	163
College Assist	222,217	509	20	245,163	-
Other Business-Type Activities	212,190	-	286,329	67,622	-
Total Business-Type Activities	12,105,478	5,367	7,933,992	5,119,323	62,609
Total Primary Government	34,410,850	-	9,540,476	11,941,802	490,941
Total Component Units	\$ 250,047	\$ -	\$ 51,415	\$ 302,866	\$ 3,498

**General Revenues:**

Taxes:  
   Sales and Use Taxes  
   Excise Taxes  
   Individual Income Tax  
   Corporate Income Tax  
   Other Taxes  
 Restricted for Education:  
   Individual Income Tax  
   Corporate and Fiduciary Income Tax  
 Restricted for Transportation:  
   Fuel Taxes  
   Other Taxes  
 Unrestricted Investment Earnings (Losses)  
 Other General Revenues  
 (Transfers-Out)/ Transfers-In  
 Internal Capital Contributions  
 Permanent Fund Additions  
 Total General Revenues, Special Items, and Transfers  
  
 Change in Net Position  
  
 Net Position - Fiscal Year Beginning (as restated)  
 Net Position - Fiscal Year Ending

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



Net (Expense) Revenue and			
Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (1,032,083)	\$ -	\$ (1,032,083)	
(274,635)	-	(274,635)	
(5,788,560)	-	(5,788,560)	
(348,405)	-	(348,405)	
(1,533,783)	-	(1,533,783)	
210,658	-	210,658	
(3,846,475)	-	(3,846,475)	
(720,352)	-	(720,352)	
(109,075)	-	(109,075)	
(13,442,710)	-	(13,442,710)	
-	471,991	471,991	
-	13,939	13,939	
-	202,179	202,179	
-	102,244	102,244	
-	50,508	50,508	
-	22,457	22,457	
-	141,761	141,761	
-	1,005,079	1,005,079	
(13,442,710)	1,005,079	(12,437,631)	
			107,732
3,632,282	-	3,632,282	-
301,292	-	301,292	-
7,505,245	-	7,505,245	-
963,380	-	963,380	-
705,986	-	705,986	-
626,015	-	626,015	-
66,785	-	66,785	-
654,887	-	654,887	-
363	-	363	-
30,196	-	30,196	30,143
95,051	-	95,051	-
(279,131)	279,131	-	-
-	57,541	57,541	-
1,062	-	1,062	-
14,303,413	336,672	14,640,085	30,143
860,703	1,341,751	2,202,454	137,875
7,053,183	3,178,269	10,231,452	2,540,250
\$ 7,913,886	\$ 4,520,020	\$ 12,433,906	\$ 2,678,125

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

(DOLLARS IN THOUSANDS)

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS:</b>			
Cash and Pooled Cash	\$ 1,045,204	\$ 2,556,213	\$ 3,601,417
Taxes Receivable, net	1,934,123	38,788	1,972,911
Other Receivables, net	531,320	158,197	689,517
Due From Other Governments	413,916	54,878	468,794
Due From Other Funds	58,620	34,565	93,185
Due From Component Units	19	-	19
Inventories	9,944	90,323	100,267
Prepays, Advances and Deposits	38,659	43,041	81,700
<b>Restricted Assets:</b>			
Restricted Cash and Pooled Cash	379,564	1,363,227	1,742,791
Restricted Investments	-	1,098,543	1,098,543
Restricted Receivables	1,166	444,218	445,384
Investments	349,143	827,892	1,177,035
Other Long- Term Assets	4,703	502,525	507,228
<b>TOTAL ASSETS</b>	<b>\$ 4,766,381</b>	<b>\$ 7,212,410</b>	<b>\$ 11,978,791</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
	-	1,948	1,948
<b>LIABILITIES:</b>			
Tax Refunds Payable	\$ 927,722	\$ 135	\$ 927,857
Accounts Payable and Accrued Liabilities	867,339	416,526	1,283,865
TABOR Refund Liability (Note 2B)	431,685	-	431,685
Due To Other Governments	154,557	128,874	283,431
Due To Other Funds	19,600	29,934	49,534
Unearned Revenue	33,169	113,465	146,634
Compensated Absences Payable	-	10	10
Claims and Judgments Payable	737	325	1,062
Other Current Liabilities	22,227	3,394	25,621
Deposits Held In Custody For Others	533	51	584
<b>TOTAL LIABILITIES</b>	<b>2,457,569</b>	<b>692,714</b>	<b>3,150,283</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>			
	245,905	5,642	251,547
<b>FUND BALANCES:</b>			
<b>Nonspendable:</b>			
Long- term Portion of Interfund Loans Receivable	-	13	13
Inventories	9,944	90,323	100,267
Permanent Fund Principal	-	1,274,846	1,274,846
Prepays	38,547	43,041	81,588
Restricted	814,658	1,464,302	2,278,960
Committed	1,114,406	3,643,477	4,757,883
Assigned	33,264	-	33,264
Unassigned	52,088	-	52,088
<b>TOTAL FUND BALANCES</b>	<b>2,062,907</b>	<b>6,516,002</b>	<b>8,578,909</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,766,381</b>	<b>\$ 7,214,358</b>	<b>\$ 11,980,739</b>

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

**GOVERNMENTAL FUNDS BALANCE SHEET  
RECONCILED TO  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	(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	\$ 3,601,417	\$ 56,811	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ 3,658,234
Taxes Receivable, net	1,972,911	-	-	-	-	(250,415)	-	1,722,496
Other Receivables, net	689,517	1,288	-	-	-	17,391	13	708,209
Due From Other Governments	468,794	146	-	-	-	-	-	468,940
Due From Other Funds	93,185	277	-	-	-	-	(93,462)	-
Internal Balances	-	-	-	-	-	-	43,557	43,557
Due From Component Units	19	-	-	-	-	-	-	19
Inventories	100,267	894	-	-	-	-	-	101,161
Prepays, Advances and Deposits	81,700	8,671	-	-	-	-	-	90,371
Total Current Assets	7,007,810	68,087	-	-	-	(233,018)	(49,892)	6,792,987
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,742,791	-	-	-	-	-	-	1,742,791
Restricted Investments	1,098,543	-	-	-	-	-	-	1,098,543
Restricted Receivables	445,384	-	-	-	-	-	-	445,384
Investments	1,177,035	-	-	-	-	-	-	1,177,035
Other Long-Term Assets	507,228	-	-	-	-	251,316	-	758,544
Depreciable Capital Assets and Infrastructure, net	-	128,872	9,972,445	-	-	-	-	10,101,317
Land and Nondepreciable Capital Assets	-	311	2,121,295	-	-	-	-	2,121,606
Total Noncurrent Assets	4,970,981	129,183	12,093,740	-	-	251,316	-	17,445,220
TOTAL ASSETS	11,978,791	197,270	12,093,740	-	-	18,298	(49,892)	24,238,207
DEFERRED OUTFLOW OF RESOURCES:								
	1,948	70,923	-	4,348,180	-	-	-	4,421,051
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	927,857	-	-	-	-	-	-	927,857
Accounts Payable and Accrued Liabilities	1,283,865	27,567	-	6,878	-	-	238	1,318,548
TABOR Refund Liability (Note 2B)	431,685	-	-	-	-	-	-	431,685
Due To Other Governments	283,431	1	-	-	-	-	-	283,432
Due To Other Funds	49,534	596	-	-	-	-	(50,130)	-
Unearned Revenue	146,634	3,975	-	-	-	(97)	-	150,512
Compensated Absences Payable	10	1,414	-	-	-	12,673	-	14,097
Claims and Judgments Payable	1,062	-	-	-	33,234	8,002	-	42,298
Leases Payable	-	21,823	-	4,339	-	-	-	26,162
Notes, Bonds, and COPs Payable	-	-	-	50,865	-	-	-	50,865
Other Current Liabilities	25,621	242	-	-	-	5,157	-	31,020
Total Current Liabilities	3,149,699	55,618	-	62,082	33,234	25,735	(49,892)	3,276,476
Noncurrent Liabilities:								
Deposits Held In Custody For Others	584	-	-	-	-	-	-	584
Accrued Compensated Absences	-	10,093	-	-	-	156,587	-	166,680
Claims and Judgments Payable	-	-	-	-	107,052	61,138	-	168,190
Capital Lease Payable	-	73,078	-	24,360	-	-	-	97,438
Notes, Bonds, and COPs Payable	-	-	-	2,108,495	-	-	-	2,108,495
Net Pension Liability	-	405,718	-	-	-	8,971,639	-	9,377,357
Other Postemployment Benefits	-	16,145	-	-	-	268,119	-	284,264
Other Long-Term Liabilities	-	-	-	-	-	267,983	-	267,983
Total Noncurrent Liabilities	584	505,034	-	2,132,855	107,052	9,725,466	-	12,470,991
TOTAL LIABILITIES	3,150,283	560,652	-	2,194,937	140,286	9,751,201	(49,892)	15,747,467
DEFERRED INFLOW OF RESOURCES:								
	251,547	214,026	-	-	-	4,532,332	-	4,997,905
NET POSITION:								
Net Investment in Capital Assets:	-	34,282	12,093,740	(1,800,066)	-	-	-	10,327,956
Restricted for:								
Construction and Highway Maintenance	954,461	-	-	-	-	-	-	954,461
Education	203,648	-	-	-	-	-	-	203,648
Debt Service	104,011	-	-	-	-	-	-	104,011
Emergencies	191,245	-	-	-	-	-	-	191,245
Permanent Funds and Endowments:								
Expendable	10,651	-	-	-	-	-	-	10,651
Nonexpendable	1,291,071	-	-	-	-	-	-	1,291,071
Other Purposes	1,042,422	-	-	-	-	-	-	1,042,422
Unrestricted	4,781,400	(540,767)	-	3,953,309	(140,286)	(14,265,235)	-	(6,211,579)
TOTAL NET POSITION	\$ 8,578,909	\$ (506,485)	\$ 12,093,740	\$ 2,153,243	\$ (140,286)	\$ (14,265,235)	\$ -	\$ 7,913,886

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, 2019**

(DOLLARS IN THOUSANDS)			
	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>REVENUES:</b>			
Taxes:			
Individual and Fiduciary Income	\$ 7,327,511	\$ 628,715	\$ 7,956,226
Corporate Income	855,707	64,085	919,792
Sales and Use	3,592,176	41,112	3,633,288
Excise	103,145	849,676	952,821
Other Taxes	315,175	422,111	737,286
Licenses, Permits, and Fines	36,625	832,030	868,655
Charges for Goods and Services	87,115	315,531	402,646
Rents	206	174,877	175,083
Investment Income (Loss)	95,406	256,902	352,308
Federal Grants and Contracts	5,872,915	807,189	6,680,104
Additions to Permanent Funds	-	1,062	1,062
Unclaimed Property Receipts	-	47,144	47,144
Other	210,235	215,356	425,591
<b>TOTAL REVENUES</b>	<b>18,496,216</b>	<b>4,655,790</b>	<b>23,152,006</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	244,655	132,027	376,682
Business, Community, and Consumer Affairs	177,815	315,482	493,297
Education	822,416	88,880	911,296
Health and Rehabilitation	702,875	142,686	845,561
Justice	1,600,242	371,050	1,971,292
Natural Resources	41,003	87,918	128,921
Social Assistance	7,306,112	232,940	7,539,052
Transportation	-	1,297,949	1,297,949
Capital Outlay	127,490	137,182	264,672
Intergovernmental:			
Cities	112,600	389,924	502,524
Counties	1,495,002	420,559	1,915,561
School Districts	4,850,152	743,788	5,593,940
Special Districts	66,722	93,736	160,458
Federal	86	1,442	1,528
Other	184,009	63,966	247,975
Debt Service	83,563	96,812	180,375
<b>TOTAL EXPENDITURES</b>	<b>17,814,742</b>	<b>4,616,341</b>	<b>22,431,083</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>681,474</b>	<b>39,449</b>	<b>720,923</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers- In	471,071	1,341,642	1,812,713
Transfers- Out	(1,350,355)	(736,687)	(2,087,042)
Face Amount of Bond/COP Issuance	240,425	500,000	740,425
Bond/COP Premium/Discount	12,456	44,154	56,610
Capital Lease Proceeds	528	-	528
Sale of Capital Assets	-	24,155	24,155
Insurance Recoveries	556	1,397	1,953
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(625,319)</b>	<b>1,174,661</b>	<b>549,342</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>56,155</b>	<b>1,214,110</b>	<b>1,270,265</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING (as restated)</b>	<b>2,006,752</b>	<b>5,301,892</b>	<b>7,308,644</b>
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 2,062,907</b>	<b>\$ 6,516,002</b>	<b>\$ 8,578,909</b>

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

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES RECONCILED TO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	(A)	(B)	(C)	(D)		
(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	\$ 7,956,226	\$ -	\$ -	\$ -	\$ 177,734	\$ 8,133,960
Corporate Income	919,792	-	-	-	107,673	1,027,465
Sales and Use	3,633,288	-	-	-	(1,007)	3,632,281
Excise	952,821	-	-	-	3,358	956,179
Other Taxes	737,286	-	-	-	3,153	740,439
Licenses, Permits, and Fines	868,655	-	-	-	(548)	868,107
Charges for Goods and Services	402,646	-	-	-	(12)	402,634
Rents	175,083	-	-	-	-	175,083
Investment Income (Loss)	352,308	917	-	-	(9)	353,216
Federal Grants and Contracts	6,680,104	-	-	-	-	6,680,104
Additions to Permanent Funds	1,062	-	-	-	-	1,062
Unclaimed Property Receipts	47,144	-	-	-	-	47,144
Other	425,591	-	-	-	(87)	425,504
TOTAL REVENUES	23,152,006	917	-	-	290,255	23,443,178
EXPENDITURES:						
Current:						
General Government	376,682	(9,508)	22,871	-	(42,571)	347,474
Business, Community, and Consumer Affairs	493,297	(8,000)	2,947	-	(54,016)	434,228
Education	911,296	(608)	39,376	-	(24,033)	926,031
Health and Rehabilitation	845,561	(2,349)	52,483	-	(98,720)	796,975
Justice	1,971,292	(7,625)	47,582	-	(335,827)	1,675,422
Natural Resources	128,921	(3,367)	2,515	-	(16,342)	111,727
Social Assistance	7,539,052	(13,894)	19,697	-	(20,528)	7,524,327
Transportation	1,297,949	(3,791)	345,931	-	(82,584)	1,557,505
Capital Outlay	264,672	-	(595,312)	-	-	(330,640)
Intergovernmental:						
Cities	502,524	-	-	-	-	502,524
Counties	1,915,561	-	-	-	-	1,915,561
School Districts	5,593,940	-	-	-	726,802	6,320,742
Special Districts	160,458	-	-	-	25,522	185,980
Federal	1,528	-	-	-	-	1,528
Other	247,975	-	-	-	-	247,975
Debt Service	180,375	2,423	-	(86,521)	-	96,277
TOTAL EXPENDITURES	22,431,083	(46,719)	(61,910)	(86,521)	77,703	22,313,636
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	720,923	47,636	61,910	86,521	212,552	1,129,542
OTHER FINANCING SOURCES (USES):						
Transfers-In	1,812,713	4,276	-	-	-	1,816,989
Transfers-Out	(2,087,042)	(6,640)	-	-	-	(2,093,682)
Face Amount of Bond/COP Issuance	740,425	-	-	(740,425)	-	-
Bond/COP Premium/Discount	56,610	-	-	(51,042)	-	5,568
Capital Lease Proceeds	528	-	-	-	-	528
Sale of Capital Assets	24,155	-	(26,700)	-	-	(2,545)
Insurance Recoveries	1,953	-	-	-	-	1,953
TOTAL OTHER FINANCING SOURCES (USES)	549,342	(2,364)	(26,700)	(791,467)	-	(271,189)
Internal Service Fund Charges to BTAs	-	2,350	-	-	-	2,350
NET CHANGE FOR THE YEAR	1,270,265	47,622	35,210	(704,946)	212,552	860,703
Prior Period Adjustment (See Note 15A)	(40,720)	-	-	-	63,946	23,226
TOTAL CHANGE FOR THE CURRENT YEAR	\$ 1,229,545	\$ 47,622	\$ 35,210	\$ (704,946)	\$ 276,498	\$ 883,929

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, 2019**

	BUSINESS - TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	HEALTHCARE AFFORDABILITY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash and Pooled Cash	\$ 1,070,031	\$ 36,765	\$ 734,539	\$ 1,841,335	\$ 56,811
Investments	344,400	-	355	344,755	-
Premiums/Taxes Receivable, net	-	-	115,535	115,535	-
Student and Other Receivables, net	558,346	153,347	58,714	770,407	1,288
Due From Other Governments	142,832	1,851	27,568	172,251	146
Due From Other Funds	10,854	-	9,863	20,717	277
Due From Component Units	28,175	-	-	28,175	-
Inventories	43,491	-	14,990	58,481	894
Prepays, Advances and Deposits	32,166	-	9,401	41,567	8,671
Total Current Assets	2,230,295	191,963	970,965	3,393,223	68,087
<b>Noncurrent Assets:</b>					
Restricted Cash and Pooled Cash	314,816	-	1,247,249	1,562,065	-
Restricted Investments	72,895	-	-	72,895	-
Restricted Receivables	-	-	39,570	39,570	-
Investments	2,869,656	-	31,086	2,900,742	-
Other Long- Term Assets	108,393	-	1,438	109,831	-
Depreciable Capital Assets and Infrastructure, net	7,093,592	-	1,247,965	8,341,557	128,872
Land and Nondepreciable Capital Assets	964,855	-	988,121	1,952,976	311
Total Noncurrent Assets	11,424,207	-	3,555,429	14,979,636	129,183
<b>TOTAL ASSETS</b>	<b>13,654,502</b>	<b>191,963</b>	<b>4,526,394</b>	<b>18,372,859</b>	<b>197,270</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>					
	828,822	11,976	90,927	931,725	70,923
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Accrued Liabilities	460,404	123,772	101,164	685,340	27,567
Due To Other Governments	-	41,684	31,613	73,297	1
Due To Other Funds	4,973	7,726	45,298	57,997	596
Due To Component Units	206	-	-	206	-
Unearned Revenue	294,427	-	56,583	351,010	3,975
Compensated Absences Payable	25,852	3	1,485	27,340	1,414
Claims and Judgments Payable	1,581	-	-	1,581	-
Leases Payable	5,176	-	298	5,474	21,823
Notes, Bonds, and COPs Payable	195,685	-	550	196,235	-
Other Current Liabilities	272,333	-	51,517	323,850	242
Total Current Liabilities	1,260,637	173,185	288,508	1,722,330	55,618
<b>Noncurrent Liabilities:</b>					
Due to Other Funds	-	-	18,845	18,845	-
Deposits Held in Custody For Others	-	-	25	25	-
Accrued Compensated Absences	336,319	39	13,994	350,352	10,093
Claims and Judgments Payable	42,390	-	-	42,390	-
Capital Lease Payable	30,187	-	1,741	31,928	73,078
Derivative Instrument Liability	14,193	-	-	14,193	-
Notes, Bonds, and COPs Payable	4,231,359	-	525,975	4,757,334	-
Due to Component Units	1,798	-	-	1,798	-
Net Pension Liability	3,745,240	14,733	477,046	4,237,019	405,718
Other Postemployment Benefits	995,817	328	19,647	1,015,792	16,145
Other Long- Term Liabilities	62,585	-	47,897	110,482	-
Total Noncurrent Liabilities	9,459,888	15,100	1,105,170	10,580,158	505,034
<b>TOTAL LIABILITIES</b>	<b>10,720,525</b>	<b>188,285</b>	<b>1,393,678</b>	<b>12,302,488</b>	<b>560,652</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>					
	2,079,260	7,616	395,200	2,482,076	214,026
<b>NET POSITION:</b>					
Net investment in Capital Assets:	4,093,965	-	1,524,109	5,618,074	34,282
<b>Restricted for:</b>					
Education	870,941	-	-	870,941	-
Unemployment Insurance	-	-	1,258,552	1,258,552	-
Debt Service	45,505	-	35,188	80,693	-
Emergencies	-	-	34,000	34,000	-
<b>Permanent Funds and Endowments:</b>					
Expendable	173,553	-	-	173,553	-
Nonexpendable	83,198	-	-	83,198	-
Other Purposes	-	-	118,895	118,895	-
Unrestricted	(3,583,623)	8,038	(142,301)	(3,717,886)	(540,767)
<b>TOTAL NET POSITION</b>	<b>\$ 1,683,539</b>	<b>\$ 8,038</b>	<b>\$ 2,828,443</b>	<b>\$ 4,520,020</b>	<b>\$ (506,485)</b>

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



**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	BUSINESS - TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	HEALTHCARE AFFORDABILITY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES:</b>					
Unemployment Insurance Premiums	\$ -	\$ -	\$ 546,650	\$ 546,650	\$ -
License and Permits	-	-	144,535	144,535	-
Tuition and Fees	3,174,027	-	1,863	3,175,890	-
Scholarship Allowance for Tuition and Fees	(687,648)	-	-	(687,648)	-
Sales of Goods and Services	2,573,084	996,252	913,651	4,482,987	428,070
Scholarship Allowance for Sales of Goods & Services	(26,716)	-	-	(26,716)	-
Investment Income (Loss)	1,107	-	4,631	5,738	-
Rental Income	16,612	-	2,692	19,304	15,967
Gifts and Donations	2,316	-	-	2,316	-
Federal Grants and Contracts	1,189,019	2,430,353	332,232	3,951,604	-
Intergovernmental Revenue	5,761	-	32,180	37,941	-
Other	432,718	-	6,663	439,381	1,117
<b>TOTAL OPERATING REVENUES</b>	<b>6,680,280</b>	<b>3,426,605</b>	<b>1,985,097</b>	<b>12,091,982</b>	<b>445,154</b>
<b>OPERATING EXPENSES:</b>					
Salaries and Fringe Benefits	4,595,708	42,232	158,784	4,796,724	202,160
Operating and Travel	1,659,804	3,353,640	815,579	5,829,023	164,458
Cost of Goods Sold	140,211	-	54,481	194,692	-
Depreciation and Amortization	458,717	-	37,267	495,984	30,480
Intergovernmental Distributions	34,332	18,144	14,497	66,973	-
Debt Service	-	-	12,806	12,806	-
Prizes and Awards	467	-	417,862	418,329	29
<b>TOTAL OPERATING EXPENSES</b>	<b>6,889,239</b>	<b>3,414,016</b>	<b>1,511,276</b>	<b>11,814,531</b>	<b>397,127</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(208,959)</b>	<b>12,589</b>	<b>473,821</b>	<b>277,451</b>	<b>48,027</b>
<b>NONOPERATING REVENUES AND (EXPENSES):</b>					
Taxes	-	-	34,846	34,846	-
Fines and Settlements	168	-	3,324	3,492	4
Investment Income (Loss)	226,078	1,352	57,299	284,729	917
Rental Income	19,806	-	13,756	33,562	-
Gifts and Donations	296,128	-	4,780	300,908	-
Intergovernmental Distributions	(30,046)	-	(68,494)	(98,540)	-
Federal Grants and Contracts	275,572	-	5,795	281,367	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(2,529)	-	1,367	(1,162)	2,440
Insurance Recoveries from Prior Year Impairments	295	-	113	408	36
Debt Service	(178,429)	-	(7,042)	(185,471)	(2,423)
Other Expenses	(8,359)	-	-	(8,359)	-
Other Revenues	22,680	-	3	22,683	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>621,364</b>	<b>1,352</b>	<b>45,747</b>	<b>668,463</b>	<b>974</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>412,405</b>	<b>13,941</b>	<b>519,568</b>	<b>945,914</b>	<b>49,001</b>
<b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>					
Capital Contributions	120,373	-	109	120,482	985
Additions to Permanent Endowments	16	-	-	16	-
Transfers-In	375,591	103	30,005	405,699	4,276
Transfers-Out	(6,836)	(16,408)	(107,116)	(130,360)	(6,641)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<b>489,144</b>	<b>(16,305)</b>	<b>(77,002)</b>	<b>395,837</b>	<b>(1,380)</b>
<b>CHANGE IN NET POSITION</b>	<b>90,159</b>	<b>(2,364)</b>	<b>442,566</b>	<b>1,341,751</b>	<b>47,621</b>
<b>NET POSITION - FISCAL YEAR BEGINNING (as restated)</b>	<b>781,990</b>	<b>10,402</b>	<b>2,385,877</b>	<b>3,178,269</b>	<b>(554,106)</b>
<b>NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ 1,683,539</b>	<b>\$ 8,038</b>	<b>\$ 2,828,443</b>	<b>\$ 4,520,020</b>	<b>\$ (506,485)</b>

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

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	BUSINESS - TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	HEALTHCARE AFFORDABILITY	OTHER ENTERPRISES	TOTALS	INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from:					
Tuition, Fees, and Student Loans	\$ 2,519,552	\$ -	\$ 1,898	\$ 2,521,450	\$ -
Fees for Service	2,486,065	856,112	299,122	3,641,299	2,828
Receipts for Interfund Services	-	-	10,367	10,367	423,616
Sales of Products	-	-	736,220	736,220	1,331
Gifts, Grants, and Contracts	1,493,919	2,450,635	334,814	4,279,368	204
Loan and Note Repayments	411,578	-	-	411,578	-
Unemployment Insurance Premiums	-	-	548,976	548,976	-
Income from Property	36,418	-	16,505	52,923	15,967
Other Sources	199,924	-	134,770	334,694	3,763
Cash Payments to or for:					
Employees	(4,958,756)	(32,808)	(211,739)	(5,203,303)	(238,366)
Suppliers	(1,603,683)	(3,237,552)	(190,192)	(5,031,427)	(115,147)
Payments for Interfund Services	-	(1,932)	(5,279)	(7,211)	(63,228)
Sales Commissions and Lottery Prizes	-	-	(478,293)	(478,293)	(179)
Unemployment Benefits	-	-	(378,655)	(378,655)	-
Scholarships	(116,236)	-	-	(116,236)	-
Others for Student Loans and Loan Losses	(402,021)	-	-	(402,021)	-
Other Governments	(34,332)	(9,556)	(14,498)	(58,386)	-
Other	(82)	(4,540)	(264,940)	(269,562)	(178)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>32,346</b>	<b>20,359</b>	<b>539,076</b>	<b>591,781</b>	<b>30,611</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers- In	296,509	-	26,997	323,506	1,502
Transfers- Out	(6,836)	(16,408)	(107,419)	(130,663)	(6,641)
Receipt of Deposits Held in Custody	669,446	-	764	670,210	490
Release of Deposits Held in Custody	(665,738)	-	(756)	(666,494)	(435)
Gifts and Grants for Other Than Capital Purposes	564,113	-	1,671	565,784	-
Intergovernmental Distributions	(30,046)	-	(61,801)	(91,847)	-
Other	-	-	3,482	3,482	-
NonCapital Debt Proceeds	269,570	-	20,107	289,677	115
NonCapital Debt Service Payments	(263,964)	-	(20,107)	(284,071)	(115)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>833,054</b>	<b>(16,408)</b>	<b>(137,062)</b>	<b>679,584</b>	<b>(5,084)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of Capital Assets	(660,764)	-	(332,594)	(993,358)	(478,754)
Capital Contributions	124,816	-	-	124,816	-
Capital Gifts, Grants, and Contracts	18,119	-	-	18,119	-
Proceeds from Sale of Capital Assets	6,625	-	87,123	93,748	475,607
Capital Debt Proceeds	180,684	-	530	181,214	-
Capital Debt Service Payments	(518,348)	-	(13,142)	(531,490)	(144)
Capital Lease Payments	(32,422)	-	(1,255)	(33,677)	(24,441)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(881,290)</b>	<b>-</b>	<b>(259,338)</b>	<b>(1,140,628)</b>	<b>(27,732)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest and Dividends on Investments	95,606	723	45,738	142,067	240
Proceeds from Sale/Maturity of Investments	12,141,022	-	25,768	12,166,790	-
Purchases of Investments	(12,470,396)	-	(25,356)	(12,495,752)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	71,185	629	10,180	81,994	677
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(162,583)</b>	<b>1,352</b>	<b>56,330</b>	<b>(104,901)</b>	<b>917</b>
<b>NET INCREASE (DECREASE) IN CASH AND POOLED CASH</b>	<b>(178,473)</b>	<b>5,303</b>	<b>199,006</b>	<b>25,836</b>	<b>(1,288)</b>
<b>CASH AND POOLED CASH, FISCAL YEAR BEGINNING</b>	<b>1,563,320</b>	<b>31,462</b>	<b>1,782,782</b>	<b>3,377,564</b>	<b>58,099</b>
<b>CASH AND POOLED CASH, FISCAL YEAR END</b>	<b>\$ 1,384,847</b>	<b>\$ 36,765</b>	<b>\$ 1,981,788</b>	<b>\$ 3,403,400</b>	<b>\$ 56,811</b>

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

**STATEMENT OF CASH FLOWS, CONTINUED**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	BUSINESS- TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	HIGHER EDUCATION INSTITUTIONS	HEALTHCARE AFFORDABILITY	OTHER ENTERPRISES	TOTALS	INTERNAL SERVICE FUNDS
(DOLLARS IN THOUSANDS)					
RECONCILIATION OF OPERATING INCOME TO NET CASH					
PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (208,959)	\$ 12,589	473,821	\$ 277,451	\$ 48,027
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	458,717	-	37,267	495,984	30,480
Investment/Rental Income and Other Revenue in Operating Income	-	-	(2,109)	(2,109)	-
State Support for PERA Pensions	25,260	103	3,253	28,616	2,801
Rents, Fines, Donations, and Grants and Contracts in NonOperating	46,136	-	61,533	107,669	171
(Gain)/Loss on Disposal of Capital and Other Assets	(38)	-	-	(38)	-
Compensated Absences Expense	11,868	23	587	12,478	557
Interest and Other Expense in Operating Income	47,305	-	(10,121)	37,184	549
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:					
(Increase) Decrease in Operating Receivables	(86,117)	(116,702)	(23,774)	(226,593)	(294)
(Increase) Decrease in Inventories	(3,198)	-	(340)	(3,538)	(218)
(Increase) Decrease in Other Operating Assets and Deferred Outflows	8,213	-	(719)	7,494	(4,676)
(Increase) Decrease in Pension Deferred Outflow	759,013	(3,475)	87,893	843,431	82,894
(Increase) Decrease in OPEB Deferred Outflow	(33,018)	(292)	(591)	(33,901)	(294)
Increase (Decrease) in Accounts Payable	(5,423)	111,889	7,798	114,264	(10,165)
Increase (Decrease) in Pension Liability	(2,856,965)	1,598	(356,189)	(3,211,556)	(306,860)
Increase (Decrease) in OPEB Liability	76,204	328	809	77,341	603
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	146,328	7,179	49,220	202,727	3,267
Increase (Decrease) in Pension Deferred Inflow	1,656,318	7,118	210,716	1,874,152	183,819
Increase (Decrease) in OPEB Deferred Inflow	(9,298)	1	22	(9,275)	(50)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 32,346	\$ 20,359	\$ 539,076	\$ 591,781	\$ 30,611
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:					
Capital Assets Funded by the Capital Projects Fund	681	-	59	740	959
Capital Assets Acquired by Grants or Donations and Payable Increases	72,619	-	65,985	138,604	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	71,185	629	6,877	78,691	-
Loss on Disposal of Capital and Other Assets	6,277	-	1,249	7,526	49,238
Disposal of Capital Assets	47,314	-	-	47,314	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	54,517	-	717	55,234	748
Assumption of Capital Lease Obligation or Mortgage	-	-	-	-	18,000
Financed Debt Issuance Costs	224	-	-	224	-
Fair Value Change in Derivative Instrument	14,193	-	-	14,193	-
State Support for PERA Pensions	25,260	103	3,253	28,616	2,801
Advertising Provided through Private Sponsorship	-	-	1,204	1,204	-

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
<b>Current Assets:</b>			
Cash and Pooled Cash	\$ 83,224	\$ 188,738	\$ 1,527,644
Taxes Receivable, net	-	-	204,385
Other Receivables, net	2,647	13,761	296
Due From Other Funds	1,110	11,502	201
Due From Component Units	-	-	107
Inventories	-	-	5
<b>Noncurrent Assets:</b>			
Restricted Cash and Pooled Cash	517	68,451	-
<b>Investments:</b>			
Government Securities	5,272	19,150	-
Corporate Bonds	9,217	-	-
Asset Backed Securities	888	-	-
Mortgages	8,499	-	-
Mutual Funds	32,675	8,583,920	-
Other Investments	28,629	142,654	-
Other Long- Term Assets	-	-	8,821
<b>TOTAL ASSETS</b>	<b>172,678</b>	<b>9,028,176</b>	<b>1,741,459</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Tax Refunds Payable	-	-	3,060
Accounts Payable and Accrued Liabilities	24,874	12,193	803
Due To Other Governments	-	-	369,706
Due To Other Funds	14	6	-
Intrafund Payables	1	-	-
Unearned Revenue	-	10,485	-
Claims and Judgments Payable	20,935	-	69
Other Current Liabilities	-	-	1,334,181
<b>Noncurrent Liabilities:</b>			
Deposits Held In Custody For Others	-	5,906	33,026
Accrued Compensated Absences	46	-	-
Other Long- Term Liabilities	-	-	614
<b>TOTAL LIABILITIES</b>	<b>45,870</b>	<b>28,590</b>	<b>\$ 1,741,459</b>
<b>NET POSITION:</b>			
<b>Restricted for:</b>			
OPEB	83,954	-	-
<b>Held in Trust for:</b>			
Pension/Benefit Plan Participants	42,854	-	-
Individuals, Organizations, and Other Entities	-	8,999,586	-
<b>TOTAL NET POSITION</b>	<b>\$ 126,808</b>	<b>\$ 8,999,586</b>	

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	\$ -	\$ 1,338,108
Member Contributions	86,400	-
Employer Contributions	343,141	-
Investment Income/(Loss)	6,918	525,387
Unclaimed Property Receipts	-	61,285
Other Additions	5,163	3,460
Transfers- In	1,568	37
TOTAL ADDITIONS	443,190	1,928,277
DEDUCTIONS:		
Distributions to Participants	3,305	319,968
Health Insurance Premiums Paid	157,378	-
Health Insurance Claims Paid	228,846	-
Other Benefits Plan Expense	31,893	-
Payments in Accordance with Trust Agreements	-	936,990
Other Deductions	21,124	-
Transfers- Out	224	26
TOTAL DEDUCTIONS	442,770	1,256,984
CHANGE IN NET POSITION	420	671,293
NET POSITION - FISCAL YEAR BEGINNING	126,388	8,328,293
NET POSITION - FISCAL YEAR ENDING	\$ 126,808	\$ 8,999,586

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

**STATEMENT OF NET POSITION  
COMPONENT UNITS  
JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 224,807	\$ 9,272	\$ 3,150	\$ 237,229
Contributions Receivable, net	-	65,589	-	65,589
Other Receivables, net	82,297	2	2,913	85,212
Due From Other Governments	2,103	-	334	2,437
Prepays, Advances and Deposits	-	588	-	588
<b>Total Current Assets</b>	<b>309,207</b>	<b>75,451</b>	<b>6,397</b>	<b>391,055</b>
<b>Noncurrent Assets:</b>				
Restricted Cash and Pooled Cash	93,014	-	11,784	104,798
Restricted Investments	87,994	-	-	87,994
Restricted Receivables	1,429	-	-	1,429
Investments	-	2,071,735	-	2,071,735
Contributions Receivable, net	-	98,778	-	98,778
Other Long-Term Assets	918,263	-	420	918,683
Depreciable Capital Assets and Infrastructure, net	29	1,333	178,163	179,525
Land and Nondepreciable Capital Assets	-	-	24,849	24,849
<b>Total Noncurrent Assets</b>	<b>1,100,729</b>	<b>2,171,846</b>	<b>215,216</b>	<b>3,487,791</b>
<b>TOTAL ASSETS</b>	<b>1,409,936</b>	<b>2,247,297</b>	<b>221,613</b>	<b>3,878,846</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>4,555</b>	<b>-</b>	<b>4,487</b>	<b>9,042</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	10,143	10,161	4,407	24,711
Due To Other Governments	1,530	-	-	1,530
Notes, Bonds, and COPs Payable	39,390	-	1,317	40,707
Other Current Liabilities	122,661	20,421	604	143,686
<b>Total Current Liabilities</b>	<b>173,724</b>	<b>30,582</b>	<b>6,328</b>	<b>210,634</b>
<b>Noncurrent Liabilities:</b>				
Deposits Held In Custody For Others	-	440,444	-	440,444
Notes, Bonds, and COPs Payable	421,000	-	48,919	469,919
Net Pension Liability	7,934	-	-	7,934
Other Postemployment Benefits	186	-	-	186
Other Long-Term Liabilities	48,275	20,490	11,487	80,252
<b>Total Noncurrent Liabilities</b>	<b>477,395</b>	<b>460,934</b>	<b>60,406</b>	<b>998,735</b>
<b>TOTAL LIABILITIES</b>	<b>651,119</b>	<b>491,516</b>	<b>66,734</b>	<b>1,209,369</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<b>394</b>	<b>-</b>	<b>-</b>	<b>394</b>
<b>NET POSITION:</b>				
Net investment in Capital Assets:	30	1,333	154,248	155,611
<b>Restricted for:</b>				
Permanent Funds and Endowments:				
Expendable	-	1,087,300	-	1,087,300
Nonexpendable	-	607,413	-	607,413
Other Purposes	728,066	-	9,632	737,698
Unrestricted	34,882	59,735	(4,514)	90,103
<b>TOTAL NET POSITION</b>	<b>\$ 762,978</b>	<b>\$ 1,755,781</b>	<b>\$ 159,366</b>	<b>\$ 2,678,125</b>

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

**STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
EXPENSES	\$ 41,343	\$ 190,882	\$ 17,822	\$ 250,047
PROGRAM REVENUES:				
Charges for Services	26,045	4,936	20,434	51,415
Operating Grants and Contributions	26,745	276,120	1	302,866
Capital Grants and Contributions	-	-	3,498	3,498
TOTAL PROGRAM REVENUES:	52,790	281,056	23,933	357,779
NET (EXPENSE) REVENUE	11,447	90,174	6,111	107,732
GENERAL REVENUES:				
Unrestricted Investment Earnings (Losses)	9,398	20,530	215	30,143
TOTAL GENERAL REVENUES	9,398	20,530	215	30,143
CHANGE IN NET POSITION	20,845	110,704	6,326	137,875
NET POSITION - FISCAL YEAR BEGINNING (as restated)	742,133	1,645,077	153,040	2,540,250
NET POSITION - FISCAL YEAR ENDING	\$ 762,978	\$ 1,755,781	\$ 159,366	\$ 2,678,125

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. NEW ACCOUNTING STANDARDS

The following accounting standards were implemented in Fiscal Year 2019:

GASB Statement No. 83- Certain Asset Retirement Obligations. In 2019, the State implemented GASB Statement No.83. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

GASB Statement No. 88- Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings, and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

GASB Statement No. 89- Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement is effective for reporting periods beginning after December 15, 2019, however, the University of Colorado and the Colorado Community College System chose to early implement for Fiscal Year 2018. Additionally, the Metropolitan State University has chosen to early implement for Fiscal Year 2019. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

### B. FINANCIAL REPORTING ENTITY

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

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

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



**Discretely Presented Component Units:**

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

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

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

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. The Board is appointed by the State through the Metropolitan State University of Denver Board of Trustees. In addition, Metro State University of Denver has guaranteed the debt of HLC@ Metro, Inc. and thus has a financial burden relationship.

**Blended Component Units:**

Some legally separate component units are so intertwined with the State that they are reported as part of the State's fund and government-wide financial statements and are considered blended component units. Those that are identifiable within an enterprise fund with bonds or debt instruments outstanding and a revenue stream pledged in support of that debt are required to be accounted for separately as segments (see Note 18). The following entities are reported as blended component units:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

###### General Fund

Transactions that are not related to specific revenue streams for dedicated purposes for services traditionally provided by state government are accounted for in the General Fund. The General Fund contains 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.

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

###### Higher Education Institutions

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

###### Healthcare Affordability

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

###### Internal Service Funds

The State uses internal service funds to account for the sale of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to internal service funds. The State's Internal Service Funds reported in supplementary information include Central Services, Statewide Financial Information

Technology, Information Technology, Capitol Complex, Highways, Public Safety, Administrative Courts, Legal Services, and Other Enterprise Services. In the fund financial statements, these activities are aggregated into a single column. In the government-wide statements, the Internal Service Funds are included in the governmental activities on the *Statement of Net Position*, and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

#### FIDUCIARY FUND TYPE:

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

#### Pension and Other Employee Benefit Trust Funds

In the basic financial statements, the State reports in a single column the activities related to resources being held in trust for (1) members and beneficiaries of the Group Benefits Plan, which provides health, life, dental, and short-term disability benefits to state employees, and (2) the Colorado State University Other Post-Employment Benefit Trust Funds.

#### Private Purpose Trust Funds

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

#### Agency Funds

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

#### PRESENTATION OF INTERNAL BALANCES

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

#### FUNCTIONAL PRESENTATION OF EXPENDITURES

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

### General Government

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

### Business, Community, and Consumer Affairs

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

### Education

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

### Health and Rehabilitation

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

### Justice

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

### Natural Resources

Department of Natural Resources.

### Social Assistance

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

### Transportation

Department of Transportation.

## **E. BASIS OF ACCOUNTING**

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

All transactions and balances on the government-wide financial statements are reported on the full accrual basis of accounting. Under full accrual, revenues, expenses, gains, losses, assets, deferred outflows, liabilities, and deferred

inflows resulting from exchange transactions are recognized when the exchange takes place and the earnings process is complete. Similar recognition occurs for nonexchange transactions, depending on the type of transaction as follows:

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

## FUND-LEVEL FINANCIAL STATEMENTS

### Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

### Proprietary and Fiduciary Funds

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

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

### **CASH AND POOLED CASH**

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

### **RECEIVABLES**

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

### **INVENTORIES AND PREPAIDS**

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

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

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

Payments made to vendors for services representing costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements.

### **INVESTMENTS**

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

### **CAPITAL ASSETS**

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

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

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

Asset Class	Estimated Useful Life
Land Improvements	5 to 50 years
Buildings	3 to 70 years
Leasehold Improvements	2 to 50 years
Vehicles and Equipment	2 to 50 years
Software	2 to 20 years
Library Books & Collections	3 to 20 years
Other Capital Assets	3 to 25 years
Infrastructure	10 to 75 years

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

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

## UNEARNED REVENUE AND DEFERRED INFLOWS

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

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

## ACCRUED COMPENSATED ABSENCES LIABILITY

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month.



Total sick leave per employee is limited to the individual's accrued balance on July 1, 1988, plus 360 additional hours. Employees that exceed the limit at June 30 are required to convert five hours of unused sick leave to one hour of annual leave. Employees or their survivors are paid for one-fourth of their unused sick leave upon retirement or death. Annual leave is earned at increasing rates based on employment longevity. No classified employee is allowed to accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100 percent of their annual leave balance upon leaving State service.

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

## **INSURANCE**

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

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

## **NET POSITION**

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

## **FUND BALANCES**

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

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

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

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

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

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

Assigned – This classification represents the portion of the General Purpose Revenue Fund fund balance related to certain Fiscal Year 2018-19 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

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

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

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

### **PROGRAM REVENUES**

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

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

### **INDIRECT COST ALLOCATION**

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

The Plan uses allocation statistics from Fiscal Year 2015-16 and costs from the Fiscal Year 2017-18 Appropriations bill that were incorporated in State agency budgets for Fiscal Year 2018-19. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position*. However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the (Transfers-Out)/Transfers-In line item at the bottom of the *Statement of Activities*.

## **OPERATING REVENUES AND EXPENSES**

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

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

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

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

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

### A. OVEREXPENDITURES

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

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

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

Total overexpenditures at June 30, 2019, were \$34.14 million as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medical Services Premiums – The Department of Health Care Policy & Financing overspent this line item by \$23.4 million general funds, \$1.3 million cash funds, and \$0.1 million reappropriated funds. The Medical Services Premiums appropriation covers expenditures for the majority of services rendered for Medicaid members. Due to the entitlement nature of the program, this line has statutory unlimited overexpenditure authority. The primary driver of the General Fund overexpenditure is under forecasting the acute care per capita costs for MAGI children, individuals with disabilities, and MAGI pregnant adults. The cash funds overexpenditure occurred as a result of greater-than-anticipated revenue collection from recoveries, which is reported as a cash fund expenditure. The reappropriated funds overexpenditure was due to transferring more funding from the Old Age Pension State Medical Program to Medical Services Premiums than the Department forecasted would be available for the year.
- Behavioral Health Fee-for-service Payments – The Department of Health Care Policy & Financing overspent this line item by \$0.2 million general funds. The behavioral health fee-for-service line represents expenditure that is excluded from coverage under the behavioral health capitation, either because the member is not

attributed to the Regional Accountable Entity or the service fell outside of the contractual requirements of covered services. Growth in expenditure for this line item fluctuates from year to year. For Fiscal Year 2019, utilization grew by more than the Department projected in the second half of the year.

- Mental Health Institutes – The Department of Health Care Policy & Financing overspent this line item by \$0.04 million general funds. The overexpenditure is a result of higher than anticipated claims being billed to the Department by the Department of Human Services. The Department of Human Services (DHS) sets the spending authority for this appropriation. Each year, DHS submits an annual budget request to true up the Mental Health Institute (MHI) line item spending authority based on current MHI population mix. DHS underestimated the costs for this line item for Fiscal Year 2019.
- Adult Comprehensive Services – The Department of Health Care Policy & Financing overspent this line item by \$2.8 million general funds. The overexpenditure is a result of higher than anticipated enrollment and utilization in the Adult Comprehensive (DD) waiver. Enrollments in the DD waiver from the waiting list occurred slightly faster than originally estimated and units per utilizer grew faster than anticipated as well.
- Division of Youth Services - Medicaid Funding – The Department of Health Care Policy & Financing overspent this line item by \$0.1 million general funds. The overexpenditure is a result of a larger than expected number of child welfare claims payments identified by the Department of Human Services to be associated with the Division of Youth Services. The Department of Human Services (DHS) requests funding for this appropriation based on anticipated Medicaid costs for the Division of Youth Services. DHS underestimated the costs for this line item.
- Medicare Modernization Act Contribution – The Department of Health Care Policy & Financing overspent this line item by \$1.7 million general funds. The overexpenditure occurred due to large increases in retroactive enrollment of dual eligible clients in the second half of the year, which resulted in higher-than-anticipated monthly invoice totals. The Department is currently working with its federal partner (CMS) and data warehouse vendor to make necessary adjustments to the process of producing the dual-eligibility file that is sent to CMS each month to calculate current and retroactive enrollment. Once the changes are made, the Department will be better able to anticipate large retroactive changes in dual-eligibility and prevent future overexpenditure due to spikes in retroactivity.

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

- None at June 30, 2019

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

- Operating Expenses – The Department of Corrections overspent this line item by \$1.1 million general funds. The Department of Corrections submitted a \$1.1 million supplemental budget request which was approved by the Joint Budget Committee on September 20, 2018. The Joint Budget Committee included the approved increase in the Department's supplemental bill (SB19-111); however, the increase was subsequently amended out thus causing the overexpenditure.
- Community Corrections Placements – The Department of Public Safety overspent this line item by \$0.2 million general funds. Community corrections provides a sentencing or placement alternative, in lieu of prison incarceration, for felony offenders. Community corrections services provided exceeded the total program appropriations by \$0.2 million, which included a general fund overspend of \$0.2 million. The

program had appropriation transfer authority under Section 17-27-108(5), C.R.S., and maximized eligible appropriations to minimize the overexpenditure, but it could not cover the total amount thus causing the overexpenditure.

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

- None at June 30, 2019

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

- Highway Fund – The Department of Transportation had a deficit fund balance in this fund of \$0.4 million as a result of net operating losses at the Department’s print shop which is now closed.
- Debt Collection Fund – The Department of Personnel & Administration had a deficit fund balance in this fund of \$0.2 million. Central Collections Services (CCS) spent the majority of Fiscal Year 2019 implementing a new collections system, which automated processes to create efficiency and accuracy, as most reporting and entry out of the old collection system was completed manually. The focus on the implementation of the system drew resources away from the standard day-to-day collecting activities, and was a component of why the program had trouble recovering this fiscal year. The system implementation required the dedication of substantial staff resources, which had an impact on the program’s ability to collect revenue. Additionally, recent statutory changes and waivers have allowed for clients that typically had high value debt the ability to opt-out of the program, leaving low value debt to be forwarded to CCS, and as a direct result, a reduction of revenue for the CCS occurred, which created the deficit fund balance.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in Section 25.5-8-108(5), C.R.S. However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2020 spending authority is recommended. The following cash funds were in a deficit fund balance position as a result of Department of Health Care Policy and Financing Medicaid activity as of June 30, 2019:

- Medicaid Buy-In Cash Fund - \$0.2 million
- Health Care Expansion Fund - \$2.4 million

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

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

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

In the 2005 general election, voters approved Referendum C, a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five fiscal years from 2006 through

2010. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC), which began in Fiscal Year 2011. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The beginning base for the ESRC was the highest adjusted TABOR revenue during the five-year period, which occurred in Fiscal Year 2008.

In Fiscal Year 2015 a TABOR refund was due to taxpayers. Revenue subject to TABOR that year was \$12,530.8 million, which exceeded the ESRC of \$12,361.0 million by \$169.7 million. The total refund payable triggered by the excess revenue was \$169.7 million plus \$3.6 million of understated and un-refunded amounts from prior years, or \$173.3 million. Since Fiscal Year 2015, various corrections to revenue for that year have resulted in a \$14.0 million reduction in the amount originally calculated.

In Fiscal Year 2018 revenue subject to TABOR was \$13,720.9 million, which exceeded the \$13,702.4 million ESRC by \$18.5 million and by \$2,500.1 million over the original TABOR limit. With the addition of Fiscal Year 2018 excess revenue to the \$21.3 million left from the Fiscal Year 2015 refund payable, the State's liability for TABOR refunds increased to \$39.8 million at June 30, 2018. In Fiscal Year 2019, the State discovered \$2.9 million in under-reported nonexempt revenue from Fiscal Year 2018, which has been added to the June 30, 2019 refund payable.

In April 2019, \$18.5 million of the excess revenue from Fiscal Year 2018, plus \$21.0 million of the remaining Fiscal Year 2015 payable, were refunded indirectly to taxpayers as a reimbursement to local governments under the homestead exemption for qualifying senior citizens and disabled veterans. Through Fiscal Year 2019 the State has returned \$177.5 million of the Fiscal Year 2015 and Fiscal Year 2018 excess revenue to taxpayers, leaving \$3.3 million to refund at June 30, 2019.

In Fiscal Year 2019 revenue subject to TABOR was \$14,788.4 million, which exceeded the \$14,360.1 million ESRC by \$428.3 million and by \$3,029.1 million over the original TABOR limit. With the addition of Fiscal Year 2019 excess revenue to the \$3.3 million left from the Fiscal Year 2015 and Fiscal Year 2018 amounts payable, the State's liability for TABOR refunds increased to \$431.7 million at June 30, 2019.

Since the inception of Referendum C in Fiscal Year 2006 the State has retained \$21,816.0 million (unadjusted for prior year errors) – \$3,593.6 million during the initial five-year revenue retention period, and an additional \$18,222.4 million as a result of the higher ESRC limit in Fiscal Year 2011 through Fiscal Year 2019.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. The estimated reserve amount for Fiscal Year 2019 was based on the March 2018 revenue projection prepared by the Legislative Council. In the Long Appropriations Act, the funds designated below and the maximum balances from each, constitute the reserve.

At June 30, 2019, the financial net positions, or fund balances of the following funds were restricted:

- Major Medical Fund, a portion of the nonmajor Labor Fund – \$74.0 million maximum set in the Long Appropriations Act. At June 30, 2019, the fund's net assets were less than \$74.0 million. Available cash and investments totaling \$70.6 million were restricted.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – \$34.0 million.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund – \$33.0 million.
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund – \$33.0 million.
- Controlled Maintenance Trust Fund, a portion of the major General Fund – \$94.0 million maximum set in the Long Appropriations Act. At June 30, 2019, the fund's net assets were less than \$94.0 million. Operating cash totaling \$54.6 million was restricted. During the fiscal year, \$39.0 million was transferred from the Controlled Maintenance Trust Fund to the Disaster Emergency Fund, through twelve executive orders, to pay for the costs of fighting wildfires across the State. In addition, \$0.5 million was transferred from the trust fund to the Wildfire Emergency Response Fund due to the costs of exceptional fire risk.
- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund – \$5.0 million.

The 2018 legislative session Long Appropriations Act also designated up to \$160.3 million of State properties as the remainder of the emergency reserve.

Based on actual fiscal year nonexempt revenues in Fiscal Year 2019 the required reserve was \$443.7 million. Because the actual reserve requirement was more than the net assets of the Major Medical and Controlled Maintenance Trust funds and the maximum amounts designated for the other funds – including the State properties – the total amount restricted for the reserve was less than the combined maximums allowable in the designated funds as detailed above. The amount restricted for the reserve was \$53.2 million less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.



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

### CASH AND POOLED CASH

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

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

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

The State had an accounting system cash deposit balance of \$1,890.5 million in the Treasurer's pool as of June 30, 2019. Under the GASB Statement No. 40 definitions, \$46.4 million of the State's total bank balance of \$1,867.4 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

### RECEIVABLES

The Taxes Receivable of \$1,838.0 million shown on the government-wide *Statement of Net Position* in current assets net of long-term taxes receivable of \$250.4 million, primarily comprises the following:

- \$1,934.1 million in the General Purpose Revenue Fund, mainly self-assessed income and sales tax. This amount includes \$250.4 million of Taxes Receivable expected to be collected after one year that are reclassified on the *Governmental Funds Balance Sheet Reconciled to Statement of Net Position* so they can be reported as Other Long-Term Assets on the government-wide *Statement of Net Position*.
- \$115.3 million of unemployment insurance premiums receivable primarily recorded in the Unemployment Insurance Fund.
- \$36.8 million recorded in non-major special revenue funds, which include approximately \$13.5 million from gaming tax and \$19.0 million from insurance premium tax.

Restricted Receivables of \$445.4 million shown for Governmental Activities on the government-wide *Statement of Net Position* in non-current assets related primarily to \$2.8 million of taxes receivable, \$151.5 million of other receivables, and \$289.9 million of intergovernmental receivables recorded in the Highway Users Tax Fund and State Highway Fund. All three items were reported as Restricted Receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund and State Highway Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the Federal Government.

The Other Receivables of \$1,478.6 million shown on the government-wide *Statement of Net Position* are net of \$263.4 million in allowance for doubtful accounts and primarily comprise the following:

- \$530.5 million of receivables recorded in the General Fund, of which \$30.2 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of \$479.1 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded \$5.7 million of patient receivables.
- \$558.3 million of student and other receivables of Higher Education Institutions.
- \$153.3 million of receivables recorded by the Department of Health Care Policy and Financing in the Colorado Healthcare Affordability and Sustainability Enterprise Fund related primarily to rebates from drug companies associated with prescriptions for Medicaid clients.

## **INVENTORIES**

Inventories of \$159.6 million shown on the government-wide *Statement of Net Position* at June 30, 2019, primarily comprise the following:

- \$80.8 million of resale inventories, of which Resource Extraction recorded \$34.7 million, Higher Education Institutions recorded \$33.5 million, and Highway Users Tax Fund recorded \$9.2 million.
- \$59.6 million of consumable supplies inventories, of which \$37.3 million was recorded by Resource Extraction Fund, \$10.0 million was recorded by the Higher Education Institutions, \$8.4 million was recorded by the Highway Users Tax Fund, \$2.3 million by the General Purpose Revenue Fund, and \$0.7 million by Parks and Wildlife, and \$0.5 million by Central Services Fund, an internal service fund.
- \$11.3 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund.

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

Prepays, Advances, and Deposits of \$131.9 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- \$17.3 million advanced to Colorado counties by the General Purpose Revenue Fund primarily related to social assistance programs.
- \$16.1 million advanced to Colorado cities and special districts by the Division of Homeland Security and Emergency Management.
- \$10.4 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.

- \$24.5 million prepaid by Higher Educational Institutions, of which \$4.2 million related to cash payments for library subscriptions at Colorado State University.
- \$18.7 million prepaid to designated service organizations by the Department of Human Services from the Marijuana Tax Cash Fund primarily for behavioral health.
- \$6.1 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- \$8.1 million prepaid by the Governor's Office of Information Technology primarily for multi-year maintenance and licensing agreements.

## **OTHER LONG-TERM ASSETS**

The \$868.4 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 \$250.4 million recorded in the General Purpose Revenue Fund are not included as Other Long-Term Assets on the *Balance Sheet – Governmental Funds* but are shown in Taxes Receivable.

The \$507.2 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 (\$15.0 million), a non-major special revenue fund, and the Resource Extraction Fund (\$442.0 million), a non-major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

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

The \$109.8 million shown as Other Long-term Assets on the *Statement of Net Position – Proprietary Funds* is primarily student loans issued by Higher Education Institutions but also includes livestock.

#### NOTE 4 – INVESTMENTS

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

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

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

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

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2019 and 2018, the treasurer had \$97.2 million and \$80.9 million at fair value, respectively, of GOCO's funds on deposit and invested.

The investment earnings of the Unclaimed Property Tourism Trust Fund, a nonmajor special revenue fund, are assigned by law to the Colorado Travel and Tourism Promotion Fund, a nonmajor special revenue fund, to the State Fair, a nonmajor enterprise fund, and to the Agriculture Management Fund, a nonmajor special revenue fund.

As provided by State statute, the State Treasurer held \$10.5 million of investment in residential mortgages representing payments of property taxes of certain elderly State citizen homeowners that qualify for the Property Tax Deferral Program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

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

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits (Note 3)	\$ 1,890,516
Investments:	
Governmental Activities	11,298,425
Business- Type Activities	3,318,392
Fiduciary Activities	8,830,904
Plus: Cash in Clearing Accounts	90
<b>Total</b>	<b>\$ 25,338,327</b>
 Financial Statement Amounts	
Net Cash and Pooled Cash	\$ 7,299,175
Add: Warrants Payable Included in Cash	240,454
Total Cash and Pooled Cash	7,539,629
Add: Restricted Cash	3,373,824
Add: Restricted Investments	1,171,438
Add: Investments	13,253,436
<b>Total</b>	<b>\$ 25,338,327</b>

## Custodial Credit Risk

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

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

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

	(Amounts in Thousands)			
	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
<b>NOT SUBJECT TO CUSTODIAL CREDIT RISK</b>				
U.S. Treasury Notes/Bonds	\$ 816,832	\$ -	\$ 246,650	\$ 1,063,482
U.S. Agency Securities (Not Explicitly Guaranteed)	1,084,049	-	78,490	1,162,539
Commercial Paper	1,601,607	-	-	1,601,607
Corporate Bonds	3,339,893	-	403,153	3,743,046
Municipal Bonds	10,083	-	3,087	13,170
Money Market Mutual Funds	515,000	-	6,753	521,753
Asset- Backed Securities	931,204	-	80,477	1,011,681
Mortgage- Backed Securities	255	-	162,387	162,642
Sovereigns/Supranationals	723,924	-	-	723,924
Equity Mutual Funds	-	-	219,007	219,007
Other	-	349,143	725,685	1,074,828
<b>SUBTOTAL</b>	<b>9,022,847</b>	<b>349,143</b>	<b>1,925,689</b>	<b>11,297,679</b>
 <b>SUBJECT TO CUSTODIAL CREDIT RISK</b>				
Money Market Mutual Funds	-	-	746	746
<b>SUBTOTAL</b>	<b>-</b>	<b>-</b>	<b>746</b>	<b>746</b>
 <b>TOTAL</b>	<b>\$ 9,022,847</b>	<b>\$ 349,143</b>	<b>\$ 1,926,435</b>	<b>\$ 11,298,425</b>

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in aggregate, and fiduciary funds by investment type at fair value as of June 30, 2019. The University of Colorado, Colorado State University, and the Colorado School of Mines reported investments in the internal pools of their respective foundations. These investments are reported as Investment in Foundation Pool.

	(Amounts in Thousands)				
	Business-Type Activities			Fiduciary	
	Higher Education Institutions	Other Enterprises	Total	Fiduciary	
NOT SUBJECT TO CUSTODIAL CREDIT RISK					
U.S. Treasury Bills	\$ 18,659	\$ -	\$ 18,659	\$ 663	
U.S. Treasury Notes/Bonds	174,893	-	174,893	-	
U.S. Agency Securities (Not Explicitly Guaranteed)	70,752	-	70,752	18,487	
Commercial Paper	2,008	-	2,008	-	
Corporate Bonds	192,678	-	192,678	-	
Municipal Bonds	114	-	114	-	
Money Market Mutual Funds	286,788	355	287,143	-	
Bond Mutual Funds	58,526	12,780	71,306	10,309	
Asset- Backed Securities	126,422	-	126,422	-	
Investment In Foundation Pool	447,831	-	447,831	-	
Mortgage- Backed Securities	115,699	-	115,699	-	
Guaranteed Investment Contracts	24,192	-	24,192	-	
Corporate Equities	2,798	-	2,798	-	
Private Equities	-	-	-	3,244	
Equity Mutual Funds	796,154	-	796,154	22,366	
Other	293,938	18,306	312,244	25,385	
SUBTOTAL	2,611,452	31,441	2,642,893	80,454	
SUBJECT TO CUSTODIAL CREDIT RISK					
U.S. Treasury Bills	299	-	299	3,805	
U.S. Treasury Notes/Bonds	46,783	-	46,783	-	
U.S. Agency Securities (Explicitly Guaranteed)	9,673	-	9,673	-	
U.S. Agency Securities (Not Explicitly Guaranteed)	14,725	-	14,725	-	
Corporate Bonds	152,125	-	152,125	9,217	
Municipal Bonds	15,235	-	15,235	1,467	
Money Market Mutual Funds	442	-	442	891,269	
Bond Mutual Funds	107,685	-	107,685	3,164,713	
Asset- Backed Securities	56,663	-	56,663	888	
Investment In Foundation Pool	46,412	-	46,412	-	
Mortgage- Backed Securities	41,925	-	41,925	8,499	
Guaranteed Investment Contracts	-	-	-	142,227	
Corporate Equities	6,649	-	6,649	-	
Private Equities	2,761	-	2,761	-	
International Equities	55,230	-	55,230	-	
Equity Mutual Funds	116,583	-	116,583	4,527,938	
Balanced Mutual Funds	42	-	42	-	
Other	2,267	-	2,267	427	
SUBTOTAL	675,499	-	675,499	8,750,450	
TOTAL	\$ 3,286,951	\$ 31,441	\$ 3,318,392	\$ 8,830,904	

## Credit Quality Risk

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

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

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

CREDIT QUALITY RATINGS (Amounts In Thousands)								
Credit Quality Rating	U.S. Govt. Securities	Commercial Paper	Corporate Bonds	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Other	Total
Treasurer's Pool:								
Long-term Ratings								
Aaa/AAA/AAA	\$ -	\$ -	\$ 55,676	\$ 931,204	\$ 515,000	\$ -	\$ 282,203	\$ 1,784,083
Aa/AA/AA	1,084,049	160,160	533,806	-	-	-	452,060	3,671,522
A/A/A	-	-	2,403,791	-	-	-	-	2,403,791
Baa/BBB/BBB	-	-	346,620	-	-	-	-	346,620
Total T-Pool	1,084,049	160,160	3,339,893	931,204	515,000	-	734,263	8,206,016
Higher Education Institutions:								
Long-term Ratings								
Aaa/AAA/AAA	29,224	-	4,462	156,323	256,513	6,652	5,706	458,880
Aa/AA/AA	19,722	-	31,689	12,146	-	92,495	8,600	164,652
A/A/A	248	-	129,291	354	-	-	416	130,309
Baa/BBB/BBB	-	-	166,015	3,371	-	-	-	169,386
Ba/BB/BB	-	-	8,841	194	-	-	-	9,035
B/B/B	-	-	-	804	-	-	-	804
Caa/CCC/CCC	-	-	-	2,169	-	-	-	2,169
Ca/D/DDD	-	-	-	556	-	-	-	556
Short-term Ratings								
P/MIG/A - 1/F-1	-	2,008	-	-	-	-	-	2,008
Unrated	36,092	-	3,258	7,167	226,241	58,191	82,219	413,168
Total Higher Ed	85,286	2,008	343,556	183,084	482,754	157,338	96,941	1,350,967
Fiduciary Funds:								
Long-term Ratings								
Aaa/AAA/AAA	-	-	-	888	-	-	316	1,204
Aa/AA/AA	18,686	-	1,003	-	-	5,109	875	25,673
A/A/A	-	-	4,277	-	-	5,200	276	9,753
Baa/BBB/BBB	-	-	3,694	-	-	-	-	3,694
Unrated	8,300	-	243	-	891	3,164,713	142,227	3,316,374
Total Fiduciary	26,986	-	9,217	888	891	3,175,022	143,694	3,356,698
All Other Funds:								
Long-term Ratings								
Aaa/AAA/AAA	-	-	22,188	78,995	-	-	-	101,182
Aa/AA/AA	78,490	-	108,763	443	746	-	165,572	354,014
A/A/A	-	-	153,084	-	-	-	-	153,084
Baa/BBB/BBB	-	-	104,902	805	-	-	-	105,707
Ba/BB/BB	-	-	13,262	-	-	-	-	13,262
B/B/B	-	-	1,005	-	-	-	-	1,005
Unrated	-	-	-	235	355	12,780	10,752	24,122
Total Other	78,490	-	403,164	80,478	1,101	12,780	176,324	752,326
Total	\$ 1,274,811	\$ 1,603,615	\$ 4,095,820	\$ 1,195,654	\$ 999,746	\$ 3,345,140	\$ 1,151,222	\$ 13,666,007

## 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.

State statute requires the State Treasurer to formulate investment policies regarding liquidity, maturity, and diversification for each fund or pool of funds in the State Treasurer's custody. The State Treasurer's formal investment policy requires a portion of the investment pool to have a maximum maturity of one year and the balance of the pool to have maximum maturity of five years. The policy also sets maturity limits for the Unclaimed Property Tourism Promotion Trust Fund (1 - 30 years). The policy also mitigates interest rate risk through the use of maturity limits delineated to meet the needs of each funds and the use of active management to react to changes in the yield curve, economic forecasts, and the liquidity needs of the fund.

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

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

	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. Treasury Bills/Notes/Bonds	\$ 816,832	0.840	\$ 236,144	5.877	\$ 3,805	2.601	\$ 246,650	11.599
U.S. Agency Securities	1,084,049	0.306	252,356	23.048	26,986	5.337	78,490	7.815
Bond Mutual Funds	-	-	150,038	7.408	10,309	10.410	12,780	4.398
Commercial Paper	1,601,607	0.125	2,008	0.109	-	-	-	-
Corporate Bonds	3,339,893	2.572	340,964	7.120	9,217	3.089	403,153	6.694
Repurchase Agreements	-	-	56,471	1.044	-	-	-	-
Certificates of Deposit	-	-	869	0.959	-	-	-	-
Asset- Backed Securities	931,204	2.161	183,049	16.816	888	0.131	80,477	1.672
Money Market Funds	515,000	-	-	-	891,269	0.058	355	0.071
Municipal Bonds	10,083	2.000	15,349	4.301	1,467	0.340	3,087	1.000
Mortgage- Backed Securities	255	0.819	-	-	-	-	162,387	6.010
Other	723,924	0.915	24,192	1.250	-	-	-	-
Total Investments	<u>\$ 9,022,847</u>		<u>\$ 1,261,440</u>		<u>\$ 943,941</u>		<u>\$ 987,379</u>	

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

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds for \$326.6 million with a duration of 8.7 years and a short-term inflation protected securities index fund for \$67.5 million with a duration of 2.7 years. These securities are excluded from the duration table below because interest rate risk is effectively mitigated by the inflation protection attribute of the funds.

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
Colorado School of Mines:		
Bond Mutual Fund- 1	\$ 1,067	5.900
Bond Mutual Fund- 2	693	1.400
Bond Mutual Fund- 3	727	0.700
Colorado Mesa University:		
U.S. Agency Securities	\$ 178	2.179
Corporate Bonds	106	0.417
Asset- Backed Securities	35	2.480
Mortgage- Backed Securities	50	2.023
Private Purpose Trust Funds:		
CollegeInvest:		
Bond Mutual Fund- 1	\$ 1,049,485	6.000
Bond Mutual Fund- 2	506,104	6.200
Bond Mutual Fund- 3	804,403	1.900
Bond Mutual Fund- 4	279,292	8.100
Bond Mutual Fund- 5	61,129	4.200
Bond Mutual Fund- 6	65,076	6.000
Bond Mutual Fund- 7	5,059	6.400



## Foreign Currency Risk

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

## Concentration of Credit Risk

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

## Fair Value Measurements

To the extent available, the State's investments are recorded at fair value as of June 30, 2019. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.

Level 3 Investments – classified as Level 3 have unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

The following table summarizes the State's investments within the fair value hierarchy at June 30, 2019:

(Amounts in Thousands)

Fair Value Measurements Using

	Fair Value as of June 30, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
U.S. Treasury Bills	\$ 23,426	\$ 22,956	\$ 470	\$ -
U.S. Treasury Notes/Bonds	1,285,158	1,154,865	130,293	-
U.S. Agency Securities (Explicitly Guaranteed)	9,673	-	9,673	-
U.S. Agency Securities (Not Explicitly Guaranteed)	1,266,502	689,525	576,977	-
Commercial Paper	1,603,615	-	1,603,615	-
Corporate Bonds	4,097,066	17,008	4,080,049	9
Municipal Bonds	29,986	2,208	27,778	-
Money Market Mutual Funds	1,475,554	1,468,801	6,753	-
Bond Mutual Funds	3,354,013	3,354,013	-	-
Asset-Backed Securities	1,195,653	1,860	1,191,321	2,472
Mortgage-Backed Securities	328,766	19,056	309,444	266
Sovereigns/Supranationals	723,924	-	723,924	-
Guaranteed Investment Contracts	166,419	24,192	-	142,227
Investment in Foundation Pool	494,243	-	-	494,243
Corporate Equities	9,447	9,447	-	-
Private Equities	3,244	-	-	3,244
International Equities	55,230	55,230	-	-
Equity Mutual Funds	5,682,048	5,682,042	6	-
Balanced Mutual Funds	42	42	-	-
Other	1,124,333	10,495	18,306	1,095,532
<b>Total</b>	<b>\$ 22,928,342</b>	<b>\$ 12,511,740</b>	<b>\$ 8,678,609</b>	<b>\$ 1,737,993</b>
Total investments measured at NAV	234,348			
Total other investments not valued at fair value	285,031			
<b>Total</b>	<b>\$ 23,447,721</b>			

On June 30, 2019, the University of Colorado held an investment in an equity trust valued at \$234.3 million. The value was determined using the University's Net Asset Value (NAV) per share in the equity trust. The assets held by the trust could be sold at an amount different than the NAV per share due to the liquidation policies in the trust's investor agreements. Redemption frequencies for these funds range from one to 30 days and there were no unfunded commitments as of June 30, 2019.

The University of Colorado also held investments in a repurchase agreement with a contract value of \$56.5 million and private equities measured at a cost of \$2.8 million. It is the State's policy to report money market fund investments at fair market value unless the institution managing the investment reports its value at amortized cost. At June 30, 2019, the University of Colorado held \$225.7 million of money market funds valued at amortized cost.

### **Treasurer's Investment Pool**

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

## NOTE 5 – CAPITAL ASSETS

During Fiscal Year 2019, the State capitalized \$25.9 million of interest incurred during the construction of capital assets. The majority of this capitalized interest was for the Department of Transportation's Bridge Enterprise of \$14.4 million, and the High Performance Transportation Enterprise of \$7.0 million. The remainder was attributable to Institutions of Higher Education of \$4.5 million.

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

(Amounts in Thousands)		Depreciation Amount
GOVERNMENTAL ACTIVITIES		
General Government	\$	48,811,927
Business, Community and Consumer Affairs		2,947,433
Education		39,376,099
Health and Rehabilitation		15,371,105
Justice		48,122,382
Natural Resources		2,514,648
Social Assistance		19,702,152
Transportation		345,541,694
Total Depreciation Expense - Governmental Activities		<u>522,387,440</u>
BUSINESS-TYPE ACTIVITIES		
Higher Education		458,804,045
Parks and Wildlife		12,436,482
State Nursing Homes		2,028,097
Unemployment Insurance		2,399,841
Transportation		17,864,756
Other Enterprise Funds		2,449,210
Total Depreciation Expense - Business-Type Activities		<u>495,982,431</u>
Total Depreciation Expense Primary Government	\$	<u>1,018,369,871</u>

The schedule on the following page shows the capital asset activity during Fiscal Year 2019. The schedule shows that \$330.3 million of construction in progress projects were completed and added to capital assets for Governmental activities, and \$657.3 million of construction in progress were completed and added to capital assets for Business Type activities. These amounts are net of additions.

(Amounts in Thousands)	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital Assets Not Being Depreciated:					
Land	117,817	\$ 637	\$ -	\$ (469)	\$ 117,985
Land Improvements	7,455	-	297	-	7,752
Collections	10,978	235	-	-	11,213
Other Capital Assets	2,136	-	-	-	2,136
Construction in Progress (CIP)	771,863	539,483	(350,654)	(2,878)	957,814
Infrastructure	1,004,036	582	20,088	-	1,024,706
Total Capital Assets Not Being Depreciated	1,914,285	540,937	(330,269)	(3,347)	2,121,606
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	58,903	1,096	8,799	(17)	68,781
Buildings	3,386,623	29,199	43,179	(95,393)	3,363,608
Software	501,784	1,811	45,483	(7,639)	541,439
Vehicles and Equipment	987,183	258,839	999	(266,886)	980,135
Library Materials and Collections	6,269	361	-	(1,023)	5,607
Other Capital Assets	37,372	21	-	(185)	37,208
Infrastructure	12,180,948	28	231,809	(5,140)	12,407,645
Total Capital Assets Being Depreciated	17,159,082	291,355	330,269	(376,283)	17,404,423
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(36,700)	(2,511)	-	13	(39,198)
Buildings	(1,124,762)	(89,017)	-	12,829	(1,200,950)
Software	(273,975)	(43,521)	-	4,751	(312,745)
Vehicles and Equipment	(607,895)	(67,551)	-	73,336	(602,110)
Library Materials and Collections	(4,704)	(382)	-	1,023	(4,063)
Other Capital Assets	(36,724)	(107)	-	186	(36,645)
Infrastructure	(4,789,042)	(319,298)	-	945	(5,107,395)
Total Accumulated Depreciation	(6,873,802)	(522,387)	-	93,083	(7,303,106)
Total Capital Assets Being Depreciated, net	10,285,280	(231,032)	330,269	(283,200)	10,101,317
TOTAL GOVERNMENTAL ACTIVITIES	12,199,565	309,905	-	(286,547)	12,222,923
<b>BUSINESS- TYPE ACTIVITIES:</b>					
Capital Assets Not Being Depreciated:					
Land	599,798	30,518	3,116	(2,708)	630,724
Land Improvements	16,861	-	4,301	(4,301)	16,861
Collections	29,331	2,907	-	(58)	32,180
Construction in Progress (CIP)	1,094,137	725,173	(672,619)	15,618	1,162,309
Other Capital Assets	15,461	-	-	-	15,461
Infrastructure	87,547	-	7,894	-	95,441
Total Capital Assets Not Being Depreciated	1,843,135	758,598	(657,308)	8,551	1,952,976
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	810,008	1,763	35,732	(720)	846,783
Buildings	9,731,819	25,240	482,735	(497)	10,239,297
Software	216,497	3,976	1,187	(1,020)	220,640
Vehicles and Equipment	1,200,967	99,287	4,665	(34,694)	1,270,225
Library Materials and Collections	594,240	24,264	-	(9,887)	608,617
Other Capital Assets	3,770	-	-	-	3,770
Infrastructure	1,028,393	4,258	132,990	-	1,165,641
Total Capital Assets Being Depreciated	13,585,694	158,788	657,309	(46,818)	14,354,973
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(421,709)	(34,477)	-	193	(455,993)
Buildings	(3,521,915)	(319,375)	-	(2,573)	(3,843,863)
Software	(182,837)	(11,309)	-	547	(193,599)
Vehicles and Equipment	(879,046)	(88,890)	-	31,914	(936,022)
Library Materials and Collections	(461,653)	(22,560)	-	9,840	(474,373)
Other Capital Assets	(1,785)	(121)	-	-	(1,906)
Infrastructure	(88,410)	(19,250)	-	-	(107,660)
Total Accumulated Depreciation	(5,557,355)	(495,982)	-	39,921	(6,013,416)
Total Capital Assets Being Depreciated, net	8,028,339	(337,194)	657,309	(6,897)	8,341,557
TOTAL BUSINESS- TYPE ACTIVITIES	9,871,474	421,404	1	1,654	10,294,533
TOTAL CAPITAL ASSETS, NET	\$ 22,071,039	\$ 731,309	\$ 1	\$ (284,893)	\$ 22,517,456

## NOTE 6 – DEFINED BENEFIT PENSIONS

### Recent Legislative Changes

Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years* was signed into law on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 are noted below. The full text of the bill is available at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by 2 percent (phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million annually to PERA starting on July 1, 2018. The annual recurring direct distribution payments are allocated by PERA to the State Division Trust Fund (SDTF), Judicial Division Trust Fund (JDTF), School Division Trust Fund, and the Denver Public Schools (DPS) Division Trust Fund based on the proportionate amount of annual payroll associated with these four trusts. The table below presents the allocation of the direct distribution made on July 1, 2018.

<b>PERA Division Trust</b>	<b>Allocation</b>
(amounts in actual dollars)	
State	\$ 78,488,543
Judicial	1,384,837
School	126,504,713
Denver Public Schools	18,621,907
Total Direct Distribution	\$ 225,000,000

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- For the SDTF, expands eligibility to participate in the PERA DC Plan to certain new members hired on or after January 1, 2019, who are classified State College and University employees. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

### Effect of Recent Legislative Changes

The \$225 million direct distribution, as allocated according to the preceding table, created a special funding situation as defined by Statement No. 68 of the Governmental Accounting Standards Board – *Accounting and Financial Reporting for Pensions*. The State of Colorado, as a financial reporting entity covered by this report, is a participating employer in the SDTF and the JDTF along with participating employers outside the State's financial reporting entity. The amounts allocated to the SDTF and the JDTF are therefore part employer contributions and part contributions from a governmental nonemployer contributing entity. The State is not a participating employer in the School and DPS Divisions, therefore all contributions from the direct distribution allocated to the School and DPS Divisions are contributions from a governmental nonemployer contributing entity. Contributions from the State as a governmental

nonemployer contributing entity reduce the proportionate share of participating employers not included in the State's financial reporting entity. The State reports a proportionate share of the net pension liability, deferred outflows, deferred inflows, and pension expense associated with its contributions as a participating employer of the SDTF and JDTF. Beginning with the fiscal year covered by this report, the State also reports a proportionate share of the net pension liability, deferred outflows, deferred inflows, and expense to aid other governments related to contributions made by the State as a governmental nonemployer contributing entity.

The following disclosures include information on the SDTF, JDTF, School, and DPS Divisions. Disclosures are applicable to all four division trust funds unless noted otherwise.

### **Significant Accounting Policies**

The State of Colorado is a participating employer in the SDTF and the JDTF, both cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees' Retirement Association of Colorado ("PERA"). The State of Colorado is also a governmental nonemployer contributing entity in the SDTF, JDTF, School, and DPS Divisions. The net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, aid to other governments, information about the fiduciary net position, and additions to/deductions from the fiduciary net position of the SDTF, JDTF, School, and DPS Divisions have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **General Information about the Pension Plans**

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

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

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

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

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

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

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

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF and for the JDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

### **Contributions**

Eligible employees and the State are required to contribute to the SDTF and to the JDTF at rates established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee and employer contribution rates for the period January 1, 2018 through June 30, 2019 are presented in the following tables:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employee contribution (except State Troopers)	8.00%	8.00%
State Troopers only	10.00%	10.00%

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

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

<b>State Division Trust Fund</b>	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
<b>Total employer contribution rate to the SDTF</b>	<b>19.13%</b>	<b>19.13%</b>

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

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

<b>State Division Trust Fund</b>	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	12.85%	12.85%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SDTF	11.83%	11.83%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
<b>Total employer contribution rate to the SDTF</b>	<b>21.83%</b>	<b>21.83%</b>

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

<b>Judicial Division Trust Fund</b>	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	13.66%	13.66%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the JDTF	12.64%	12.64%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%	3.40%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%	3.40%
<b>Total employer contribution rate to the JDTF</b>	<b>16.34%</b>	<b>19.44%</b>

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



As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million annually to PERA starting on July 1, 2018. The direct distribution payment is allocated to the SDTF and to the JDTF based on the proportionate amount of annual payroll of the SDTF and of the JDTF to the total annual payroll of the SDTF, JDTF, School Division Trust Fund, and the DPS Division Trust Fund. A portion of the direct distribution allocated to the SDTF and to the JDTF is a contribution from a governmental nonemployer contributing entity for financial reporting purposes.

Employer contributions are recognized by the SDTF and by the JDTF in the period in which the compensation becomes payable to the member and the State is statutorily committed to pay the contributions to the SDTF and to the JDTF. Employer contributions made by the State to the SDTF and to the JDTF were \$639.5 million and \$10.0 million, respectively, for the year ended June 30, 2019.

### Net Pension Liability

The net pension liability for the SDTF and for the JDTF were measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The State's proportion of the net pension liability of the SDTF and of the JDTF is based on the State's contributions to the SDTF and to the JDTF for calendar year 2018 relative to the total contributions of all participating employers and the nonemployer contributions made by the State to the SDTF and to the JDTF.

At June 30, 2019, the State reported a total liability of \$13.5 billion for its proportionate share of the net pension liability, which includes an increase in the liability from the prior year related to support from the State as a governmental nonemployer contributing entity. The amounts recognized by the State for its proportionate share of the net pension liability are as follows:

(Amounts in thousands)		PERA Division Trust Fund				
Proportionate share of the net pension liability attributable to:		State	Judicial	School	DPS	Total
State's own employees		\$ 10,855,754	\$ 132,873	-	-	\$ 10,988,627
Employees of other governments		62,292	1,199	2,129,952	349,095	2,542,538
Total		\$ 10,918,046	\$ 134,072	\$ 2,129,952	\$ 349,095	\$ 13,531,165

### Proportionate Share

The State's proportions at December 31, 2017, December 31, 2018, and how the proportions increased are presented in the following table:

As a Participating Employer			
PERA Division Trust Fund	Proportionate Share		Increase
	12/31/2017	12/31/2018	
State	95.37%	95.40%	0.03%
Judicial	93.99%	94.06%	0.07%
As a Governmental Nonemployer Contributing Entity			
PERA Division Trust Fund	Proportionate Share		Increase
	12/31/2017	12/31/2018	
State	0.00%	0.55%	0.55%
Judicial	0.00%	0.85%	0.85%
School	0.00%	12.03%	12.03%
DPS	0.00%	34.13%	34.13%

### Pension Expense & Aid to Other Governments

For the year ended June 30, 2019, the State recognized pension expense for its own employees and expense to aid other governments related to support provided by the State as a governmental nonemployer contributing entity. The components of expense are presented in the following table:

(Amounts in thousands)	PERA Division Trust Fund				Total
	State	Judicial	School	DPS	
Pension expense*	\$(551,848)	\$ (8,488)	-	-	\$(560,336)
Aid to other governments	28,951	260	839,888	32,040	901,139
Total	\$(522,897)	\$ (8,228)	\$ 839,888	\$ 32,040	\$ 340,803

\* Negative pension expense is attributable to an increase in the discount rate from the prior year.

Refer to the following section on Actuarial Assumptions for additional information.

### Deferred Outflows of Resources and Deferred Inflows of Resources

The State participates in the SDTF and the JDTF as both an employer and as a governmental nonemployer contributing entity. The following tables therefore segregate deferred outflows of resources and deferred inflows of resources between balances related to the State's own employees and balances related to employees of other governments. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

#### State Division Trust Fund

(Amounts in thousands)	Deferred Outflows of Resources Related to		Deferred Inflows of Resources Related to	
	State's Own Employees	Employees of Other Governments	State's Own Employees	Employees of Other Governments
Difference between expected and actual experience	\$ 310,517	\$ 1,781	\$ -	\$ -
Changes of assumptions or other inputs	572,040	3,280	5,605,738	32,167
Net difference between projected and actual earnings on pension plan investments	547,984	3,146	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	142,845	60,916	146,096	10
Contributions subsequent to the measurement date	281,757	-	-	-
Total	\$ 1,855,143	\$ 69,123	\$ 5,751,834	\$ 32,177

Deferred outflows of resources of \$281.7 million related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(Amounts in thousands)
2020	(196,125)
2021	(2,509,284)
2022	27,092
2023	302,007
2024	-
Thereafter	-

### Judicial Division Trust Fund

(Amounts in thousands)	Deferred Outflows of Resources Related to		Deferred Inflows of Resources Related to	
	State's Own Employees	Employees of Other Governments	State's Own Employees	Employees of Other Governments
Difference between expected and actual experience	\$ 19,266	\$ 174	\$ -	\$ -
Changes of assumptions or other inputs	15,447	139	83,406	753
Net difference between projected and actual earnings on pension plan investments	12,070	109	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	315	1,352	170	-
Contributions subsequent to the measurement date	4,736	-	-	-
Total	\$ 51,834	\$ 1,774	\$ 83,576	\$ 753

Deferred outflows of resources of \$4.7 million related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(Amounts in thousands)
2020	1,712
2021	(8,569)
2022	(17,055)
2023	(11,545)
2024	-
Thereafter	-

### School & Denver Public Schools Division Trust Funds

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

(Amounts in thousands)	Deferred Outflows of Resources		Deferred Inflows of Resources	
	School Division	DPS Division	School Division	DPS Division
Difference between expected and actual experience	\$ 72,250	\$ 21,418	\$ -	\$ 343
Changes of assumptions or other inputs	397,565	24,708	1,324,601	7,828
Net difference between projected and actual earnings on pension plan investments	116,096	44,628	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,155,259	253,106	-	13
Total	\$ 2,741,170	\$ 343,860	\$ 1,324,601	\$ 8,184

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

Year ended June 30:	(Amounts in thousands)
2020	846,684
2021	488,490
2022	282,263
2023	134,808
2024	-
Thereafter	

### Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	State Division Trust Fund	Judicial Division Trust Fund	School Division Trust Fund	DPS Division Trust Fund
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50 - 9.17 percent	4.00 - 5.00 percent	3.50 - 9.70 percent	3.50 - 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent	7.25 percent	7.25 percent	7.25 percent
Discount rate	4.72 percent	5.41 percent	4.78 percent	7.25 percent
Post-retirement benefit increases:				
PERA benefit structure hired prior to 1/1/07	2.00 percent compounded annually	2.00 percent compounded annually	2.00 percent compounded annually	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

The revised assumptions shown below are applicable to all division trusts and were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

Healthy, post-retirement mortality assumptions reflect the RP-2014\* Healthy Annuitant Mortality Table, adjusted as follows:

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

\*RP-2014 White Collar Healthy Annuitant Mortality Table used for Judicial, School and DPS Divisions

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

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, 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.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial 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. 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 middle of the year.

Based on the above assumptions and methods, the projection test indicates the fiduciary net position of the SDTF, JDTF, and the School Division were projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of

4.72 percent, 5.41 percent, and 4.78 percent for the SDTF, JDTF and School Division, respectively. The discount rates are 2.53 percent, 1.84 percent, and 2.47 percent lower compared to the current measurement date for the SDTF, JDTF and School Division, respectively. There was no change in the discount rate from the prior measurement date for the DPS Division.

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

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

(Amount in thousands)	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	<u>Proportionate Share of the Net Pension Liability</u>		
State Division Trust Fund	\$ 13,573,011	\$ 10,918,046	\$ 8,671,704
Judicial Division Trust Fund	177,931	134,072	96,321
School Division Trust Fund	2,707,870	2,129,952	1,644,982
DPS Division Trust Fund	518,057	349,095	208,478

*Pension plan fiduciary net position.* Detailed information about the SDTF's fiduciary net position is available in PERA's CAFR which can be obtained at:

[www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

A short-term payable of \$4.7 million existed at June 30, 2019 for employer and employee contributions due to PERA. C.R.S. 24-51-401 requires employer, employee, and retiree contributions be remitted to PERA within five days after the date the members and retirees are paid. PERA Rule 4.10-A specifies that employers are responsible for payment of interest computed on a daily rate for contributions not remitted timely.

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

### **Summary of OPEB Plans**

The State of Colorado participates in the following OPEB plans:

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

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

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

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

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

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

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

#### **Benefits Provided**

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients



under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

#### **PERA Benefit Structure**

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

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

#### **DPS Benefit Structure**

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

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

#### **Contributions**

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the State is statutorily committed to pay the contributions. Contributions made by the State and allocated to the HCTF for purposes of financial reporting were \$30.2 million for the year ended June 30, 2019.

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

At June 30, 2019 the State reported a liability of \$454.4 million for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The State's proportion of the net OPEB liability is based on contributions to the HCTF from the State for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the State's proportion was 33.40 percent, which was a decrease of 0.32 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the State recognized OPEB expense of \$36.6 million. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Amounts in thousands)	Deferred Outflows of Resources	Deferred Inflows of
Difference between expected and actual experience	\$ 1,651	\$ 691
Changes of assumptions or other inputs	3,187	-
Net difference between projected and actual earnings on pension plan investments	2,612	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	7,105	10,630
Contributions subsequent to the measurement date	15,012	-
Total	<u>\$ 29,567</u>	<u>\$ 11,321</u>

\$15.0 million reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	(Amounts in thousands)
2020	\$ 366
2021	366
2022	366
2023	2,195
2024	(56)
Thereafter	(4)

## Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent

Health care cost trend rates

PERA benefit structure:

Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

DPS benefit structure:

Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend

rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The following health care costs assumptions were used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

### Sensitivity to Changes in Health Care Cost Trend Rates

The following table presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

(Amounts in thousands)	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend
PERACare Medicare	4.00%	5.00%	6.00%
Initial Medicare Part A	2.25%	3.25%	4.25%
Ultimate Medicare Part A	4.00%	5.00%	6.00%
Net OPEB Liability	\$441,817	\$454,363	\$468,794

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

### Sensitivity to Changes in the Discount Rate

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

(Amount in thousands)	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 508,393	\$ 454,363	\$ 408,173

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

#### **Payables to the PERA Health Care Trust OPEB Plan**

A short-term payable of \$248 thousand existed at June 30, 2019 for employer and employee contributions due to PERA. C.R.S. 24-51-401(1.7)(a)(I) requires employer, employee, and retiree contributions be remitted to PERA within five days after the date the members and retirees are paid. PERA Rule 4.10-A specifies that employers are responsible for payment of interest computed on a daily rate for contributions not remitted timely.

#### **University of Colorado Healthcare and Life Insurance Subsidy**

The University-administered single-employer postemployment benefit (non-pension) program was established by the Board of Regents, who have the authority to amend the program provisions. Under this program, the University subsidizes a portion of healthcare and life insurance premiums for retirees on a pay-as-you-go basis. This program does not issue a separate financial report. The University adopted the provisions of GASB Statement No. 75 in Fiscal Year 2018.

#### **Funded Status and Funding Progress**

There are no assets accumulating in a trust for the University's OPEB plan. The University contributed \$15.5 million for the year ended June 30, 2019.

The actuarial valuation for the Fiscal Year 2019 had a measurement date of June 30, 2018. All employees are eligible based on age and years of service. The valuation was based on the March 1, 2017 participant data, in which there were 19,146 participants in the medical/dental plan, with 17,143 active employees and 2,003 retirees and beneficiaries, and 23,984 participants in the life insurance plan, with 20,315 active employees and 3,669 retirees and beneficiaries.

The University recognized \$53.3 million in OPEB expense for this plan in Fiscal Year 2019. The following details the changes in the University's total OPEB plan liability during Fiscal Year 2019:

Reconciliation of University's OPEB Liability ( <i>in thousands</i> )	
	Total OPEB Liability
Balance recognized at June 30, 2018	\$ 746,773
Changes recognized for the fiscal year:	
Services cost	49,754
Interest on total OPEB liability	28,404
Differences between expected and actual experience	(1,728)
Changes of assumption	35,919
Benefit payments	(15,163)
Net changes	97,186
Balance recognized at June 30, 2019	\$ 843,959

#### **Actuarial Methods and Assumptions.**

Actuarial valuations of an ongoing program 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. Projections of benefits for financial reporting purposes are based on the substantive program (the program as understood by the employer and the program 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 program members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal actuarial cost method is used. The discount rate used in the valuation is 3.85 percent as of the June 30, 2018 measurement, and is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This research suggests a 7.00 percent long-term average increase for medical benefits, and an 11 percent increase for prescriptions, both trending down to a 4.50 percent increase for 2027 and later years. The dental trend rate is 4.00 percent, and the administrative expenses trend rate is 3.00 percent. The June 30, 2018 measurement date used the PUB-2010 Teachers Classification Table with generational projection using Scale MP-2018.

The valuation reflects the following assumption changes from the June 30, 2017 measurement date to the June 30, 2018 measurement date:

- Interest rate changed from 3.60 percent to 3.85 percent
- Mortality table was updated to reflect the Public Retirement Plans Mortality Tables Report issued by the Society of Actuaries in January 2019. The specific assumption used is the PUB-2010 Teachers Classification Table with generational projection using Scale MP-2018. The impact of this change was an increase in the University's total OPEB liability of about 8 percent.

The following table illustrates the impact of interest rate sensitivity on the University's total OPEB liability for Fiscal Year 2019:

<i>Sensitivity of University's Total OPEB Liability (in thousands)</i>			
	1% Increase (4.85%)	Discount Rate (3.85%)	1% Decrease (2.85%)
1% decrease	603,737	693,531	805,199
Health Care Trend Rates	725,144	843,959	994,103
1% increase	882,658	1,042,382	1,247,693

The following table illustrates the deferred outflows and inflows of resources as of June 30, 2019:

<i>University's OPEB Deferred Outflows and Inflows (in thousands)</i>		
	2019	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	-	65,462
Changes in Assumptions	31,131	33,864
Contributions subsequent to the measurement date	15,461	-
Total	46,592	99,326

Between the June 30, 2018 measurement date of the University's total OPEB liability and the University's June 30, 2019 reporting date, the University made contributions of \$15.5 million during FY 2019 that impacted the total OPEB liability and were treated as a deferred outflow of resources.



The following table lists the amortization bases included in the University's OPEB deferred outflows and inflows of resources as of June 30, 2019:

<i>Amortization of University's OPEB Deferred Outflows and Inflows (in thousands)</i>						
Date Established	Type of Base	Period		Balance		Annual Amortization
		Original	Remaining	Original	Remaining	
July 1, 2017	Liability experience	7.4	5.4	\$ (87,654)	(63,964)	(11,845)
July 1, 2017	Assumption change	7.4	5.4	(46,406)	(33,864)	(6,271)
July 1, 2018	Liability experience	7.5	6.5	(1,728)	(1,498)	(230)
July 1, 2018	Assumption change	7.5	6.5	35,919	31,131	4,789
Total Charges				\$ (99,869)	(68,195)	(13,557)

The deferred outflows from contributions subsequent to the measurement date of \$15.5 million will be recognized as a reduction to the University's OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows related to the University's OPEB liability will be recognized in OPEB expense as summarized in the table below:

Table 9.5	
Future Amortization of University's OPEB	
Deferred Outflows and Inflows <i>(in thousands)</i>	
<b>Years ending June 30:</b>	
2020	\$ (13,557)
2021	(13,557)
2022	(13,557)
2023	(13,557)
2024	(13,557)
2025-2026	(410)
Total	\$ (68,195)

## **NOTE 8 – OTHER EMPLOYEE BENEFITS**

### **A. MEDICAL AND DISABILITY BENEFITS**

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

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's Salary Reduction Plan Document. Effective July 1, 2013, premiums also included a fee to implement a statewide wellness program. During Fiscal Year 2019, covered employees who elected to participate in the wellness plan received a monthly health insurance premium credit of \$20 depending on the level of participation.

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

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

The Public Employees Retirement Association (PERA) covers short-term disability claims for State employees eligible under its retirement plan (see Note 6). The Group Benefit Plans Fund provides short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

### **B. DEFINED CONTRIBUTION RETIREMENT PLANS**

#### **PERAPlus 401(k) Plan**

**Plan Description** - Employees of the State of Colorado that are also members of the SDTF may voluntarily contribute to the PERAPlus 401(k) Program (a voluntary investment program), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Funding Policy** - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The annual contribution limit for employees who participate in the 401(k) Plan increased from \$18,500 in Calendar Year 2018 to \$19,000 in Calendar Year 2019. The catch-up contribution limit for employees aged 50 and

over who participate in the 401(k) Plan remains unchanged from the prior year of \$6,000. Employees are immediately vested in their own contributions.

#### Defined Contribution Retirement Plan (DC Plan)

Plan Description – Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Senate Bil 18-200 expanded eligibility to participate in the PERA DC Plan to new employees hired on or after January 1, 2019, who are classified college and university employees in the State Division. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA’s comprehensive annual financial report as referred to above.

Funding Policy – All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00 percent of their PERA-includable salary, and the State of Colorado is required to contribute 10.15 percent of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00 percent of their PERA-includable salary, and the State of Colorado is required to contribute 12.85 percent of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	<i>As of June 30, 2019</i>
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%
<b>Total employer contribution rate to the SDTF<sup>1</sup></b>	<b>10.00%</b>

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. The State of Colorado recognized pension contributions of approximately \$29.9 million for the PERA DC Plan.

#### University of Colorado - Optional Retirement Plan

Under the University’s optional retirement plan (ORP), certain members of the University are required to participate in a defined contribution retirement plan administered by the University for the benefit of full-time faculty and exempt staff members. The State constitution assigns the authority to establish and amend plan provisions to the Regents. The contribution requirements of plan members and the University are established and may be amended by the Regents. Generally, employees are eligible for participation in the ORP upon hire and are vested immediately upon participation.

For the year ended June 30, 2019, the University's contribution to the defined contribution retirement plan was equal to 10 percent of covered payroll, and the employee contribution was equal to 5 percent of covered payroll. The University's contribution under the ORP approximated \$154.7 million during the year ended June 30, 2019.

Participants in the University's ORP choose to invest all contributions with one or more of three designated vendors. In addition, participants in the University's ORP are covered under federal Social Security. Federal Social Security regulations require both the employer and employee to contribute a percentage of covered payroll to Social Security.

Colorado State University - University Optional Retirement Plan – The Defined Contribution Plan for Retirement (DCP)

Under the University's optional retirement plan, all Academic Faculty, Administrative Professionals, Post-Doctoral Fellows, Veterinary Interns and Clinical Psychology Interns appointed on or after April 1, 1993, are required as a condition of employment under Colorado law to participate in either the University's Defined Contribution Plan (DCP) for Retirement or, in very limited cases, in the PERA Defined Benefit plan (as eligibility permits). DCP participants may select from three investment companies as follows:

- Fidelity Investments / MetLife (eligible Faculty/Staff at CSU-Pueblo do not have access to this investment company)
- Teachers Insurance and Annuity Association (TIAA)
- AIG Retirement Services (AIG)

The defined contribution retirement plans are established pursuant to state statute (24 54.5 101 to 24 54.5 107 C.R.S.). The CSU plan was adopted by the Board of Governors in December 1992 and the CSU-Pueblo plan was adopted in April 1993. The Defined Contribution Retirement Plan is a qualified plan under Section 401(a) of the IRC. CSU and CSU-Pueblo are the Plan Sponsors. All participants contribute the required eight percent of eligible salary. As required, CSU provides a matching contribution of 12.0 percent of eligible salary for all "permanent" appointees (those with regular, special and senior teaching appointments at half time or greater) and for temporary appointees with appointments of half time or greater for the second and subsequent consecutive year(s). CSU-Pueblo provides a matching contribution of 10.8 percent, as required, of eligible salary for all nonstudent employees, including those employees at less than half time and nonstudent temporary, hourly employees. Both employee and employer contributions are vested immediately. Investments are participant directed within the funds available through the authorized investment companies. For the year ended June 30, 2019, the System's contribution to the defined contribution retirement plan was equal to 11.5 percent of covered payroll, and the employee contribution was equal to 8 percent of covered payroll. The System's contribution under the ORP approximated \$51.1 million during the year ended June 30, 2019.

## NOTE 9 – RISK MANAGEMENT

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. Per statute, individual Department property claims have a \$5,000 deductible per occurrence. Pursuant to the Colorado Governmental Immunity Act, Section 24-10-101 C.R.S., claims that accrued before January 1, 2018 brought under state law are limited to \$350,000 per person and \$990,000 per accident. Claims that accrue after January 1, 2018 and before January 1, 2022 brought under state law are limited to \$387,000 per person and \$1,093,000 per accident. The Colorado Governmental Immunity Act requires the Secretary of State to certify adjusted limits for claims that accrue after January 1, 2022 by that date based on the percentage change of the consumer price index over the preceding four years. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State.

Workers compensation losses are self-insured per the Risk Management Act (Section 24-30-1501, C.R.S.); the State has purchased \$50.0 million of excess insurance per occurrence (\$10.0 million deductible). Property claims are self-insured as well; \$450.0 million of property loss insurance (\$500,000 deductible). The State has also purchased excess liability coverage for automotive liability outside Colorado \$5.0 million per occurrence (\$2.0 million deductible), and \$10.0 million of employee dishonesty and theft loss coverage (\$250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the State, except for the University of Colorado, Colorado State University (not including CSU-Pueblo), the University of Northern Colorado, Colorado School of Mines, Fort Lewis College, Colorado Mesa University, Western State Colorado University, Adams State University and component units participate in the State Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for non-incremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate.

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

Colorado employers, including the State, are liable for occupational injuries and diseases of their employees through workers' compensation insurance or self-insurance. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related injuries. The State is self-insured and uses the services of a third party administrator, 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 \$500,000 per individual. In Fiscal Year 2019, the

State recovered approximately \$4.1 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State's contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded approximately \$9.4 million of insurance recoveries during Fiscal Year 2019. Of that amount approximately \$1.0 million was related to asset impairments that occurred in prior years. The remaining \$8.4 million relates to the current year and was primarily recorded by Group Benefits Plans (including the \$4.1 million, as noted above), a Pension and Other Employee Benefits Fund, and \$2.1 million by Higher Education in the Higher Education Institutions Fund.

The University of Colorado is self-insured for workers' compensation, auto, and general and property liability. An actuarial projection is performed to estimate the self-insured plan's undiscounted liabilities. The University purchases excess insurance for losses over its self-insured retention of \$500,000 per property claim, \$1.5 million per worker's compensation claim, and \$1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2019 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 2019, 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. There were no reductions of insurance coverage in Fiscal Year 2019 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected \$295,301 from the stop-loss insurance carrier for individual claims in excess of the threshold over the previous three years. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than \$500,000 per claimant, \$1.5 million per occurrence, and \$8.0 million in aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2019, however, the University collected \$638,217 from the stop-loss insurance carrier for individual claims in excess of the threshold over the previous three years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over \$275,000. The related liability is based on underwriting review of claims history and current data. The University is self-insured for worker's compensation up to \$500,000 per occurrence and has purchased reinsurance for individual claims up to statutory limits. There was no significant reduction in insurance coverage in Fiscal Year 2019 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to \$500,000 per occurrence with excess insurance purchased for claims up to \$10.0 million and additional insurance purchased for up to \$15.0 million, for a total of \$25.0 million per occurrence. The University is self-insured for

property damage up to \$100,000, but has purchased excess insurance providing coverage up to \$1.0 billion per occurrence. The University carries cyber risk liability insurance up to \$10.0 million (\$250,000 deductible for cyber extortion and \$10,000 deductible for crisis management and public relations). The University also purchased \$1.0 million of international liability insurance, \$50.0 million of aviation liability insurance (\$1,000 deductible for each occurrence), a \$30.0 million fine arts and special collections policy, and \$1.0 million per occurrence of unmanned aerial vehicles liability insurance. The University also carries liability, professional liability, and pollution liability for the Center for Environmental Management Military Lands (CEMML) operations, including prescribed burn operations, which includes a primary layer of \$2.0 million aggregate, an umbrella layer of \$5.0 million, and an excess layer of \$5.0 million. The University purchased additional limits of \$40.0 million for CEMML operations including additional responsibility for prescribed burning. For Fiscal Year 2019, the University purchased additional limits of \$1.0 million for social engineering coverage. There were no significant reductions in insurance coverage in Fiscal Year 2019, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, automobile, and worker's compensation risks primarily through the purchase of insurance. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2006.

The University 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 2019, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Colorado School of Mines manages worker's compensation risks primarily through the purchase of insurance. The University has purchased \$500,000 of worker's compensation insurance (\$0 deductible). Before Fiscal Year 2018, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2019, and the amount of settlements has not exceeded coverage during the fiscal year.

Colorado School of Mines manages other liability risks through the purchase of insurance. The University purchased \$2.0 million of general liability insurance (\$0 deductible), \$4.0 million of educator's legal liability insurance (\$10,000 deductible), \$1.0 million of automobile liability (\$1,000 deductible), \$1.0 million of fiduciary (\$0 deductible), \$4.0 million of employment practices liability (\$25,000 deductible), \$3.0 million of umbrella liability (\$10,000 self-insured retention), \$1.0 million of employee dishonesty (\$10,000 deductible), \$665.5 million of property (\$100,000 deductible), \$750,000 of inland marine (\$5,000 deductible), and \$1.0 million of aviation (\$0 deductible). Before Fiscal Year 2018, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2019, and the amount of settlements has not exceeded coverage during the fiscal year.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased \$500,000 of worker's compensation insurance (\$5,000 deductible). Before Fiscal Year 2011, the College was covered under the State's risk management program. The College retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010. There were no significant reductions in insurance coverage in Fiscal Year 2019, 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 \$481.9 million (\$10,000 deductible), \$2.0 million of general liability (\$0 deductible), \$7.0 million of fine arts insurance (\$2,500 deductible). The College has also purchased \$1.0 million of employee dishonesty insurance (\$10,000 deductible). Before Fiscal Year 2012, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2019 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased \$1.0 million of worker's compensation insurance (\$5,000 deductible). Before Fiscal Year 2011, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010. There were no significant reductions in insurance coverage in Fiscal Year 2019, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased \$2.0 million of general liability insurance (\$1,000 deductible). Before Fiscal Year 2012, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011. There were no significant reductions in insurance coverage in Fiscal Year 2019 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased \$500,000 of worker's compensation insurance (\$500 deductible). Before Fiscal Year 2012, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011. There were no significant reductions in insurance coverage in Fiscal Year 2019 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance of \$2.0 million (\$1,000 deductible for accidents and acts of nature, \$10,000 for loss to property). Before Fiscal Year 2013, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2013. There were no significant reductions in insurance coverage in Fiscal Year 2019, and the amount of settlements has not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of \$500,000 (\$500 deductible). Before Fiscal Year 2012, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2019 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of \$1.0 million (\$0 deductible) and \$2.0 million aggregate. Before Fiscal Year 2012, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2019 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				
2018-19	\$ 22,399	\$ 4,007	\$ 4,330	\$ 22,076
2017-18	23,885	2,816	4,302	22,399
2016-17	24,926	3,054	4,095	23,885
Workers' Compensation				
2018-19	126,908	22,011	30,709	118,210
2017-18	134,393	23,503	30,988	126,908
2016-17	133,672	35,984	35,263	134,393
Group Benefit Plans:				
2018-19	18,459	246,177	243,701	20,935
2017-18	16,077	233,694	231,312	18,459
2016-17	15,766	201,105	200,794	16,077
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2018-19	16,769	9,512	6,973	19,308
2017-18	16,119	7,913	7,263	16,769
2016-17	16,726	7,388	7,995	16,119
University of Colorado Denver:				
Graduate Medical Education Health Benefits Program				
2018-19	2,689	13,856	13,713	2,832
2017-18	2,309	13,012	12,632	2,689
2016-17	1,666	10,357	9,714	2,309
Medical Malpractice				
2018-19	9,767	4,377	3,434	10,710
2017-18	9,428	1,451	1,112	9,767
2016-17	11,469	1,006	3,047	9,428
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2018-19	30,548	62,504	58,077	34,975
2017-18	29,917	57,038	56,407	30,548
2016-17	26,760	54,124	50,967	29,917
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2018-19	78	36	59	55
2017-18	135	(25)	32	78
2016-17	355	(172)	48	135
Colorado School of Mines:				
General Liability, Property, and Workers' Compensation				
2018-19	295	-	39	256
2017-18	-	321	26	295

		Changes in Claims Liabilities (Amounts in Thousands)			
(Continued)					
Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30	
Fort Lewis College:					
Workers' Compensation					
2018-19	2	4	-	6	
2017-18	2	3	3	2	
2016-17	-	5	3	2	
General Liability					
2018-19	-	11	-	11	
2017-18	3	(3)	-	-	
2016-17	39	3	39	3	
Colorado Mesa University:					
Workers' Compensation					
2018-19	29	42	19	52	
2017-18	36	27	34	29	
2016-17	220	(130)	54	36	
General Liability					
2018-19	36	238	92	182	
2017-18	-	18	(18)	36	
2016-17	3	10	13	-	

## NOTE 10 – LEASES AND SHORT-TERM DEBT

### LEASE COMMITMENTS

Management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. Therefore, they are treated as non-cancellable for financial reporting purposes.

At June 30, 2019, the State had the following amounts of assets under capital lease:

	(Amounts in Thousands)		
	Governmental Activities	Business-Type Activities	Total
Gross Capital Assets Under Lease:			
Land	\$ -	\$ -	\$ -
Buildings	54,936	20,379	75,315
Equipment and Other	279,447	34,493	313,940
Total Capital Assets Under Lease, Gross	334,383	54,872	389,255
Less Accumulated Depreciation:			
Buildings	(12,555)	(7,491)	(20,046)
Equipment and Other	(170,638)	(5,947)	(176,585)
Total Accumulated Depreciation	(183,193)	(13,438)	(196,631)
Total Capital Assets Under Lease, Net	\$ 151,190	\$ 41,434	\$ 192,624

At June 30, 2019, the State expected future minimum sublease rentals relating to operating leases of \$410,594 in business-type activities and \$137,372 in governmental activities. No future minimum sublease rentals related to capital leases are expected.

During the year ended June 30, 2019, the State incurred no contingent rentals related to capital and operating leases.

For Fiscal Year 2019, the State recorded building and land rent of \$64.1 million for governmental-type activities, \$25.4 million for business-type activities, and \$33,179 for fiduciary activities. The State also recorded equipment and vehicle rental expenditures of \$11.4 million and \$48.9 million for governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State's fleet management program.

The State recorded \$3.3 million of capital lease interest costs for governmental activities and \$1.4 million for business-type activities in Fiscal Year 2019.

In Fiscal Year 2019, the State entered into approximately \$19.6 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, 2019, for existing leases were as follows:

(Amounts in Thousands)

Fiscal Year(s)	Operating Leases		Capital Leases			
			Governmental		Business-Type	
			Activities		Activities	
	Activities	Activities	Principal	Interest	Principal	Interest
2020	\$ 50,209	\$ 29,266	\$ 26,162	\$ 3,571	\$ 5,474	\$ 1,114
2021	44,185	23,359	23,628	2,993	5,045	967
2022	39,227	20,906	22,073	2,448	4,401	817
2023	34,721	16,989	14,079	1,513	4,040	672
2024	32,364	14,400	10,790	1,027	2,706	539
2025 to 2029	68,561	50,986	25,706	1,830	14,595	847
2030 to 2034	2,423	2,723	1,162	67	1,141	25
2035 to 2039	540	684	-	-	-	-
2040 to 2044	61	667	-	-	-	-
2045 to 2049	61	592	-	-	-	-
2050 to 2054	61	107	-	-	-	-
2055 to 2059	61	113	-	-	-	-
Thereafter	602	-	-	-	-	-
Total	\$ 273,076	\$ 160,792	\$ 123,600	\$ 13,449	\$ 37,402	\$ 4,981

## SHORT-TERM DEBT

On July 19, 2018, the State Treasurer issued \$600.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2018A. The notes were due and payable on June 26, 2019, at a coupon rate of 4.333 percent. The total interest related to this issuance was \$24.3 million; however, the notes were issued at a premium of \$15.6 million, resulting in net interest costs (including the cost of issuance) of \$9.0 million and a yield of 1.524 percent. The notes were issued for cash management purposes and were repaid by June 26, 2019, 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 18, 2018, the State Treasurer issued \$310.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2018A. The notes were due and payable on June 27, 2019, at a coupon rate of 4.323 percent. The total interest related to this issuance was \$12.6 million; however, the notes were issued at a premium of \$7.9 million, resulting in net interest costs (including cost of issuance) of \$4.9 million or 1.561 percent. The notes matured on June 27, 2019, and were repaid.

On January 16, 2019, the State Treasurer issued \$325.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2018B. The notes were due and payable on June 27, 2019, at a coupon rate of 3.446 percent. The total interest related to this issuance was \$5.0 million; however, the notes were issued at a premium of \$2.7 million, resulting in net interest costs (including cost of issuance) of \$2.5 million or 1.605 percent. The notes matured on June 27, 2019, and were repaid.

On June 5, 2018, the University of Colorado issued the first tranche of Commercial Paper in the amount of \$40.0 million with a maturity of September 6, 2018. The initial issuance of commercial paper is being used to fund the construction of Williams Village East Housing and the Aerospace Engineering Building at the CU Boulder. The initial rate was 1.30 percent. Two additional Boulder capital construction projects were added to Commercial Paper during the year for the Imig Music Building and Fleming Tower renovation. The average interest rate of borrowing through fiscal year end was 1.62 percent. Approximately \$161.0 million of commercial paper will be retired with permanent financing to be issued in the fall of 2019.

On June 20, 2018, the Board of Governors of the Colorado State University System authorized the issuance of Commercial Paper Notes (Notes) in the aggregate principal amount not to exceed \$50.0 million as part of the Series A (tax-exempt) and Series B (taxable) issuance. The maturity date of any Notes issued may not exceed two hundred and seventy days from the date of issuance and no maturity may be later than March 1, 2037. Pursuant to the Bond Resolution, the obligations are payable solely from Net Revenues paid in portions by both CSU and CSU-Pueblo, as

defined in the bond agreement. The Notes are being used to finance certain projects, as determined by the Board, including but not limited to: the construction, acquisition, renovation, improvement, and equipping of the Michael Smith Natural Resources Building in Fort Collins; the Richardson Design Center in Fort Collins; the Institute for Biological and Translational Therapies in Fort Collins; the JBS Global Food Innovation Center in Honor of Gary and Kay Smith in Fort Collins; the Residence and Dining Corbett remodel project; and the Western Slope CVMBS/Extension Project; any other improvements to any of the campuses for which the Board has spending authority; and such other capital projects as may be designated by the Board. During Fiscal Year 2019, 13 trade tickets were issued for \$44.2 million, the last of which matures on October 2, 2019. The coupon rates ranged from 2.22 percent to 2.68 percent. The total interest related to these issuances is \$0.4 million.

In May 2019, the Board of Governors of the Colorado State University System approved the first amendment to the twelfth supplemental resolution, increasing the aggregate principal amount authorized to be issued from \$50.0 million to \$75.0 million. This increase will be effective beginning Fiscal Year 2020.

The following schedule shows the changes in short-term financing for the period ended June 30, 2019:

	(Amount in Thousands)			
	Beginning Balance July 1	Changes		Ending Balance June 30
		Additions	Reductions	
Governmental Activities:				
Tax Revenue Anticipation Notes	\$ -	\$ 600,000	\$ (600,000)	\$ -
Education Loan Anticipation Notes	-	635,000	(635,000)	-
Total Governmental Activities Short-Term Financing	-	1,235,000	(1,235,000)	-
Business Type Activities:				
Tax Exempt Commercial Paper	50,000	474,700	(340,000)	184,700
Total Business Type Activities Short-Term Financing	50,000	474,700	(340,000)	184,700
Total Short-Term Financing	\$ 50,000	\$ 1,709,700	\$ (1,575,000)	\$ 184,700

## NOTE 11 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Various institutions of higher education, History Colorado, the Department of Public Safety, 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 and the Department of Public Safety which receives General Purpose Revenue Fund appropriations for lease payments related to COPs, specific user revenues are pledged for the payments of interest and future retirement of the obligations. The State is not allowed by its Constitution to issue general obligation debt except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies; additional restrictive limitations related to the valuation of taxable property also apply.

Collectively, the State's business-type activities had \$1,845.3 million in available net revenue after operating expenses to meet the \$310.3 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 17.)

During Fiscal Year 2019 the State recorded \$319.1 million of interest costs, of which \$113.0 million was recorded by governmental activities and \$206.1 million was recorded by business-type activities. The governmental activities interest cost primarily comprises \$6.3 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, \$17.0 million of interest on Certificates of Participation issued by the Judicial Branch, \$42.3 million of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program and \$8.8 million of interest on Education and General Fund Tax and Revenue Anticipation Notes issued by the State Treasurer. The business-type activities interest cost primarily comprises \$186.2 million of interest on revenue bonds issued by institutions of higher education, \$12.8 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, and \$7.1 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise. College Assist and the Transportation Enterprise are nonmajor enterprise funds. Annual maturities of notes, bonds, and COPs payable at June 30, 2019, are as follows:

(Amounts in Thousands)					
Governmental Activities (Non-Direct Borrowings and Non-Direct Placements)					
Fiscal Year	Certificates of Participation		Totals		
	Principal	Interest	Principal	Interest	
2020	\$ 45,005	\$ 86,446	\$ 45,005	\$ 86,446	
2021	46,770	84,465	46,770	84,465	
2022	48,785	81,564	48,785	81,564	
2023	51,035	79,194	51,035	79,194	
2024	140,555	76,685	140,555	76,685	
2025 to 2029	443,710	334,758	443,710	334,758	
2030 to 2034	436,535	230,097	436,535	230,097	
2035 to 2039	441,165	126,413	441,165	126,413	
2040 to 2044	245,905	34,787	245,905	34,787	
2045 to 2049	18,250	738	18,250	738	
Subtotals	1,917,715	1,135,147	1,917,715	1,135,147	
Unamortized Prem/Discount	137,389	-	137,389	-	
Totals	\$ 2,055,104	\$ 1,135,147	\$ 2,055,104	\$ 1,135,147	

(Amounts in Thousands)

## Governmental Activities (Direct Borrowings and Direct Placements)

Fiscal Year	Notes Payable		Certificates of Participation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,220	\$ 142	\$ 3,640	\$ 1,967	\$ 5,860	\$ 2,109
2021	2,270	95	3,735	1,872	6,005	1,967
2022	2,315	48	3,850	2,263	6,165	2,311
2023	-	-	2,920	2,142	2,920	2,142
2024	-	-	3,040	2,027	3,040	2,027
2025 to 2029	-	-	17,145	9,082	17,145	9,082
2030 to 2034	-	-	20,075	6,591	20,075	6,591
2035 to 2039	-	-	17,000	4,655	17,000	4,655
2040 to 2044	-	-	20,995	3,995	20,995	3,995
2045 to 2049	-	-	4,775	223	4,775	223
Subtotals	6,805	285	97,175	34,817	103,980	35,102
Unamortized Prem/Discount	-	-	276	-	276	-
Totals	\$ 6,805	\$ 285	\$ 97,451	\$ 34,817	\$ 104,256	\$ 35,102

(Amounts in Thousands)

## Business-Type Activities (Non-Direct Borrowings and Non-Direct Placements)

Fiscal Year	Revenue Bonds		Mortgages Payable		Certificates of Participation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 151,690	\$ 179,813	\$ 371	\$ 429	\$ 32,985	\$ 16,582	\$ 185,046	\$ 196,824
2021	130,503	175,114	387	414	33,025	15,272	163,915	190,800
2022	135,487	169,811	403	397	34,455	13,829	170,345	184,037
2023	138,742	164,203	420	380	29,905	12,386	169,067	176,969
2024	139,439	158,287	439	362	31,175	10,950	171,053	169,599
2025 to 2029	789,275	685,748	2,487	1,518	122,685	34,203	914,447	721,469
2030 to 2034	827,318	493,332	6,007	808	55,810	12,689	889,135	506,829
2035 to 2039	770,130	300,772	-	-	38,580	4,029	808,710	304,801
2040 to 2044	472,755	140,227	-	-	-	-	472,755	140,227
2045 to 2049	192,120	65,231	-	-	-	-	192,120	65,231
2050 to 2054	120,390	32,267	-	-	-	-	120,390	32,267
2055 to 2059	62,185	5,616	-	-	-	-	62,185	5,616
Subtotals	3,930,034	2,570,421	10,514	4,308	378,620	119,940	4,319,168	2,694,669
Unamortized Prem/Discount	306,619	-	-	-	33,559	-	340,178	-
Unaccreted Interest	(4,680)	-	-	-	-	-	(4,680)	-
Totals	\$ 4,231,973	\$ 2,570,421	\$ 10,514	\$ 4,308	\$ 412,179	\$ 119,940	\$ 4,654,666	\$ 2,694,669

(Amounts in Thousands)

## Business-Type Activities (Direct Borrowings and Direct Placements)

Fiscal Year	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 7,634	\$ 5,934	\$ 1,080	\$ 1,485	\$ 2,475	\$ 498	\$ 11,189	\$ 7,917
2021	11,754	5,287	1,045	1,448	2,545	428	15,344	7,163
2022	11,724	4,967	1,048	1,410	2,620	356	15,392	6,733
2023	11,964	4,658	7,361	2,426	2,135	305	21,460	7,389
2024	13,574	4,311	17,010	3,120	2,125	257	32,709	7,688
2025 to 2029	61,153	16,343	29,290	2,774	8,960	526	99,403	19,643
2030 to 2034	47,620	8,774	637	32	-	-	48,257	8,806
2035 to 2039	25,820	4,154	-	-	-	-	25,820	4,154
2040 to 2044	16,630	1,823	-	-	-	-	16,630	1,823
2045 to 2049	10,070	325	-	-	-	-	10,070	325
Subtotals	217,943	56,576	57,471	12,695	20,860	2,370	296,274	71,641
Unamortized Prem/Discount	2,647	-	-	-	(18)	-	2,629	-
Totals	\$ 220,590	\$ 56,576	\$ 57,471	\$ 12,695	\$ 20,842	\$ 2,370	\$ 298,903	\$ 71,641

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs on its variable rate debt.

Assuming current interest rates are applied over the term of the debt, at June 30, 2019, 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
2020	\$ 575	\$ 777	\$ 736	\$ 2,088
2021	575	765	725	2,065
2022	850	750	710	2,310
2023	925	730	693	2,348
2024	975	710	674	2,359
2025 to 2029	8,150	3,164	3,000	14,314
2030 to 2034	13,600	1,938	1,836	17,374
2035 to 2039	11,685	475	450	12,610
Totals	<u>\$ 37,335</u>	<u>\$ 9,309</u>	<u>\$ 8,824</u>	<u>\$ 55,468</u>

In January 2018, Colorado State University entered into a floating to fixed interest rate swap agreement in connection with the 2015D System Enterprise Revenue Bonds.

Assuming current interest rates are applied over the term of the debt, at June 30, 2019, Colorado State University's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Colorado State University Interest Rate Swap Agreement				
Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2020	\$ -	\$ 1,270	\$ 9	\$ 1,279
2021	-	1,267	9	1,276
2022	-	1,267	9	1,276
2023	-	1,267	9	1,276
2024	1,005	1,264	9	2,278
2025 to 2029	8,310	5,936	43	14,289
2030 to 2034	19,495	4,621	34	24,150
2035 to 2039	12,945	3,029	22	15,996
2040 to 2044	14,830	1,727	13	16,570
2045 to 2048	10,070	323	2	10,395
Totals	<u>\$ 66,655</u>	<u>\$ 21,971</u>	<u>\$ 159</u>	<u>\$ 88,785</u>

The original principal amount of the State's debt disclosed in the above tables is as follows:

Non-Direct Borrowings and Non-Direct Placements (Amounts in Thousands)				
	Revenue Bonds	Mortgages Payable	Certificates of Participation	Total
Governmental Activities	\$ -	\$ -	\$ 2,106,200	\$ 2,106,200
Business Type Activities	5,103,969	12,450	560,263	5,676,682
Total	<u>\$ 5,103,969</u>	<u>\$ 12,450</u>	<u>\$ 2,666,463</u>	<u>\$ 7,782,882</u>



Direct Borrowings and Direct Placements (Amounts in Thousands)				
	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	\$ -	\$ 21,075	\$ 117,420	\$ 138,495
Business Type Activities	241,365	64,277	34,080	\$ 339,722
Total	\$ 241,365	\$ 85,352	\$ 151,500	\$ 478,217

Assets pledged as collateral for debt across state departments and institutions of higher education include the following:

- A building near the Western State campus (related to direct borrowing/direct placement for business-type activities);
- Energy performance measures such as building improvements and equipment (related to direct borrowing/direct placement for business-type activities);
- A parking facility located at 1341 Lincoln Street in Denver (related to direct borrowing/direct placement for business-type activities);
- The Colorado Bureau of Investigations (CBI) Grand Junction Regional Office and Forensic Laboratory (related to direct borrowing/direct placement for governmental activities);
- The CBI Pueblo Regional Office and Forensic Laboratory (related to direct borrowing/direct placement for governmental activities);
- The Colorado Department of Transportation (CDOT) Headquarters (related to non-direct borrowing/non-direct placement for governmental activities) and Regional Office Buildings (related to both non-direct borrowing/non-direct placement and direct borrowing/direct placement for governmental activities);
- The Colorado History Building at 1200 Broadway in Denver (related to related to direct borrowing/direct placement for governmental activities).

Regarding terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses, the following points were noted across state departments and institutions of higher education:

- In each Certificate of Participation (COP), the State has the right to purchase the Leased Property in connection with the defeasance or redemption of all of the Series 201X Certificates, as described in the section of the agreements' State's Purchase Option Price. Upon a nonrenewal of the Lease Term/s by reason of a Lease Event of Default or Lease Event of Nonappropriation, and so long as the State or Sublessee has not exercised its purchase option with respect to all the Leased Property, the State or Sublessee must vacate the Leased Property within 90 days. The Trustee/s may proceed to exercise any remedies available for the benefit of the Owners of the Certificates and may exercise any other remedies available upon default as provided in the Lease, including the sale of or lease of the Trustees' interest under the Site Lease/s (related to direct borrowing/direct placement for governmental activities).
- For Notes Payable, in the event of termination acceleration of payment for debt due (or to be due within that fiscal year) and the relinquishment of the equipment purchased through the energy performance contract measures could occur (related to direct borrowing/direct placement for business-type activities).
- For Notes Payable for Western State if the asset securing the note is demolished they have 30 days to pay the lender for any diminishment of value (related to direct borrowing/direct placement for business-type activities).
- CDOT will take over the payments for the C-470 bonds in the event High Performance Transportation Enterprise (HPTE) is unable to pay (related to non-direct borrowing/non-direct placement for business-type activities).

activities). Additionally, for Notes Payable, CDOT would take over debt service payments if HPTE was in default (related to direct borrowing/direct placement for business-type activities).

## **Derivative Instruments**

Colorado School of Mines: In Fiscal Year 2008, the University entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the 2008A issuance. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. The 2008A issuance was refunded with the Series 2010A issuance. The Series 2010A was refunded with the issuance of the Series 2018A Refunding Bonds. The Swap Agreement was not terminated and was associated with the Series 2018A issuance. The Swap Agreement has a notional amount of \$37,335,000 and \$37,885,000 and a fair value of (\$9,163,846) and (\$6,837,113) at June 30, 2019 and 2018, respectively. The Swap Agreement provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 3.59 percent payable by the University and 67 percent of one month USD-LIBOR-BBA, 2.37038 percent and 1.229 percent at June 30, 2019 and 2018, respectively, payable by Morgan Stanley. The fair value of the swap is classified as a noncurrent liability and the change in fair value of the swap is classified as a deferred outflow at June 30, 2019 and 2018. On the date of the refunding of the Series 2010A Bonds, the fair market value of the swap was (\$6,998,662) and was included in the calculation of deferred loss on refunding and is being amortized over the life of the Series 2018A Refunding Bonds. Accumulated amortization of the deferred loss as of June 30, 2019 and 2018 was \$1,852,772 and \$1,350,621, respectively. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2019 and 2018, using a discounted forecasted cash flows; however, the actual method and significant assumptions used are proprietary. The Swap Agreement has an effective date of March 5, 2008 and a termination date of December 1, 2038.

There can be risks inherent to interest rate swaps that the University addresses and monitors pursuant to entering into interest rate swap agreements:

- **Termination Risk** – The need to terminate the transaction in a market that dictates a termination payment by the University. It is possible that a termination payment is required in the event of termination of a swap agreement due to a counterparty default or following a decrease in credit rating. In general, exercising the right to optionally terminate an agreement should produce a benefit to the University, either through receipt of a payment from a termination, or if a termination payment is made by the University, a conversion to a more beneficial debt instrument or credit relationship.
- **Credit Risk** – The risk that the counterparty will not fulfill its obligations. The University considers the Swap Agreement counterparty's (Morgan Stanley) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2019, Morgan Stanley's credit rating is A3 by Moody's, BBB+ by Standards & Poor's. For the outstanding Swap Agreement the University has a maximum possible loss equivalent to the swaps' fair value at June 30, 2019 and 2018 related to the credit risk. However, the University was not exposed to this loss because of the negative fair value of the swaps as of June 30, 2019 and 2018. In addition, these agreements required no collateral and no initial net cash receipt or payment by the University.
- **Basis Index Risk** – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the University. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, it is the University's policy that any index used as part of an interest rate swap agreement shall be a recognized market index, including, but not limited to, the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR).

Colorado State University: On January 16, 2018, the University entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the 2015D System Enterprise Revenue Bonds. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. The Swap Agreement has a notional amount of \$66.7 million and a fair value of \$(5.0) million at June 28, 2019. The fair value of the Swap is classified as a noncurrent liability and the change in fair value of the Swap of \$(5.7) million is recorded as long-term liability and deferred inflow at June 30, 2019. The Swap Agreement has an effective date of July 1, 2019 and a termination date of March 1, 2047.

The Swap Agreement provides for certain payments by The Royal Bank of Canada (RBC) equal to the difference between the fixed rate of 1.91390 percent payable by the University and 70 percent of one month UDS-LIBOR-BBA, payable by RBC. RBC, counterparty to the Swap Agreement, determined the fair value as of June 28, 2019 using a discounted forecasted cash flow.

There can be risks inherent to interest rate swaps that the University addressed and monitors pursuant to entering into interest rate Swap Agreements:

- **Termination Risk** – Termination Risk is the need to terminate the transaction in a market that dictates a termination payment by the University. It is possible that a termination payment is required in the event of termination of a Swap Agreement due to a counterparty default. In general, exercising the right to optionally terminate an agreement should produce a benefit to the University, either through receipt of a payment from a termination, or if a termination payment is made by the University, a conversion to a more beneficial debt instrument or credit relationship.
- **Credit Risk** – Credit Risk is the risk that the counterparty will not fulfill its obligations. The University considers the Swap Agreement counterparty's (RBC) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2019, RBC's credit rating is rated A2 by Moody's and A- by S&P.

The Swap contract contains a credit support annex that allows for collateral to be posted if the market value threshold exceeds \$20 million at both parties current credit rating or \$10 million if the parties credit rating falls to A2/A.

- **Basis Index Risk** – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the University. Basis risk can also result from the use of floating, but different, indices.

## NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

### Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2019:

	(Amount in Thousands)				
	Beginning Balance July 1	Changes		Ending Balance June 30	Due Within One Year
		Additions	Reductions		
<b>Governmental Activities</b>					
Deposits Held In Custody For Others	\$ 921	\$ 9,513	\$ (878)	\$ 9,556	\$ 8,972
Accrued Compensated Absences	175,402	20,082	(14,707)	180,777	14,097
Claims and Judgments Payable	223,677	42,298	(55,487)	210,488	42,298
Capital Lease Obligations	131,874	44,178	(52,452)	123,600	26,162
Certificates of Participation from Direct Borrowings and Direct Placements	100,937	-	(3,486)	97,451	3,640
Certificates of Participation from Non-Direct Borrowings and Non-Direct Placements	1,325,377	797,035	(67,308)	2,055,104	45,005
Notes, Anticipation Warrants, Mortgages from Direct Borrowings and Direct Placements	8,980	2,220	(4,395)	6,805	2,220
Net Pension Liability	11,933,852	-	(2,556,495)	9,377,357	-
Other Postemployment Benefits	272,039	12,225	-	284,264	-
Other Long-Term Liabilities	457,567	72,664	(262,248)	267,983	-
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>14,630,626</b>	<b>1,000,215</b>	<b>(3,017,456)</b>	<b>12,613,385</b>	<b>142,394</b>
<b>Business-Type Activities</b>					
Deposits Held In Custody For Others	45,230	48,926	(45,210)	48,946	48,921
Accrued Compensated Absences	365,212	44,619	(32,139)	377,692	27,340
Claims and Judgments Payable	35,505	12,854	(4,388)	43,971	1,581
Capital Lease Obligations	48,154	11,686	(22,438)	37,402	5,474
Derivative Instrument Liabilities	6,837	7,858	(502)	14,193	-
Bonds Payable from Direct Borrowings and Direct Placements	137,977	94,596	(11,984)	220,589	7,634
Bonds Payable from Non-Direct Borrowings and Non-Direct Placements	4,464,856	440,389	(673,271)	4,231,974	151,690
Certificates of Participation from Direct Borrowings and Direct Placements	23,257	2,475	(4,890)	20,842	2,475
Certificates of Participation from Non-Direct Borrowings and Non-Direct Placements	438,205	32,985	(59,011)	412,179	32,985
Notes, Anticipation Warrants, Mortgages from Direct Borrowings and Direct Placements	49,027	9,639	(1,195)	57,471	1,080
Notes, Anticipation Warrants, Mortgages from Non-Direct Borrowings and Non-Direct Placements	11,020	371	(877)	10,514	371
Net Pension Liability	7,448,576	-	(3,211,557)	4,237,019	-
Other Postemployment Benefits	938,449	77,343	-	1,015,792	-
Other Long-Term Liabilities	61,647	55,455	(4,822)	112,280	-
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>14,073,952</b>	<b>839,196</b>	<b>(4,072,284)</b>	<b>10,840,864</b>	<b>279,551</b>
<b>Fiduciary Activities</b>					
Deposits Held In Custody For Others	664,040	1,333,894	(626,317)	1,371,617	1,332,685
Accrued Compensated Absences	55	3	(12)	46	-
Claims and Judgments Payable	18,504	21,004	(18,504)	21,004	21,004
Other Long-Term Liabilities	217	614	(217)	614	-
<b>Total Fiduciary Activities Long-Term Liabilities</b>	<b>682,816</b>	<b>1,355,515</b>	<b>(645,050)</b>	<b>1,393,281</b>	<b>1,353,689</b>
<b>Total Primary Government Long-Term Liabilities</b>	<b>\$29,387,394</b>	<b>\$3,194,926</b>	<b>\$(7,734,790)</b>	<b>\$24,847,530</b>	<b>\$1,775,634</b>

Accrued compensated absences and net pension liabilities of both governmental activities and the business-type activities are normally liquidated using resources of the fund that are responsible for paying the employee's salary. As a result, the resources of nearly all of the State's funds are used to liquidate the compensated absence and net pension liabilities.

The amounts shown in the schedule above for the changes in Net Pension Liability are netted as increases for the governmental and business type activities because that information is not readily available. See Note 6 for additional pension information.

The amounts shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include short-term borrowing disclosed in Note 10. A current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, Other Post-Employment Benefits in business-type activities and Other Long-Term Liabilities in both governmental activities and business type activities.

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross

additions and reductions. (See Notes 7 and 9 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

Governmental activities include internal service funds which apply full accrual accounting, and as a result, additions to Capital Lease Obligations shown above include amounts that are not shown as capital lease proceeds on the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds*.

## NOTE 13 – DEFEASED DEBT AND POLLUTION REMEDIATION OBLIGATIONS

### DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2019, debt was defeased in both governmental and business-type activities.

At June 30, 2019, 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	\$ 415,640
Business-Type Activities:	
University of Colorado	608,955
Colorado State University	364,670
Colorado School of Mines	45,260
Western State College	7,055
Colorado Mesa University	26,315
Colorado Community College System	13,465
Adams State College	23,482
Total	<u>\$ 1,504,842</u>

The Department of Treasury issued \$168,825,000 of its State of Colorado Building Excellent Schools Today Certificates of Participation, Series 2018L and 2018M to partially defease its State of Colorado Building Excellent Schools Today Certificates of Participation, Series 2010B and 2010E. The defeased debt had an interest rate of 6.35 percent, and the new debt had an interest rate of 4.79 percent. The remaining term of the debt was 12.49 years and the estimated debt service cash flows decreased by \$7,335,073. The defeasance resulted in an economic gain of \$9,307,985 and book loss of \$12,921,783 that will be amortized as an adjustment of interest expense over the remaining 12.49 years of the new debt.

The Board of Regents of the University of Colorado issued \$48,015,000 of its Enterprise Revenue Refunding Bonds, Series 2018A to partially defease its Series 2008 Student Housing Revenue Refunding Bonds. The defeased debt had an interest rate of 5.5 percent, and the new debt had a variable interest rate. The remaining term of the debt was 19 years and the estimated debt service cash flows decreased by \$43,450,827. The defeasance resulted in an economic gain of \$48,664,537 and book loss of \$629,466 that will be amortized as an adjustment of interest expense over the remaining 2 years of the new debt.

The Board of Regents of the University of Colorado issued \$117,645,000 of its Enterprise Revenue Refunding Bonds, Series 2017A-2 to partially defease its Series 2009B-2 Enterprise Revenue Refunding Bonds. The defeased debt had an interest rate of 6.26 percent, and the new debt had an interest rate of 4.49 percent. The remaining term of the debt was 17 years and the estimated debt service cash flows decreased by \$14,248,642. The defeasance resulted in an economic gain of \$10,997,903 and book loss of \$4,626,097 that will be amortized as an adjustment of interest expense over the remaining 17 years of the new debt.

The Board of Trustees of the University of Northern Colorado issued \$19,130,000 of its Institutional Enterprise Revenue Refunding Bonds to partially defease its Series 2008 and Series 2011B Enterprise Revenue Bonds. The defeased debt had an interest rate of 4.24 percent, and the new debt had an interest rate of 3.25 percent. The

remaining debt was defeased and the estimated debt service cash flows increased by \$882,830. The defeasance resulted in an economic gain of \$1,080,636 and book loss of \$950,998 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

The Board of Trustees of Fort Lewis College issued \$1,215,000 of its Enterprise Revenue Refunding Bonds, Series 2019A to partially defease its Series 2007A Dorm Revenue Bonds. The defeased debt had an interest rate of 5 percent, and the new debt had an interest rate of 3.41 percent. The remaining term of the debt was 14 years and the estimated debt service cash flows decreased by \$109,813. The defeasance resulted in an economic gain of \$85,051 and book loss of \$2,179 that that was expensed in the current year due to the immaterial amount.

The Board of Trustees of Fort Lewis College issued \$3,305,000 of its Enterprise Revenue Refunding Bonds, Series 2019B to partially defease its Series 2007 B1 Revenue Bonds. The defeased debt had an interest rate of 5 percent, and the new debt had an interest rate of 3.73 percent. The remaining term of the debt was 19 years and the estimated debt service cash flows decreased by \$295,086. The defeasance resulted in an economic gain of \$270,474 and book loss of \$6,059 that was expensed in the current year due to the immaterial amount.

The Board of Trustees of Adams State University issued \$35,087,176 of its Enterprise Revenue Refunding Bonds, Series 2019A to partially defease its Series 2009B Auxiliary Facilities Revenue Bonds and Series 2009C Taxable Auxiliary Facilities Revenue Bonds. The defeased debt had an interest rate of 6.3 percent, and the new debt had an interest rate of 4.31 percent. The remaining term of the debt was 22 years and the estimated debt service cash flows decreased by \$1,556,406. The defeasance resulted in an economic gain of \$3,240,917 and book loss of \$1,210,417 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

The Board of Trustees of Colorado Mesa University issued \$24,485,000 of its Enterprise Revenue Refunding Bonds, Series 2019A to partially defease its Series 2009A Enterprise Revenue Refunding Bonds. The defeased debt had an interest rate of 4.75 percent, and the new debt had an interest rate of 3.57 percent. The remaining term of the debt was 12 years and the estimated debt service cash flows decreased by \$1,781,401. The defeasance resulted in an economic gain of \$1,897,137 and book loss of \$2,933,889 that will be amortized as an adjustment of interest expense over the remaining 14 years of the new debt.

## **POLLUTION REMEDIATION OBLIGATIONS**

Various state agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund-level *Statement of Net Position*.

The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government's program to clean up these hazardous waste sites. A hazardous waste site becomes a Superfund site when it is placed on an Environmental Protection Agency (EPA) list that ranks sites according to a process that assesses current or potential health impacts. The following individually significant items are all Superfund sites under the control of the Department of Public Health and Environment (DPHE).

The State's total amount of pollution remediation obligations as of June 30, 2019 was \$234.7 million (\$5.2 million of which was a current liability). Superfund sites account for approximately \$234.2 million (\$4.6 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 in the Clear Creek Basin of approximately \$100.6 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a water treatment plant. Current operating and maintenance costs are estimated at approximately \$1.7 million beginning in 2020, increasing to approximately \$3.3 million in 2029, with a projected annual increase of 2 percent thereafter. Beginning in 2018, the department shares the remaining costs to complete the remediation projects with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, ending in 2028. After this time, the State assumes 100 percent of the operating and maintenance costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.
- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately \$83.0 million related to the operation of a water treatment plant. The mine is located in the San Juan Mountains, surrounded by the Rio Grande National Forest. The operating and maintenance costs of the treatment plant are to be shared with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA through 2022. Beginning in 2023, the State will assume 100 percent of the operating costs of the treatment plant, with a projected total cost of approximately \$2.3 million per year, with a projected annual increase of 2 percent thereafter. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2019, the State has received \$4.7 million in recoveries from other responsible parties.
- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately \$28.9 million related to the clean-up of contamination from mine waste piles and drainage. The State will be liable for a share of construction costs for a new plant, at an estimated cost of \$1.7 million to be completed in 2024. The State's share of operating and maintenance costs are split in a cost-sharing ratio of 10 percent State, 90 percent EPA through 2034. Beginning in 2035, the State share will be 100 percent, with a projected total cost of approximately \$1.5 million per year, and a projected annual increase of 2 percent thereafter. 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.
- 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 \$7.8 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, which includes construction of a capping mine waste tunnel plug. Construction cost estimates of approximately \$80,000 in 2020, approximately \$10,000 in 2021, and approximately \$200,000 in 2022 for the project's completion. Beginning in 2023, the State's share of operation and monitoring costs will be 10 percent and will continue through 2033. After that time, the State's share will be 100 percent and annual ongoing projected costs will average \$360,000 per year, with a projected annual increase of 2 percent thereafter. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design



and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Standard Mine of approximately \$5.8 million related to the cleanup of heavy metals and mine drainage into downstream creeks. The mine is located within Gunnison National Forest and also on private mining claims. A Record of Decision has been completed, which describes a phased approach to the remediation. Finalization of Phase 1 will consist of costs of approximately \$145,000 in 2020 and \$235,000 in 2021. The cost of the cleanup activities are shared with the EPA where the State share is 10 percent for a period of 10 years starting in 2020. The site is currently in an interim monitoring period that is being conducted by the State. Phase 1 remedy includes the removal of rocks and tailings, and also included the installation of a flow-through bulkhead to facilitate the regulation of discharge. The State is responsible for vegetation and surface water quality monitoring as well as annual inspections of all remedy elements. Annual ongoing projected costs average \$96,000 per year through 2027 for long term remedial action of the smallest bioreactor and for the State's proportional share of operating and maintenance costs. In 2028, the long-term remedial action transitions to operating and maintenance, and the State become responsible of 100% of operating and maintenance. Costs are projected to increase to \$170,000 per year, with a projected annual increase of 2 percent thereafter.

**NOTE 14 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Deferred outflows of resources represent a consumption of assets by the entity that is applicable to a future reporting period, and deferred inflows of resources represent an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2019.

(Amounts in Thousands)

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<b>Deferred Outflows of Resources:</b>		
Asset Retirement Obligations	\$ -	\$ 1,224
Refunding Losses	16,330	167,221
Derivatives	-	7,745
Other	1,948	-
Other Post Employment Benefits	20,253	61,995
Pensions	4,382,520	693,540
	<u>4,421,051</u>	<u>931,725</u>
<b>Deferred Inflows of Resources</b>		
Refunding Gains	-	785
Nonexchange Transactions	338	-
Other	17,390	1,749
Unavailable Revenue	795	-
Service Concession Arrangements	-	133,645
Other Post Employment Benefits	4,691	114,282
Pensions	4,974,691	2,231,615
	<u>\$ 4,997,905</u>	<u>\$ 2,482,076</u>

## NOTE 15 – NET POSITION AND FUND BALANCE

### PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES TO NET POSITION

#### A. PRIOR PERIOD ADJUSTMENTS

The beginning net position was restated as a result of the following prior period adjustment:

State Lands: Land balances moved from the State Lands *Combining Balance Sheet* to only being reported on the government-wide *Statement of Net Position*. Under the modified accrual basis of accounting, the governmental funds have a current financial resources focus and thus do not record capital assets.

Chatfield Reservoir Mitigation Project water inventory: Adjustment to correct valuation of water inventory in Chatfield Reservoir Mitigation Project and sale of water. Expenditures attributed to water in prior years are reclassified to inventory in the current year.

CDOT-Bridge Enterprise: Recognition of prior year construction expense.

History Colorado: Correction of completion dates and depreciation on History Colorado Building and Ute Indian expansion.

Subject	(Amounts in Thousands)			
	Government-Wide Statements	General Funds Balance Sheet Reconciled to		Fund Financial Statements
	Statement of Activities	Business-Type Activities	Other Measurement Focus Adjustments	Other Governmental Funds
State Lands		-	68,518	(68,518)
Chatfield Reservoir Mitigation Project water inventory	27,798			27,798
CDOT-Bridge Enterprise		7,362		
History Colorado	(4,572)		(4,572)	
	<u>23,226</u>	<u>7,362</u>	<u>63,946</u>	<u>(40,720)</u>

#### B. ACCOUNTING CHANGES

The State reevaluated thresholds used to determine when a tax-exempt organization is considered significant and therefore included in this report as a component unit. As a result, the Colorado State University Foundation, the Colorado School of Mines Foundation, and the University of Northern Colorado Foundation are no longer included in this report. Beginning net position for component units was reduced by \$991.5 million.

Beginning with Fiscal Year 2019, HLC @ Metro, Inc. prepares its financial statements on the accrual basis of accounting using the economic resources measurement focus, following GASB standards for governments. In prior years, its financial statements were prepared in accordance with not-for-profit standards promulgated by the Financial Accounting Standards Board. This change resulted in a reduction of beginning net position for other component units of \$4.8 million.

The Colorado Water Resources and Power Development Authority (Authority), a discretely presented component unit, implemented GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pension in the fiscal year presented. This change in accounting principle resulted in a reduction of beginning net position for the Authority of \$173 thousand.

## FUND BALANCE

On the *Balance Sheet – Governmental Funds*, the fund balance is comprised of the following (refer to Note 1 for additional information):

	(Amounts in Thousands)		
	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND			
General Government	\$ 393,265	\$ 892,471	\$ 33,264
Business, Community and Consumer Affairs	-	78,959	-
Education	421,393	30,323	-
Health and Rehabilitation	-	4,880	-
Justice	-	24,601	-
Natural Resources	-	477	-
Social Assistance	-	82,509	-
Transportation	-	186	-
TOTAL	<u>\$ 814,658</u>	<u>\$ 1,114,406</u>	<u>\$ 33,264</u>
OTHER GOVERNMENTAL FUNDS			
General Government	\$ 333,975	\$ 1,446,918	\$ -
Business, Community and Consumer Affairs	35,865	550,297	-
Education	179,024	84,173	-
Health and Rehabilitation	13,671	88,349	-
Justice	2,211	211,382	-
Natural Resources	20,687	1,081,849	-
Social Assistance	454	73,125	-
Transportation	878,415	107,384	-
TOTAL	<u>\$ 1,464,302</u>	<u>\$ 3,643,477</u>	<u>\$ -</u>

## STABILIZATION ARRANGEMENTS

In accordance with Section 24-75-201.1(1)(d) C.R.S., the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. For Fiscal Year 2019, the reserve is calculated as seven and twenty-five hundredths percent of General Purpose Revenue Fund appropriations less exceptions pursuant to Section 24-75-201.1(2) C.R.S. Section 24-75-201.5(1)(a) C.R.S. further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2019 there was no use of the reserve.

As of June 30, 2019, on a legal budgetary basis the reserve was \$814.2 million (see Note 1).

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at \$5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

## MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances, boards and committees have fiscal policy and/or rulemaking authority. No minimum fund balances were established under this type of authority for Fiscal Year 2019.

## NET POSITION DEFICITS

The following table shows deficit net position balances for individual nonmajor funds. See Note 2 for information regarding statutory spending violations and overexpenditures.

	(In Thousands)	
	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
State Lottery	\$ (32,640)	\$ -
Correctional Industries	(33,041)	-
State Nursing Homes	(77,326)	-
Petroleum storage Tank	(7,519)	-
Central Services	-	(16,212)
Information Technology	-	(355,329)
Capitol Complex	-	(9,367)
Highways	-	(3,344)
Administrative Courts	-	(17,753)
Legal Services	-	(105,924)
Other Internal Service Funds	-	(5,956)
	<u>\$ (150,526)</u>	<u>\$ (513,885)</u>

## NOTE 16 – INTERFUND TRANSACTIONS

### INTERFUND BALANCES

Interfund balances at June 30, 2019, consisted of the following:

(DOLLARS IN THOUSANDS)	DUE FROM				
	General	Other Governmental Funds	Higher Education Institutions	Healthcare Affordability	Other Enterprises
<b>DUE TO</b>					
General	\$ -	\$ 21,051	\$ 98	\$ 7,544	\$ 29,318
Other Governmental Funds	7,260	7,601	-	182	19,522
Higher Education Institutions	9,765	957	-	-	131
Other Enterprises	2,323	87	3,801	-	3,646
Internal Service Funds	218	35	-	-	24
Pension and Other Employee Benefit Trust	34	2	1,074	-	-
Private Purpose Trust	-	-	-	-	11,502
Agency	-	201	-	-	-
<b>Total</b>	<b>\$ 19,600</b>	<b>\$ 29,934</b>	<b>\$ 4,973</b>	<b>\$ 7,726</b>	<b>\$ 64,143</b>

(DOLLARS IN THOUSANDS)	DUE FROM			
	Internal Service Funds	Pension and Other Employee Benefit Trust	Private Purpose Trust	Total
<b>DUE TO</b>				
General	\$ 596	\$ 13	\$ -	\$ 58,620
Other Governmental Funds	-	-	-	34,565
Higher Education Institutions	-	1	-	10,854
Other Enterprises	-	-	6	9,863
Internal Service Funds	-	-	-	277
Pension and Other Employee Benefit Trust	-	-	-	1,110
Private Purpose Trust	-	-	-	11,502
Agency	-	-	-	201
<b>Total</b>	<b>\$ 596</b>	<b>\$ 14</b>	<b>\$ 6</b>	<b>\$ 126,932</b>

Interfund balances represent amounts owed between funds at the end of the fiscal year. They occur when there are timing differences between when transactions are recognized and when the related cash payments are made. They also occur when loans are made between funds.

The \$29.3 million due to the General Fund from Other Enterprises reflects the amounts owed from the State Lottery Fund to the Public School Capital Construction Assistance Fund and the Conservation Trust Fund, which are \$14.7 million and \$14.6 million, respectively.

The balance of \$21.1 million due from Other Governmental Funds to the General Fund consists primarily of \$16.4 million due from the Limited Gaming Fund and \$4.5 million due from various governmental funds to support incurred Medicaid expenditures.

Other Governmental Funds report an internal receivable of \$19.5 million from Other Enterprises. Most of this balance, \$16.8 million, reflects outstanding loans payable from the Wildlife Cash Fund to the Colorado Water Conservation Board Construction Fund. \$18.8 million of the \$19.5 million total is not expected to be repaid within one year.

The \$11.5 million due from Other Enterprise Funds to Private Purpose Trust Funds represents the amount owed from the CollegeInvest Administration Fund to multiple CollegeInvest savings program funds.

## INTERFUND TRANSFERS

Interfund transfers for Fiscal Year 2019, consisted of the following:

TRANSFER FROM					
(DOLLARS IN THOUSANDS)	General	Other Governmental Funds	Higher Education Institutions	Healthcare Affordability	Other Enterprises
<b>TRANSFER TO</b>					
General	\$ -	\$ 352,071	\$ 6,546	\$ 16,408	\$ 89,694
Other Governmental Funds	1,062,218	278,253	290	-	708
Higher Education Institutions	276,188	99,403	-	-	-
Healthcare Affordability	103	-	-	-	-
Other Enterprises	9,025	4,334	-	-	16,646
Internal Service Funds	2,801	1,076	-	-	33
Pension and Other Employee Benefit Trust	18	1,550	-	-	-
Private Purpose Trust	2	-	-	-	35
<b>Total</b>	<b>\$ 1,350,355</b>	<b>\$ 736,687</b>	<b>\$ 6,836</b>	<b>\$ 16,408</b>	<b>\$ 107,116</b>

TRANSFER FROM				
(DOLLARS IN THOUSANDS)	Internal Service Funds	Pension and Other Employee Benefit Trust	Private Purpose Trust	Total
<b>TRANSFER TO</b>				
General	\$ 6,102	\$ 224	\$ 26	\$ 471,071
Other Governmental Funds	173	-	-	1,341,642
Higher Education Institutions	-	-	-	375,591
Healthcare Affordability	-	-	-	103
Other Enterprises	-	-	-	30,005
Internal Service Funds	366	-	-	4,276
Pension and Other Employee Benefit Trust	-	-	-	1,568
Private Purpose Trust	-	-	-	37
<b>Total</b>	<b>\$ 6,641</b>	<b>\$ 224</b>	<b>\$ 26</b>	<b>\$ 2,224,293</b>

As a normal order of business, the General Assembly appropriates a large number of transfers between funds to allocate the State's resources to support programs across the State government.

The \$1,062.2 million transferred from the General Fund to Other Governmental Funds includes \$346.5 million to the State Highway Fund, \$74.3 million to the Highway Users Tax Fund, and \$74.3 million to the Multimodal Transportation Options Fund. These three transfers were made in accordance with SB 18-001, which aims to address some of Colorado's transportation infrastructure needs. As directed by SB 17-267, \$125.0 million of Marijuana Sales Tax Revenues were transferred from the General Fund to the Marijuana Tax Cash Fund. In addition, \$74.5 million was transferred from the General Fund to the Capital Construction Fund.

Transfers from Other Governmental Funds to the General Fund totaled \$352.1 million. This includes \$82.4 million transferred from the Public School Fund, a State Lands Trust Fund, to the Public School Capital Construction Assistance Fund. Also included are \$53.6 million of transfers from the Mineral Leasing Fund to the State Public School Fund and \$52.6 million of transfers from the Retail Marijuana Excise Tax Fund to the Public School Fund.

\$278.3 million is reported as transfers from Other Governmental Funds to Other Governmental Funds. The largest of these transfers was a \$113.8 million transfer from the Special Capital Projects Fund to the Regular Capital Projects Fund.

General Fund transfers to Higher Education Institutions totaled \$276.2 million. The majority of these transfers, \$153.4 million, were for student financial aid.

## **NOTE 17 – PLEDGED REVENUE AND DONOR RESTRICTED ENDOWMENTS**

### **PLEDGED REVENUE**

Various institutions of higher education, the Department of Labor and Employment, and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2019, the following pledges were in place:

The Department of Transportation Statewide Bridge Enterprise pledged \$111.7 million (gross) of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2011 and has a final maturity date of Fiscal Year 2041. The pledged revenue represents 100 percent of the revenue stream, and \$570.5 million of the pledge commitment remains outstanding.

The Department of Transportation High-Performance Transportation Enterprise (HTPE) C-470 Express Lanes Senior Revenue Bonds, Series 2017 was issued in the amount of \$161.0 million for the purpose of paying or reimbursing the cost of designing, engineering, developing and constructing an Express Lanes project on a portion of C-470, widening and replacing adjacent general purpose lanes and rehabilitating or reconstructing related bridges. The future pledged revenue stream of \$429.8 million will be used to pay the interest and principal of the 2017 Series issue of these Senior Revenue Bonds. The debt was originally issued in Fiscal Year 2018 and has a final maturity date of Fiscal Year 2057. The pledged revenue represents 100 percent of the revenue stream, and \$429.8 million of the pledge commitment remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1999 and furthest maturity date of Fiscal Year 2055. In some instances, the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately \$1.7 billion. Individually significant Higher Education Institution pledges include:

- \$1.3 billion (net) 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 was issued in Fiscal Year 2007 and has a final maturity date of Fiscal Year 2048. The pledged revenue represents approximately 75.4 percent of the revenue stream, and \$2.3 billion of the pledge (principal and interest) remains outstanding.
- \$184.3 million (net) pledged by Colorado State University to secure \$75 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 2010 and has a final maturity date of Fiscal Year 2055. The pledged revenue represents 58.2 percent of the total revenue stream, and \$1.7 billion of the pledge (principal and interest) remains outstanding.
- \$53.2 million (net) pledged by the Colorado School of Mines to secure \$21.4 million of current principal and interest on debt issued to finance or refinance the construction, acquisition, improvement, renovation, and equipment for certain facilities and complete qualified conservation improvement projects. The debt issuances had an earliest origination date of Fiscal Year 1999 and furthest maturity date of Fiscal Year 2048.



The pledged revenue represents approximately 79.7 percent of the revenue stream, and \$477.5 million of the pledge (principal and interest) remains outstanding.

- \$38.2 million (gross) pledged by Metropolitan State University of Denver to secure \$7.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2010 and has a final maturity date of Fiscal Year 2046. The pledged revenue represents 10 percent of the tuition revenue stream and 100 percent of the fee and other revenues revenue stream, and \$146.2 million of the pledge (principal and interest) remains outstanding.
- \$28.6 million (net) pledged by Colorado Mesa University to secure \$12.6 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2010 and has a final maturity date of Fiscal Year 2049. The pledged revenue represents approximately 58.3 percent of the revenue stream and \$364.8 million of the pledge (principal and interest) remains outstanding.
- \$43.4 million pledged by the University of Northern Colorado to secure \$10.2 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The debt issuances had an earliest origination date of Fiscal Year 2012 and furthest maturity date of Fiscal Year 2046. The pledged revenue represents 45.3 percent of the net total auxiliary, extended studies, and student fee revenue streams; 100 percent of gross facility & admin cost recoveries; and 10 percent of gross general fund tuition revenue. \$216.6 million of the pledge (principal and interest) remains outstanding.
- \$13.1 million pledged by the Auraria Higher Education Center to secure \$6.3 million of current principal and interest on debt issued to finance construction of Tivoli Student Union park, coffee lounge, and patio and building parking structures. The debt issuances had an earliest origination date of Fiscal Year 2006 and furthest maturity date of Fiscal Year 2034. The pledged revenue represents 60.9 percent of the net and 100 percent of the gross auxiliary revenue stream. \$74.2 million of the pledge (principal and interest) remains outstanding.
- \$8.4 million (net) pledged by Colorado State University – Pueblo to secure \$6.3 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 2013 and has a final maturity date of Fiscal Year 2044. The pledged revenue represents 49 percent of the revenue stream, and \$164.6 million of the pledge (principal and interest) remains outstanding.
- \$8.2 million (net) pledged by the Fort Lewis College to secure \$4 million of current principal and interest on debt issued to finance construction new residence hall, expansion and renovation of the student center, and various energy conservation improvements. The debt issuances had an earliest origination date of Fiscal Year 2012 and furthest maturity date of Fiscal Year 2038. The pledged revenue represents 37.2 percent of the revenue stream, and \$65.9 million of the pledge (principal and interest) remains outstanding.
- \$10.9 million (net) pledged by the Western State Colorado University to secure \$6.7 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The debt issuances had an earliest origination date of Fiscal Year 2010 and furthest maturity date of Fiscal Year 2045. The pledged revenue represents 41.6 percent of the revenue stream, and \$164.9 million of the pledge (principal and interest) remains outstanding.

- \$7.7 million (net) pledged by Adams State University to secure \$3.6 million of current principal and interest on debt issued to improve facilities and refund bonds issued in the past. The related debt was originally issued in Fiscal Year 2009 and has a final maturity date of Fiscal Year 2043. The pledged revenue represents approximately 46.8 percent of the revenue stream and \$101.7 million of the pledge (principal and interest) remains outstanding.
- \$7.7 million (gross) pledged by Front Range Community College to secure \$1.7 million of current principal and interest on debt issued to finance capital construction projects. The debt issuances had an earliest origination date of Fiscal Year 2010 and furthest maturity date of Fiscal Year 2048. The pledged revenue represents 10 percent of the tuition revenue stream and 100 percent of the fee and other revenues revenue stream, and \$24.8 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

(Amounts In Thousands)						
Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements		
				Principal	Interest	Total
Higher Education Institutions	\$ 2,419,403	\$ (685,793)	\$ 1,733,610	\$ 132,929	\$ 159,090	\$ 292,019
Statewide Bridge Enterprise	111,674	-	111,674	-	18,234	18,234
	<u>\$ 2,531,077</u>	<u>\$ (685,793)</u>	<u>\$ 1,845,284</u>	<u>\$ 132,929</u>	<u>\$ 177,324</u>	<u>\$ 310,253</u>

## DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in its institutions of higher education. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor restricted endowment appreciation reported by the State's institutions of higher education totaled \$19.3 million.

The University of Colorado reported net appreciation on endowment investments of \$17.3 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 University spends its investment income in accordance with the University of Colorado Foundation's established spending policy.

The Colorado School of Mines reported \$1.8 million of net appreciation on endowment investments that was available for spending. The School reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The School has an authorized spending rate of 4.25% of the rolling 36-month average market value of the endowment investments.

## **NOTE 18 –SEGMENTS AND RELATED PARTIES**

### **SEGMENT INFORMATION**

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the State's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the State's segments are separately reported on the government-wide *Statement of Activities*. The following paragraphs describe the State's segments.

#### **University of Colorado**

University Physicians Inc., d/b/a CU Medicine, performs the billing, collection, and disbursement functions for professional services rendered as authorized in Section 23-20-114, Colorado Revised Statutes 1973.

CVA was also a segment of the University for Fiscal Year 2018. CVA is a wholly owned entity of CUPCO, a blended component unit of the University, that provides housing and other services for students of CU Denver, for which \$53.0 million of revenue bonds were outstanding in CVA's name as of June 30, 2018. The bonds were refunded on August 1, 2018 using proceeds from the University's issuance of \$48.0 million of Tax-Exempt University Enterprise Revenue Refunding Bonds, Series 2018A. As such, CVA is not considered a segment for Fiscal Year 2019.

The following page presents condensed financial information for the State's segment.

**CONDENSED STATEMENT OF NET POSITION**

UNIVERSITY  
OF COLORADO  
June 30, 2019

(DOLLARS IN THOUSANDS)

	CU MEDICINE
ASSETS:	
Current Assets	\$ 365,670
Other Assets	347,155
Capital Assets	35,529
Total Assets	748,354
DEFERRED OUTFLOW OF RESOURCES	-
LIABILITIES:	
Current Liabilities	63,997
Noncurrent Liabilities	5,637
Total Liabilities	69,634
DEFERRED INFLOW OF RESOURCES	-
NET POSITION:	
Net Investment in Capital Assets	28,507
Restricted for Permanent Endowments:	
Restricted Net Position	-
Unrestricted	650,213
Total Net Position	\$ 678,720

**CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**

OPERATING REVENUES:	
Tuition and Fees	\$ -
Sales of Goods and Services	1,087,056
Other	-
Total Operating Revenues	1,087,056
OPERATING EXPENSES:	
Depreciation	4,374
Other	984,421
Total Operating Expenses	988,795
OPERATING INCOME	98,261
NONOPERATING REVENUES AND (EXPENSES):	
Investment Income	25,482
Gifts and Donations	-
Other Nonoperating Revenues	-
Debt Service	(212)
Other Nonoperating Expenses	(13,120)
Total Nonoperating Revenues(Expenses)	12,150
CHANGE IN NET POSITION	110,411
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	568,309
TOTAL NET POSITION - FISCAL YEAR ENDING	\$ 678,720

**CONDENSED STATEMENT OF CASH FLOWS**

NET CASH PROVIDED (USED) BY:	
Operating Activities	\$ 89,577
Noncapital Financing Activities	(13,428)
Capital and Related Financing Activities	(3,194)
Investing Activities	(27,833)
NET DECREASE IN CASH AND POOLED CASH	45,122
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	130,488
CASH AND POOLED CASH, FISCAL YEAR ENDING	\$ 175,610

## **RELATED ORGANIZATIONS**

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

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

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

## **RELATED PARTY TRANSACTIONS**

The University of Colorado Health (UCHealth), a related party, is a legal entity separate from the University of Colorado. Faculty members of the University's School of Medicine perform a majority of their clinical practice and clinical training at UCHealth. The clinical revenue for these clinical services provided by the University's faculty is collected by University Physicians Inc., d/b/a CU Medicine, a blended component unit of the State. The University enters into contracts with UCHealth to support the University's educational mission. During Fiscal Year 2019 UCHealth paid the University \$89.4 million and the University paid UCHealth \$14.0 million. At June 30, 2019, the University had accounts receivable from UCHealth of \$8.9 million and \$0.2 million of accounts payable to UCHealth.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust's members, which are the University of Colorado, the University of Colorado Hospital Authority, and University Physicians Inc., d/b/a CU Medicine. 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 2019 the Trust paid medical claims on behalf of the University of \$236.2 million. The University made contributions of \$224.3 million to the Trust and its employees contributed \$28.8 million. At June 30, 2019, the University had accounts receivable from the Trust for \$0.9 million, and no accounts payable to the Trust.

The State Board of the Great Outdoors Colorado (GOCO) Trust Fund is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2019, the Board awarded \$76.8 million to the Division of Parks and Wildlife at the Department of Natural Resources. At June 30, 2019, GOCO owed the Department of Natural Resources \$12.2 million.

The Colorado Health Benefit Exchange, operating as Connect for Health Colorado, operates the State's health insurance marketplace. During Fiscal Year 2019, the Colorado Health Benefit Exchange received \$3.4 million in payments from the State for eligibility determinations and system changes.

The Colorado Beef Council Authority oversees the sale of cattle in Colorado and imported beef and beef products. Statute requires the Brand Board within the Department of Agriculture to collect a fee up to \$1 on each head of cattle inspected and remit it to the Colorado Beef Council Authority. In return for collecting and administering the fee, 3 percent is paid back to the Brand Board. During Fiscal Year 2019, the Brand Board paid \$3.3 million to the Colorado Beef Council Authority and the Colorado Beef Council Authority paid \$0.1 million to the Brand Board.

The Colorado Housing and Finance Authority (CHFA) 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 held two CHFA bonds during Fiscal Year 2019. One bond was paid off and the Department received \$3.3 million in principle and interest, and as of June 30, 2019, the remaining bond has a face value of \$0.3 million.

## NOTE 19 – COMMITMENTS AND CONTINGENCIES

### COMMITMENTS

On August 24, 2017, Keiwi Meridiam Partners (KMP) was selected to be the Central 70 project developer to undertake the \$1.2 billion project. On November 22, 2017, Colorado Bridge Enterprise (CBE) and the HPTE Boards approved the Project Agreement and completed the commercial close of the Central 70 project. On December 21, 2017, KMP and CBE completed the financial close of the project that included CBE issuing \$120.8 million of Private Activity Bonds (PABs) and closing on a TIFIA loan totaling \$416.0 million. Since CBE acted as a conduit issuer for the TIFIA loan and the PABs, CBE has no liabilities to record, and the debt will be repaid by KMP. Construction officially started in the summer of 2018 with completion estimated to occur in 2022.

### SERVICE CONCESSION ARRANGEMENTS

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

The commercial close of the concession arrangement transferred from HPTE to PRD the operations, maintenance, and revenues related to the existing I-25 High Occupancy Toll (HOT) lanes and the U.S. 36 Phase I project once completed in July 2015. Additionally, PRD assumed HPTE's 50-year \$54 million TIFIA loan at the completion of U.S. 36 Phase I. PRD also financed, designed, and constructed U.S. 36 Phase II. Once completed in March 2016, PRD transferred the Phase II capital asset with an acquisition value of \$88.7 million to HPTE. PRD subsequently assumed the operations, maintenance, and revenues from U.S. 36 Phase II. PRD has the right to collect tolls and raise rates with permission from the HPTE Board. If the Board does not approve the rate increase, HPTE must compensate PRD for any lost revenue.

HPTE reported deferred inflow of resources related to the arrangement of \$133.6 million, which is included on the *Statement of Net Position*. The table below shows the carrying amount of HPTE's capital assets at fiscal year-end pursuant to the concession arrangement.

Project	Description	Carrying Amount
U.S. 36 Phase II	Tolling Equipment and Software	\$ 145,084
U.S. 36 Phase II	Managed Lanes	95,263,249
U.S. 36 Phase II	36 Tolling Stations	\$ 240,789

### ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Funds, Institutions of Higher Education, and Colorado Department of Transportation Funds (primarily the Highway Users Tax Fund) include multi-year encumbrances of \$56.2 million, \$55.2 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.

## FINANCIAL GUARANTEES

In Fiscal Year 2011, Metropolitan State University of Denver's Board of Trustees (formerly the Metropolitan State College of Denver Board of Trustees) approved the incorporation of a special purpose nonprofit corporation to be known as HLC @ Metro, Inc. The HLC @ Metro, Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately \$55.0 million in revenue bonds in October 2010, loaning the proceeds to HLC @ Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open to the general public. Should HLC @ Metro, Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due, and HLC @ Metro, Inc. is obligated to repay all payments made on its behalf. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2019, no liability was recorded by the University as HLC @ Metro, Inc. was deemed fully capable of making its debt payments.

Colorado statutes (Section 22-41-110, C.R.S) hold the State liable for defaults on school district bonds and other obligations unless a school district board of education adopts a resolution stating it will not accept payment on their behalf. The State Treasurer shall recover the amount forwarded on behalf of the school districts by withholding amounts from the school district's payments of the state share of the district's total program received and from property tax and specific ownership tax revenues collected by the county treasurer on behalf of the school district; except that the State Treasurer may not recover amounts from property tax revenues that are pledged to pay notes and bonds issued by the school district. The guarantee will continue to be in effect as long as any bonds or other obligations of a school district remain outstanding. As of June 30, 2019, \$10.0 billion of the school district bond is outstanding and no liability has been recorded, as the school districts have been deemed capable of meeting the debt service payments.

The net outstanding principal balance of student loans guaranteed by College Assist at June 30, 2019 is approximately \$6.1 billion. Effective December 18, 2015, reinsurance revenue was increased as a result of The Consolidated Appropriations Act, 2016 that changed the maximum reinsurance reimbursement percentage for guaranty agencies to 100% from 95%. The change was effective for claims paid after December 1, 2015. Defaulted loans (claims) are subject to certain trigger figures (trigger rate) which may result in a reduced reimbursement rate. The trigger rate is calculated as of September 30 of each year for purposes of determining the reimbursement rate applicable for the subsequent year.

When the default claim losses exceed 5% of the loans in repayment, it triggers Department of Education to reimburse the default claim at a reduced amount. If the default losses exceed 9%, the reimbursement is reduced further. If College Assist exceeds the threshold trigger rate of 9%, it may be liable for up to a maximum of 25% of the default claim losses. College Assist did not exceed either trigger rate for the period ended September 30, 2019. The trigger rate for the period ended September 30, 2019 1.39%. Any liability that may result would be capped at College Assist's total net position.

## CONTINGENCIES

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is



reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in lawsuits involving various claims of noncompliance with federal regulations, negligence, and unconstitutional treatment of prisoners. 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.

Significant matters that are deemed a contingent liability to the State requiring disclosure are summarized below. A significant matter is defined as a single instance where an unfavorable outcome would result in damages of \$5.0 million or more.

### **Grants**

The State receives federal grants for specific purposes that are subject to review and audit by grantor agencies. This federal funding is conditional upon compliance with the terms and conditions of such grant agreements and applicable federal laws and regulations. Issues resulting from federal reviews or audits can potentially cause disallowance of expenditures and consequently, a liability of the State.

The federal Department of Health and Human Services, Centers for Medicare and Medicaid (CMS) demanded the State return approximately \$38.4 million of performance bonus payments under the Children's Health Insurance Program Reauthorization Act of 2009, on the basis the State improperly included individuals in current enrollment counts. The State is vigorously defending against the recovery demand, but the likelihood of an unfavorable outcome is uncertain. In addition, CMS seeks the disallowance of approximately \$5.0 million in payments to the State for services provided at the State-operated Pueblo Regional Center (PRC) alleging violations of federal requirements regarding the administration of the Medicaid Home and Community-based Services Waiver Program for the Developmentally Disabled. The State filed an appeal in October 2016, and the likelihood of an unfavorable outcome is uncertain.

### **General Litigation**

The State is a defendant in a number of lawsuits or is subject to potentially be named as a party to lawsuits that are associated with its normal governmental operations. Although the outcomes are uncertain, some of these litigations could involve substantial losses. However, the State believes in most cases that it will not incur a resulting liability that would have a material or adverse effect on the State's financial condition. Should the State incur a loss through an unfavorable outcome, some of the losses may be covered through liability insurance.

A corrections inmate alleged a corrections officer caused personal injury through the use of excessive force, causing long-term pain and suffering. A case was tried to a jury in March 2018, which returned a verdict in favor of the plaintiff for \$6.3 million in damages. The ruling was subsequently set aside in April 2019 in favor of a new trial. The State is preparing to litigate the appeal, and believes there is meaningful potential for an unfavorable outcome.

Further, the State has been named as a defendant related to a claim that it ordered a regulatory taking by prohibiting a corporate entity from legally distributing wastewater. Although the plaintiff seeks \$110 million in compensatory damages, a reliable loss or range of loss cannot be estimated at this time. The likelihood of an unfavorable outcome is uncertain.

**Taxpayer Bill of Rights (TABOR) Compliance**

TABOR is a constitutional measure that limits the State's annual growth of State revenues or spending to the sum of the annual inflation rate and the annual percentage change in the State's population.

A lawsuit was filed challenging the constitutionality of specific fees assessed by the State for certain public services. The plaintiffs allege that the State is not compliant with TABOR and consequently the fees are unconstitutional. The plaintiff is seeking in excess of \$7.1 billion in damages through Fiscal Year 2019, plus 10 percent interest from Fiscal Year 2011 to present. The State is vigorously defending against this lawsuit, and the likelihood for an unfavorable outcome is uncertain.

## NOTE 20 – TAX ABATEMENTS

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

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

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

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

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

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

- The Job Growth Incentive Tax Credit (JGITC) is a performance-based job creation incentive program created under Section 39-22-531 C.R.S., in which businesses must create and maintain permanent new jobs for one year before receiving the tax credit. The JGITC provides a state income tax credit equal to 50% of FICA paid by the business on the net job growth for each calendar year in the credit period. A business must undertake a job creation project for which the State of Colorado is competing with at least one other state for the project. The JGITC must be a major factor in the business decision to locate or retain the project in Colorado, and a business may not start or announce the proposed project (including

locating or expanding in the State, hiring employees related to the project, or making material expenditures for the project) until a final application has been submitted and approved by the EDC.

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

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

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

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

Information relevant to disclosure of these tax abatement programs for the fiscal year ended June 30, 2019 is as follows:

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Colorado Enterprise Zone Business Tax Credits	\$ 55,093.2
Colorado Enterprise Zone Contribution Tax Credits	16,271.1
Job Growth Incentive Tax Credits	16,215.6
Regional Tourism Act	8,767.2
Total	\$ 96,347.1

## **NOTE 21 – SUBSEQUENT EVENTS**

### **A. DEBT ISSUANCES AND REFUNDINGS**

On July 9, 2019, the Regents of the University of Colorado issued Taxable Series 2019A University Enterprise Refunding Revenue Bonds for \$147,980,000 to advance refund portions of the Series 2010B, Series 2011B, Series 2012 A-1, A-2, A-3, and Series 2013B Bonds. Interest rates range from 2.11% to 3.17%. Final maturity is June 1, 2043. The first interest payment was due December 1, 2019.

On July 18, 2019, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2019A. The notes mature on June 29, 2020. The total due on that date includes \$400,000,000 in principal and \$11,366,667 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of \$6,932,000, an average coupon rate of 3.00%, and a true interest cost of 1.16%.

On July 24, 2019, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2019. The notes mature on June 26, 2020. The total due on that date includes \$600,000,000 in principal and \$22,317,778 in interest. The GTRAN was issued with a premium of \$15,821,800, an average coupon rate of 4.03%, and a true interest cost of 1.15%.

On August 21, 2019, the Regents of the University of Colorado issued Taxable Series 2019A-2 University Enterprise Refunding Revenue Bonds for an additional \$101,885,000 to advance refund portions of the Series 2009C, 2010B, 2011A, 2012A1 & A3, 2014B1, 2015A&B, and 2016A bonds. Interest rates range from 1.68% to 2.79%. Final maturity is June 1, 2047.

On August 29, 2019, the Board of Trustees for the University of Northern Colorado issued Institutional Enterprise Revenue Refunding Bonds Taxable Series 2019A for \$32,855,000. Bond proceeds of \$32,580,053 were used to refund the Auxiliary Facilities System Revenue Refunding Bonds, Series 2011A, with an outstanding principal balance of \$30,590,000 as of June 30, 2019. The underwriter's discount and cost of issuance totaled \$274,947. The Series 2019A bonds are guaranteed by the State Intercept program and have coupon rates of 1.97% to 2.64%. The bonds are set to mature on June 1, 2031.

On October 10, 2019, the State Board for Community Colleges and Occupational Education issued Systemwide Revenue Refunding Bonds Series 2019A for \$25,150,000. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2039. The principal was used to advance refund a portion of the outstanding Taxable Systemwide Revenue Bonds Series 2010D and pay costs of issuance. The funds were placed into an irrevocable escrow fund for the future debt service payments on the previous series bonds. The principal of the 2019A issue was distributed between Community College of Denver in the amount of \$15,555,000 and Pueblo Community College in the amount of \$9,595,000. The net present value of savings was approximately \$2,100,000. The Board has adopted a resolution statement that it will not participate in the State Intercept Program for the 2019A bonds.

On October 15, 2019, the Regents of the University of Colorado issued Tax-exempt Enterprise Revenue and Refunding Revenue Bonds Series 2019B for \$79,795,000 to refund Campus Village Apartment (CVA) direct placement loan of \$48,015,000, and to fund CVA improvements, the University of Colorado Anschutz Medical Campus (CU Anschutz) central utility project, and the Fleming Tower renovation at the University of Colorado Boulder (CU Boulder). Interest rates range from 3% to 5%. The first interest payment was due December 1, 2019. Final maturity is June 1, 2049.

On October 15, 2019, the Regents of the University of Colorado issued Tax-exempt Enterprise Revenue and Refunding Revenue Bonds (Term Rate Bonds) Series 2019C for \$214,625,000 to fund the First Year Student Housing project at the University of Colorado Denver (CU Denver), and to refund Commercial Paper used to construct the Aerospace Engineering Building and Williams Village East Residence Hall at CU Boulder. These bonds were designated "Green Bonds" due to the LEED certifications of Gold or Platinum for the underlying projects. The interest rate for the 5 year term bond is 2% through the initial period with an initial maturity date of October 15, 2024. Final maturity is December 1, 2054. The first interest payment was due December 1, 2019 and interest only will be paid semi-annually through its initial term.

On November 7, 2019, the Board of Governors of the Colorado State University System issued \$33,085,000 in Tax-exempt Enterprise Revenue and Refunding Bonds Series 2019A. The 2019A bonds were sold as State-Intercept backed bonds and will be used to (1) finance and refinance (through refunding certain Commercial Paper Notes) certain improvements as determined by the Board of Governors, including, but not limited to (i) completion of interior construction of the third floor of the Richardson Design Center, (ii) construction of two new facilities expected to be 12,800 gross square feet (gsf) and 5,500 gsf, on the Western Campus in Orchard Mesa, Colorado, (iii) construction of a new facility expected to be 6,733 gsf on the High Plains Campus in Rocky Ford, Colorado, (iv) acquire and improve a three-story building (33,000 gsf) on Centre Avenue in Fort Collins, Colorado, (v) provide a portion of the funds to construct an addition to and renovation of the Shepardson Building, (vi) construction of infrastructure (utilities, roads, buildings, animal waste management facilities, etc.) in support of the veterinary medicine campus on South Campus in Fort Collins, Colorado; and (2) to pay certain costs relating to the issuance of the 2019A Series Bonds.

On November 7, 2019, the Board of Governors of the Colorado State University System issued \$79,065,000 in Taxable System Enterprise Revenue Refunding Bonds Series 2019B. The 2019B bonds were sold as State-Intercept backed bonds and will be used to: (1) advance refund (i) a portion of the Board's System Enterprise Revenue Bonds, Series 2012A, (ii) a portion of the Board's System Enterprise Revenue Refunding Bonds, Series 2015C, (iii) a portion of the Board's System Enterprise Revenue Bonds, Series 2015E-1, (iv) a portion of the Board's System Enterprise Revenue Bonds, Series 2015E-2 (Green Bonds), and (v) a portion of the Board's System Enterprise Revenue Refunding Bonds, Series 2017C; (2) construct a new Animal Resource Facility (10,000-12,000 gsf) on the South Campus, and (3) to pay certain costs relating to the issuance of the Series 2019B Bonds.

On December 3, 2019, Colorado Bridge Enterprise (CBE) refinanced the portion of the 2010A bonds issued with an optional par-call redemption provision, enabling CBE to refinance \$42,820,000 for the interest rate savings prior to its maturity; the optional redemption date is December 1, 2020. The remainder of the 2010A bonds were issued with a make-whole call provision, which allows CBE to refinance this portion of the bonds for structural considerations, although generally eliminates the ability to achieve debt service savings. The advance refunding of the bonds saved \$4,080,000.

On December 5, 2019, the State issued Building Excellent Schools Today (BEST) Certificates of Participation (COP), Series 2019O in the amount of \$165,805,000. The COPs were issued as tax-exempt bonds with a premium of \$25,832,795, an average coupon rate of 4.26%, and a true interest cost of 3.04%. Base Rents are due semiannually beginning on March 15, 2020, with a final maturity date of March 15, 2044.

On December 27, 2019, the State issued Building Excellent Schools Today (BEST) Refunding Certificates of Participation (COPs), Series 2019P in the amount of \$155,595,000 and Refunding Certificates of Participation, Series 2019Q in the amount of \$74,935,000. These BEST COPs were issued as taxable-to-tax-exempt convertible loan bonds with zero premiums; average coupon rates of 2.28% and 2.50%, respectively; and true interest costs of 2.29% and 2.52%, respectively. For both series, base rents are due semiannually beginning on March 15, 2020, with Series 2019P having a final maturity date of March 15, 2035; and Series 2019Q having a final maturity date of March 15, 2036.

On January 7, 2020, the Regents of the University of Colorado issued \$50,000,000 of commercial paper with a 1.06% rate and June 3, 2020 maturity date. This issuance rolled forward \$21,500,000 previously issued commercial paper that matured on January 1, 2020, and added \$28,500,000 for project construction funding. The current total outstanding for University commercial paper is \$50,000,000.

On January 16, 2020, the Board of Trustees for Colorado Mesa University issued Enterprise Revenue Refunding Bond Taxable Convertible to Tax-Exempt, Series 2020A Advance Refunding of Certain Series 2012A with a par value of \$6,290,000, and Series 2012B Bonds with a par value of \$4,960,000 for a total refunded par value of \$11,250,000. The bond carries a taxable rate of 3.03% through February 15, 2021 then converts to a tax-exempt rate of 2.38% through May 15, 2034. The refunding resulted in net present value savings of \$1,029,542 and an accounting loss of \$102,150 that will be amortized as an adjustment to interest expense over the life of the Series 2020A bond.

On January 16, 2020, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2019B. The notes mature on June 29, 2020. The total due on that date includes \$400,000,000 in principal and \$6,055,903 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of \$4,390,500, an average coupon rate of 3.34%, and a true interest cost of 0.93%.

## **B. OTHER**

At the June 11, 2019 meeting of the Board for the University of Colorado Health and Welfare Trust (Trust), approval was given to the University of Colorado Hospital to withdraw from the Trust effective July 1, 2020. As a result, and if no other members join, the Trust will become a blended component unit of the University of Colorado effective that date.

On July 11, 2019, a longitudinal crack and failure of a wall on U.S. 36 occurred and traffic from the eastbound general purpose and express lanes were detoured to the westbound side of the highway. An emergency contracting process was started immediately and several contracts were established to complete emergency stabilization, design, and reconstruction. Rebuilding of the wall and road started on August 18, 2019. The road opened for traffic on September 27, 2019, with repairs to the wall still underway. CDOT and HPTE have estimated that design and repairs will cost approximately \$20,000,000. This will be considered a Compensation Event per the U.S. 36 Concession Agreement; however, the cost will not be known until the reconstruction of the wall is complete. A forensic investigation of the cause(s) or of the failure is being led by the Colorado Attorney General's office and a report will be forthcoming once all data is collected and properly analyzed.

On July 18, 2019, the Colorado Department of Transportation (CDOT) presented Flatiron/AECOM (F/A) with a Notice of Breach Under the Design-Build Contract and a rejection of the F/A's June 21, 2019 Monthly Progress Schedule. On July 26, 2019, CDOT and the High-Performance Transportation Enterprise (HPTE) rejected F/A's demands for additional time and potential costs due to winter weather delays. Then on August 2, 2019, because F/A was unable to cure the breach of contract, CDOT notified F/A that they have been placed in Default under the contract because they were unable to meet the Project Completion Deadline of August 1, 2019. F/A responded to CDOT/HPTE's Default Notice on August 9, 2019, claiming that because of material shortages and winter weather delays they were unable to meet the Project Completion Deadline. CDOT and HPTE will meet with the F/A's bond surety to discuss the next steps on the project. Presently, F/A continues to work on the project.

On July 18, 2019, Moody's Investor Services assigned the University of Northern Colorado an A3 underlying and Aa2 enhanced rating to the University's \$32,855,000 Institutional Enterprise Revenue Refunding Bonds Taxable Series 2019A. The outlook on the underlying and enhanced ratings is stable.

On August 30, 2019, the University of Colorado Property Corporation's (CUPCO) Board of Directors approved the transfer of the Campus Village Apartments (CVA) and CVA II properties to the University of Colorado Denver. On September 12, 2019, the Regents of the University of Colorado approved the transfer of CVA and CVA II.

On September 10, 2019, Fitch Ratings placed the C-470 project on Rating Watch Negative for the C-470 revenue bonds and the TIFIA loan. The Rating Watch Negative is a reflection of construction delays on the project, and Flatiron/AECOM being placed in default.

On September 12, 2019, the Governor of Colorado signed an executive order identifying property for the intention to create a new state park. There is currently a non-binding letter of intent from all parties expressing the desire to transfer the Fishers Peak property in fee simple to Colorado Parks and Wildlife (CPW). The property is approximately 20,000 acres or 30 square miles. The total acquisition cost is roughly \$25,000,000 of which CPW has committed \$16,750,000 from Habitat Stamp and Great Outdoors Colorado (GOCO) and GOCO has issued a \$7,400,000 open space grant to the Trust for Public Lands (TPL) with the remainder being donated value from TPL depending upon the final appraisal.

On October 3, 2019, the Board of Trustees for Colorado Mesa University (University) authorized the University to issue Series 2019C bonds to advance refund certain Enterprise Revenue Refund Bonds Series 2012A, Enterprise Revenue Bonds Series 2012B and Enterprise Revenue Bonds Series 2016; and, possibly Enterprise Revenue Bonds Series 2013 and Enterprise Revenue Bonds Series 2019B bonds, if market conditions warrant. The goal of the refunding is to achieve a minimum present value savings of 6% on a maturity-by-maturity basis. The market sale would occur when the University is confident it can achieve these savings.

On October 25, 2019, the Department of Personnel & Administration executed an Energy Performance Lease Purchase contract through an escrow agent for \$2,100,000 for a project to replace light fixtures in State Capitol Complex

buildings with energy efficient LED lighting. This project is expected to be substantially complete by June 30, 2020. The interest rate is 1.99% with repayment completed by July 15, 2032.

On November 1, 2019, the Department of Natural Resources received a \$4,282,000 donation. Although there is no legal requirement, Colorado Parks and Wildlife intends, at the benefactor's request, this donation be used for the acquisition or development of a new state park. Currently, these funds are not committed.

The Colorado Energy Office has a loan in the Revolving Loan Fund that is going into default. The current outstanding loan is approximately \$1,960,000 and collateralized by equipment. The Colorado Energy Office authorized the borrower to sell three pieces of the equipment expected to provide approximately \$40,000 in proceeds. It is estimated the remaining equipment is worth less than \$30,000. The Colorado Energy Office is working closely with the Attorney General's Office to understand the legal position.



## **NOTE 22 – DISCRETELY PRESENTED COMPONENT UNITS**

As described in Note 1, the State's discretely presented component units (DPCUs) are entities that are legally separate from the State, but included in the reporting entity due to their relationships with the State. This note discusses the significant balances reported in the financial statements for DPCUs and financial items directly related to the State's financial accountability for the DPCUs.

### **Basis of Accounting**

The financial statements for the Colorado Water Resources and Power Development Authority (the Authority), a major DPCU, the Denver Metropolitan Baseball Stadium District (the District), a nonmajor DPCU, and HLC @ Metro, Inc. (HLC), a nonmajor DPCU, are prepared on the accrual basis of accounting using the economic resources measurement focus and follow GASB standards for governments. The financial information for the Authority and the District is presented for the fiscal year ended December 31, 2018 and the financial information for HLC is presented for the fiscal year ended June 30, 2019.

The financial information for the University of Colorado Foundation (the Foundation), a major DPCU, is presented for the fiscal year ended June 30, 2019. The Foundation follows standards for not-for-profit accounting promulgated by the Financial Accounting Standards Board (FASB), which recommends preparing financial statements using the accrual basis of accounting.

### **Cash and Cash Equivalents**

The Authority reported cash and cash equivalents with a fair market value of \$317.8 million. This amount comprises \$302.9 million held by COLOTRUST (Colorado Local Government Liquid Asset Trust), \$4.9 million held in the State Treasurer's Investment Pool, \$9.7 million in a Federated Government Obligations Fund, and \$.3 million in bank cash deposits. The COLOTRUST and Federated deposits had nationally recognized statistical rating organization (NRSRO) credit ratings of AAAm. The COLOTRUST deposits were measured at net asset value per share (NAV) and the Federated deposits were measured using quoted market prices. The fair market value disclosures for the Treasurer's Investment Pool are disclosed in Note 4.

### **Investments**

The Foundation holds resources for the benefit of the State and the amount of those resources, the vast majority of which are investments, are significant to the State.

Since the Foundation's financial statements are prepared according to FASB not-for-profit standards, the investment risk disclosures typical of government financial statements are not disclosed. The Foundation has adopted an investment policy that seeks to provide a steady and increasing stream of funding while maintaining the purchasing power of the assets. The Foundation's investments are reported, to the extent possible, at fair market value. The FASB fair market value reporting requirements provide for a valuation method hierarchy similar to GASB's. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

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

Level 2 Investments 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 Foundation's investments by type within the fair value hierarchy as of June 30, 2019. In addition to the investments at reported at fair value below, the Foundation reports investment assets at cost or present value of \$2.1 million and real estate assets reported at appraised value at the date of donation of \$1.6 million.

University of Colorado Foundation Fair Value Measurements Using (Amounts In Thousands)					
Investment Type	Fair Value as of 6/30/2019	Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value Per Share
Cash and Cash Equivalents	\$ 22,438	\$ 22,438	\$ -	\$ -	\$ -
Domestic Equities	453,162	329,639	-	45,900	77,623
International Equities	547,898	404,197	-	-	143,701
Fixed Income	235,285	180,952	26,232	-	28,101
Real Estate	67,269	-	-	-	67,269
Private Equity	319,688	-	-	-	319,688
Absolute Return	227,839	-	-	-	227,839
Venture Capital	130,513	-	-	527	129,986
Commodities	15,066	-	-	-	15,066
Other	746	-	522	224	-
Assets Held Under Split-Interest Agreements	39,095	39,095	-	-	-
Beneficial Interest in Charitable Trusts Held by Others	9,096	-	-	9,096	-
<b>Total</b>	<b>\$2,068,095</b>	<b>\$ 976,321</b>	<b>\$ 26,754</b>	<b>\$ 55,747</b>	<b>\$1,009,273</b>

## Receivables

The Authority loans funds to finance local government water resources projects, wastewater treatment projects, and drinking water projects. The Authority reported loans receivable of \$982.3 million as of December 31, 2018. The scheduled maturities of the loans receivable are below.

Colorado Water Resources and Power Development Authority Loans Receivable (In Thousands)			
Year	Principal	Interest	Total
2019	\$ 72,171	\$ 15,392	\$ 87,563
2020	66,130	14,392	80,522
2021	65,170	13,197	78,367
2022	65,951	12,020	77,971
2023	63,145	10,838	73,983
2024 to 2028	285,703	41,454	327,157
2029 to 2033	216,255	22,349	238,604
2034 to 2038	118,541	6,546	125,087
2039 to 2043	22,276	1,549	23,825
2044 to 2048	6,877	164	7,041
2049	57	-	57
<b>Total</b>	<b>\$ 982,276</b>	<b>\$ 137,901</b>	<b>\$ 1,120,177</b>

The Foundation reported contributions receivable of \$164.4 million. This amount is net of allowances for uncollectible contributions and net present value discount. Of this amount, \$65.6 million is due within one year, \$94.6 million is due within one to five years, and \$4.2 million is due in more than five years.

## Debt Service Requirements

The Authority has issued several bonds to finance local government water projects, which do not constitute debt of the State. In 2018, a series of Clean Water Revenue Bonds and a series Drinking Water Revenue Bonds were issued for \$10.6 million and \$5.2 million, respectively. Also, the 1998 Series A Clean Water Revenue Bonds and the 2006 Series A Drinking Water Revenue Bonds were fully retired in 2018. As of December 31, 2018, the Authority reported \$39.4 million in current bonds payable and \$421.0 million in noncurrent bonds payable.

The schedule below summarizes the remaining debt service payments for all bond issuances for the Authority.

<b>Colorado Water Resources and Power Development Authority</b> <b>Debt Service Requirements</b> (In Thousands)				
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2019	\$ 39,390	\$ 19,721	\$	59,111
2020	34,805	18,035		52,840
2021	33,110	16,448		49,558
2022	34,360	14,906		49,266
2023	32,920	13,342		46,262
2024 to 2028	138,810	48,376		187,186
2029 to 2033	97,615	23,129		120,744
2034 to 2038	39,015	6,100		45,115
2039 to 2043	9,255	1,336		10,591
2044 to 2048	1,110	92		1,202
<b>Total</b>	<b>\$ 460,390</b>	<b>\$ 161,485</b>	<b>\$</b>	<b>621,875</b>

In 2010, the Board of Trustees of the Metropolitan State University of Denver created HLC to finance, construct, operate, and own the Hotel and Hospitality Learning Center. Bonds were issued in 2010 to finance the construction in the amount of \$54.9 million. HLC is servicing this debt, which has been guaranteed by the State. The schedule below summarizes the remaining debt service payments.

<b>HLC @ Metro, Inc.</b> <b>Debt Service Requirements</b> (In Thousands)				
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2020	\$ 1,300	\$ 3,038	\$	4,338
2021	1,350	2,981		4,331
2022	1,385	2,920		4,305
2023	1,425	2,846		4,271
2024	1,475	2,767		4,242
2025 to 2029	8,225	12,472		20,697
2030 to 2034	9,980	9,636		19,616
2035 to 2039	12,235	6,043		18,278
2039 to 2043	13,240	1,604		14,844
<b>Total</b>	<b>\$ 50,615</b>	<b>\$ 44,307</b>	<b>\$</b>	<b>94,922</b>

## Capital Assets

The District owns and operates a major league baseball stadium and other related capital assets. The District depreciates land improvements, buildings and other property and equipment using the straight-line method over estimated useful lives that range from three to 50 years. Changes in capital assets for the District for 2018 are below.

### Denver Metropolitan Major League Baseball Stadium District Changes in Capital Assets (In Thousands)

	Beginning Balance, 1/1/2018	Additions	Transfers	Retirements	Ending Balance, 12/31/2018
Historical Costs					
Land	\$ 20,613	\$ -	\$ -	\$ -	\$ 20,613
Land Improvements	13,214	-	-	-	13,214
Buildings	174,888	18,724	3,628	-	197,240
Construction in Progress	3,628	3,939	(3,628)	-	3,939
Other Property and Equipment	30,944	1,693	-	(454)	32,183
Total Historical Costs	243,287	24,356	-	(454)	267,189
Accumulated Depreciation					
Land Improvements	(6,253)	(226)	-	-	(6,479)
Buildings	(65,911)	(4,785)	-	-	(70,696)
Other Property and Equipment	(22,828)	(1,032)	-	379	(23,481)
Total Accumulated Depreciation	(94,992)	(6,043)	-	379	(100,656)
<b>Net Capital Assets</b>	<b>\$ 148,295</b>	<b>\$ 18,313</b>	<b>\$ -</b>	<b>\$ (75)</b>	<b>\$ 166,533</b>

## Transactions with the Primary Government

Pursuant to statutes, with the written consent of the Department of Public Health and Environment, the Authority is authorized, on behalf of the State, to execute operating agreements with the United States Environmental Protection Agency. The Authority entered into a memorandum of agreement with the Department of Public Health and Environment and the Department of Local Affairs, under which each has agreed to assume specified responsibilities. The Authority incurred expenses for the two state agencies totaling \$10.4 million in the fiscal year ending December 31, 2018.

As described above, HLC operates the Hotel and Hospitality Learning Center. The Auraria Higher Education Center leases the ground on which the Hotel is built to Metropolitan State University of Denver for \$1 per year. The University subleases the land to HLC for \$1 per year.

The Foundation reported custodial funds of \$447.8 million, held for investment for the University of Colorado. In Fiscal Year 2019, the Foundation collected a 1.5% annual advancement support assessment on these funds, which was \$4.9 million. \$160.8 million of distributions were transferred to the University and \$24.8 million of advancement support was paid to the University.

## Pension Information

The Authority participates in the PERA defined benefit pension plan disclosed in Note 6. Disclosures in Note 6 for the PERA State Division Trust Fund (SDTF) regarding general information about the plan, contributions, and actuarial assumptions are also applicable to the Authority. The pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions specific to the Authority are provided below.

At December 31, 2018, the Authority reported a liability of \$7,934,212 for its proportionate share of the collective net pension liability.

The Authority recognized pension expense of \$1,939,823 for the fiscal year ended December 31, 2018. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 123,713	\$ -
Changes of assumptions or other inputs	1,377,682	-
Net difference between projected and actual earnings on pension plan investments	-	298,891
Changes in proportion and differences between contributions recognized and proportionate share of contributions	30,705	-
Contributions subsequent to the measurement date	231,448	-
Total	<u>\$ 1,763,548</u>	<u>\$ 298,891</u>

At December 31, 2018, the Authority reported \$231,448 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 1,216,910
2020	240,927
2021	(111,007)
2022	(113,561)
	<u>\$ 1,233,269</u>

#### **Other Post-Employment Benefits (OPEB)**

The Authority participates in the PERA defined benefit OPEB plan disclosed in Note 7. Disclosures in Note 7 for the PERA Health Care Trust Fund (HCTF) OPEB regarding general information about the plan, contributions, and actuarial assumptions are also applicable to the Authority. The OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB specific to the Authority are provided below.

At December 31, 2018, the Authority reported a liability of \$186,164 for its proportionate share of the collective net OPEB liability.

The Authority recognized OPEB expense of \$14,790 for the fiscal year ended December 31, 2018. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 880	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	3,114
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,028	-
Contributions subsequent to the measurement date	12,341	-
Total	<b><u>\$ 14,249</u></b>	<b><u>\$ 3,114</u></b>

At December 31, 2018, the Authority reported \$12,341 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending December 31,</b>	<b>Amount</b>
2019	\$ (404)
2020	(404)
2021	(404)
2022	(403)
2023	375
Thereafter	34
	<b><u>\$ (1,206)</u></b>







## **REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS  
BUDGET AND ACTUAL - APPROPRIATED GENERAL FUNDED  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS- IN:</b>				
Sales and Other Excise Taxes			\$ 3,266,980	
Income Taxes			7,234,664	
Other Taxes			278,641	
Sales and Services			1,003	
Interest Earnings			26,205	
Other Revenues			36,431	
Transfers- In			232,809	
<b>TOTAL REVENUES AND TRANSFERS- IN</b>			<b>11,076,733</b>	
<b>EXPENDITURES AND TRANSFERS- OUT:</b>				
Operating Budgets:				
Departmental:				
Agriculture	\$ 11,107	\$ 11,107	11,107	\$ -
Corrections	810,881	829,097	827,467	1,630
Education	4,180,288	4,114,386	4,113,625	761
Governor	42,340	42,304	41,045	1,259
Health Care Policy and Financing	2,903,537	2,945,962	2,956,480	(10,518)
Higher Education	1,003,594	1,000,768	1,000,603	165
Human Services	982,588	978,022	962,028	15,994
Judicial Branch	553,074	560,715	553,768	6,947
Labor and Employment	19,475	19,278	19,278	-
Law	16,611	16,612	16,029	583
Legislative Branch	50,288	50,288	50,288	-
Local Affairs	32,786	32,845	32,784	61
Military and Veterans Affairs	11,110	11,207	10,690	517
Natural Resources	32,005	32,005	31,894	111
Personnel & Administration	14,074	12,951	12,945	6
Public Health and Environment	52,020	50,147	50,091	56
Public Safety	183,106	184,816	183,663	1,153
Regulatory Agencies	1,951	2,019	2,004	15
Revenue	79,159	79,159	78,456	703
Treasury	12,523	12,547	10,306	2,241
<b>SUB- TOTAL OPERATING BUDGETS</b>	<b>10,992,517</b>	<b>10,986,235</b>	<b>10,964,551</b>	<b>21,684</b>
Capital and Multi- Year Budgets:				
Departmental:				
Agriculture	1,527	2,454	59	2,395
Corrections	10,950	26,901	8,643	18,258
Education	972	4,428	3,126	1,302
Governor	16,502	50,785	19,389	31,396
Health Care Policy and Financing	1,141	3,016	185	2,831
Higher Education	97,460	160,345	49,999	110,346
Human Services	26,120	95,263	12,285	82,978
Military and Veterans Affairs	3,065	8,339	5,541	2,798
Personnel & Administration	7,295	9,371	3,269	6,102
Public Health and Environment	-	700	118	582
Public Safety	2,928	-	-	-
Revenue	-	24,951	24,951	-
Transportation	500	1,302	788	514
<b>SUB- TOTAL CAPITAL AND MULTI- YEAR BUDGETS</b>	<b>168,460</b>	<b>387,855</b>	<b>128,353</b>	<b>259,502</b>
<b>TOTAL EXPENDITURES AND TRANSFERS- OUT</b>	<b>\$ 11,160,977</b>	<b>\$ 11,374,090</b>	<b>11,092,904</b>	<b>\$ 281,186</b>
<b>EXCESS OF REVENUES AND TRANSFERS- IN OVER (UNDER) EXPENDITURES AND TRANSFERS- OUT</b>			<b>\$ (16,171)</b>	

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

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS  
BUDGET AND ACTUAL - APPROPRIATED CASH FUNDED  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS- IN:				
Sales and Other Excise Taxes			\$ 10,476	
Income Taxes			692,800	
Other Taxes			104,734	
Tuition and Fees			2,972,142	
Sales and Services			1,501,663	
Interest Earnings			47,369	
Other Revenues			766,250	
Transfers- In			1,510,972	
Capital Contributions			985	
TOTAL REVENUES AND TRANSFERS- IN			7,607,391	
EXPENDITURES/EXPENSES AND TRANSFERS- OUT:				
Operating Budgets:				
Departmental:				
Agriculture	\$ 34,679	\$ 31,993	27,676	\$ 4,317
Corrections	77,622	79,353	58,959	20,394
Education	1,252,706	1,143,859	1,096,128	47,731
Governor	282,980	284,323	241,668	42,655
Health Care Policy and Financing	1,366,634	1,476,321	1,447,112	29,209
Higher Education	3,119,663	3,129,951	2,936,523	193,428
Human Services	322,107	322,035	273,068	48,967
Judicial Branch	161,378	160,136	136,078	24,058
Labor and Employment	74,728	70,641	70,198	443
Law	62,758	63,138	59,217	3,921
Legislative Branch	1,558	1,558	1,123	435
Local Affairs	43,370	38,188	34,299	3,889
Military and Veterans Affairs	1,204	1,204	958	246
Natural Resources	242,864	242,071	185,647	56,424
Personnel & Administration	131,655	130,306	113,734	16,572
Public Health and Environment	244,082	243,015	209,544	33,471
Public Safety	279,272	278,364	255,930	22,434
Regulatory Agencies	88,364	88,456	83,261	5,195
Revenue	219,082	218,358	200,451	17,907
State	25,366	26,343	23,960	2,383
Transportation	38,458	112,708	38,177	74,531
Treasury	31,354	40,654	40,039	615
SUB- TOTAL OPERATING BUDGETS	8,101,884	8,182,975	7,533,750	649,225
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	16,160	12,896	3,264
Corrections	-	1,320	-	1,320
Governor	8,912	14,959	2,253	12,706
Higher Education	53,283	235,434	13,360	222,074
Human Services	1,859	5,363	716	4,647
Labor and Employment	2,785	32,759	17,142	15,617
Natural Resources	17,540	42,602	7,099	35,503
Personnel & Administration	1,636	550	181	369
Public Health and Environment	-	5,377	246	5,131
Public Safety	-	2,689	2,184	505
Transportation	-	1,100	875	225
SUB- TOTAL CAPITAL AND MULTI-YEAR BUDGETS	86,015	358,313	56,952	301,361
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS- OUT	\$ 8,187,899	\$ 8,541,288	7,590,702	950,586
EXCESS OF REVENUES AND TRANSFERS- IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS- OUT			\$ 16,689	

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, 2019**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS- IN:				
Federal Grants and Contracts			\$ 5,878,205	
TOTAL REVENUES AND TRANSFERS- IN			5,878,205	
Capital and Multi- Year Budgets:				
Departmental:				
Health Care Policy and Financing	\$ 5,615,496	\$ 5,659,180	5,493,183	\$ 165,997
Human Services	343,429	360,466	326,855	33,611
Labor and Employment	39,712	38,728	37,514	1,214
Military and Veterans Affairs	-	8	8	-
Public Health and Environment	19,749	19,749	17,919	1,830
SUB- TOTAL CAPITAL AND MULTI- YEAR BUDGETS	6,018,386	6,078,131	5,875,479	202,652
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS- OUT	\$ 6,018,386	\$ 6,078,131	5,875,479	\$ 202,652
EXCESS OF REVENUES AND TRANSFERS- IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS- OUT			\$ 2,726	

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, 2019**

(DOLLARS IN THOUSANDS)

	<b>GOVERNMENTAL FUNDS</b>	
	GENERAL	OTHER GOVERNMENTAL FUNDS
<b>BUDGETARY BASIS:</b>		
Revenues and Transfers- In Appropriated (Required Supplementary Information):		
General	\$ 10,883,810	\$ 192,923
Cash	934,316	2,044,546
Federal	3,583,686	2,368
Sub- Total Revenues and Transfers- In Appropriated	15,401,812	2,239,837
Revenues and Transfers- In Non- Appropriated (Supplementary Information):		
General	1,427,003	-
Cash	4,885,619	4,708,445
Federal	2,421,346	805,011
Sub- Total Revenues and Transfers- In Non- Appropriated	8,733,968	5,513,456
Total Revenues and Transfers- In Appropriated and Non- Appropriated	24,135,780	7,753,293
Expenditures/Expenses and Transfers- Out Appropriated (Required Supplementary Information):		
General Funded	10,955,551	137,353
Cash Funded	935,744	2,085,796
Federally Funded	3,583,264	68
Expenditures/Expenses and Transfers- Out Appropriated	15,474,559	2,223,217
Expenditures/Expenses and Transfers- Out Non- Appropriated(Supplementary Information):		
General Funded	1,425,389	-
Cash Funded	4,534,070	4,135,977
Federally Funded	2,414,643	689,441
Expenditures/Expenses and Transfers- Out Non- Appropriated	8,374,102	4,825,418
Expenditures/Expenses and Transfers- Out Appropriated and Non- Appropriated	23,848,661	7,048,635
Excess of Revenues and Transfers- In Over (Under)		
Expenditures and Transfers- Out - Budget Basis - Appropriated	(72,747)	16,620
Excess of Revenues and Transfers- In Over (Under)		
Expenditures and Transfers- Out - Budget Basis - Non- Appropriated	359,866	688,038
<b>BUDGETARY BASIS ADJUSTMENTS:</b>		
Increase/(Decrease) for Unrealized Gains/Losses	35,457	120,730
Increase/(Decrease) for GAAP Expenditures Not Budgeted	458,871	1,699,678
Increase/(Decrease) for GAAP Revenue Adjustments	(725,292)	(1,310,956)
Increase/(Decrease) for Non- Budgeted Funds	-	-
Excess of Revenues and Transfers- In Over		
(Under) Expenditures and Transfers- Out - GAAP Basis	56,155	1,214,110
<b>GAAP BASIS FUND BALANCES/NET POSITION:</b>		
NET POSITION - FISCAL YEAR BEGINNING (as restated)	2,006,752	5,301,892
FUND BALANCE/NET POSITION, FISCAL YEAR END	\$ 2,062,907	\$ 6,516,002

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

PROPRIETARY FUND TYPES					
HIGHER EDUCATION INSTITUTIONS	HEALTHCARE AFFORDABILITY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT	FIDUCIARY FUND TYPES
\$ -	\$ -	\$ -	\$ -	\$ 11,076,733	\$ -
3,012,649	996,252	247,594	369,113	7,604,470	2,921
-	2,292,147	4	-	5,878,205	-
3,012,649	3,288,399	247,598	369,113	24,559,408	2,921
-	-	-	-	1,427,003	-
334,658	723	1,563,187	81,781	11,574,413	2,368,189
415	170,259	357,184	-	3,754,215	-
335,073	170,982	1,920,371	81,781	16,755,631	2,368,189
3,347,722	3,459,381	2,167,969	450,894	41,315,039	2,371,110
-	-	-	-	11,092,904	-
2,890,044	993,907	326,365	356,116	7,587,972	2,730
-	2,292,147	-	-	5,875,479	-
2,890,044	3,286,054	326,365	356,116	24,556,355	2,730
-	-	-	-	1,425,389	-
367,240	1,834	1,155,861	83,191	10,278,173	1,698,603
16,963	170,260	329,349	-	3,620,656	-
384,203	172,094	1,485,210	83,191	15,324,218	1,698,603
3,274,247	3,458,148	1,811,575	439,307	39,880,573	1,701,333
122,605	2,345	(78,767)	12,997	3,053	191
(49,130)	(1,112)	435,161	(1,410)	1,431,413	669,586
13	629	12,249	676	169,754	3,912
5,646	27,721	117,933	33,116	2,342,965	1,276
15,656	(31,947)	(44,010)	2,242	(2,094,307)	(3,252)
806,759	-	-	-	806,759	-
901,549	(2,364)	442,566	47,621	2,659,637	671,713
781,990	10,402	2,385,877	(554,106)	9,932,807	8,454,681
\$ 1,683,539	\$ 8,038	\$ 2,828,443	\$ (506,485)	12,592,444	\$ 9,126,394

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI-1 – BUDGETARY INFORMATION

#### A. BUDGETARY BASIS

Budget schedules are presented as appropriated and nonappropriated for each category. The appropriated schedules are part of the Required Supplementary Information (RSI) section while the nonappropriated schedules are part of the Supplementary Information (SI) section.

The three budget-to-actual schedules in the RSI show revenues and expenditures that are legislatively appropriated, excluding informational only appropriations that do not require action of the legislature but are included in the appropriations bills for informational purposes only. These schedules are presented in the budgetary fund structure discussed below.

Budgetary fund types differ from fund types proscribed by generally accepted accounting principles. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds include financial resources designated to support specific expenditures. Federal funds primarily include revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to non-administrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.
- Pension expense related to unfunded pension liabilities are not recognized on a budgetary basis.



## **B. BUDGETARY PROCESS**

The financial operations of the legislative, judicial, and executive branches of the State government, with the exception of custodial funds and federal moneys not requiring matching state funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure and institution of higher education capital projects.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 19. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act and special bills, excluding informational only appropriations. The column titled Final Spending Authority includes the original appropriation and supplemental appropriations of the Legislature.

Spending occurs outside of the legislative appropriations process primarily for custodial purposes, federally-funded activity for which there is no general-purpose revenue matching requirement, statutory transfers, and other miscellaneous budgetary items. Additional budget-to-actual schedules related to nonappropriated activity are included in the Supplementary Section of the 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 noted above. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 2. Some transactions considered revenues for budgetary

purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary schedules. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments.”

#### **D. BUDGET TO GAAP RECONCILIATION**

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

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

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary schedules. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments.”

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

#### **E. OUTSTANDING ENCUMBRANCES**

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

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

### A. PROPORTIONATE SHARE OF PENSION LIABILITY AND CONTRIBUTIONS

#### Proportionate Share:

The State, Judicial, Denver Public Schools, and Schools Divisions Trust Funds – which are defined benefit cost-sharing multiple-employer pension plans – are administered by the Public Employees’ Retirement Association (PERA). The schedule below presents the State’s (primary government’s) proportionate share of the net pension liability for its retirement Trusts. The amounts presented for each Division were determined as of the measurement date, which is the calendar year-end that occurred within the State’s fiscal year. Information is not available prior to calendar year 2013 for the State and Judicial Divisions, and Calendar Year 2018 for the Denver Public Schools and Schools Divisions.

State Division						
(Amounts In Thousands)						
	CY 2018	CY 2017	CY 2016	CY 2015	CY 2014	CY 2013
State's proportion of the net pension liability	95.95%	95.37%	95.49%	95.71%	95.85%	95.86%
State's proportionate share of Net Pension liability	\$ 10,918,046	\$ 19,091,149	\$ 17,539,728	\$ 10,079,252	\$ 9,016,144	\$ 8,539,181
State's covered payroll	\$ 3,262,962	\$ 2,796,014	\$ 2,751,094	\$ 2,687,152	\$ 2,586,800	\$ 2,570,286
State's proportionate share of the net pension liability as a percentage of its covered payroll	334.61%	682.80%	637.55%	375.09%	348.54%	332.23%
Plan fiduciary net position as a percentage of the total pension liability	55.11%	43.20%	42.59%	56.11%	59.84%	61.00%

Judicial Division						
(Amounts In Thousands)						
	CY 2018	CY 2017	CY 2016	CY 2015	CY 2014	CY 2013
State's proportion of the net pension liability	94.91%	93.99%	94.17%	93.98%	93.60%	93.44%
State's proportionate share of Net Pension liability	\$ 134,072	\$ 218,136	\$ 239,423	\$ 172,824	\$ 129,499	\$ 102,756
State's covered payroll	\$ 55,706	\$ 46,764	\$ 46,320	\$ 44,159	\$ 40,114	\$ 37,203
State's proportionate share of the net pension liability as a percentage of its covered payroll	240.68%	466.46%	516.89%	391.37%	322.83%	276.20%
Plan fiduciary net position as a percentage of the total pension liability	68.48%	58.70%	53.19%	60.13%	66.89%	77.41%

Denver Public Schools Division	
(Amounts In Thousands)	
	CY 2018
State's proportion of the net pension liability	34.13%
State's proportionate share of Net Pension liability	\$ 349,095
Plan fiduciary net position as a percentage of the total pension liability	75.69%

Schools Division	
(Amounts In Thousands)	
	CY 2018
State's proportion of the net pension liability	12.03%
State's proportionate share of Net Pension liability	\$ 2,129,952
Plan fiduciary net position as a percentage of the total pension liability	57.01%

## Contributions:

The following schedule presents a ten-year history of the State's (primary government's) contribution to PERA for the State and Judicial Divisions as of each fiscal year ending June 30:

State & Judicial Division										
(Amounts In Thousands)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Contractually required contributions	\$ 649,516	\$ 549,049	\$ 524,478	\$ 492,159	\$ 453,406	\$ 419,912	\$ 368,468	\$ 276,326	\$ 256,682	\$ 291,892
Contributions in relation to the contractually required contributions	(649,516)	(549,049)	(524,478)	(492,159)	(453,406)	(419,912)	(368,468)	(276,326)	(256,682)	(291,892)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	3,381,530	2,877,013	2,813,660	2,771,749	2,687,237	2,628,458	2,520,793	2,453,455	1,998,390	2,438,135
Contributions as a percentage of covered payroll	19.21%	19.08%	18.64%	17.76%	16.87%	15.98%	14.62%	11.26%	12.84%	11.97%
State Division										
	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Contractually required contributions	639,485	541,295	516,932	484,588	\$ 446,528	\$ 413,694	\$ 362,791	\$ 272,068	\$ 252,727	\$ 287,394
Contributions in relation to the contractually required contributions	(639,485)	(541,295)	(516,932)	(484,588)	(446,528)	(413,694)	(362,791)	(272,068)	(252,727)	(287,394)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	3,320,884	2,829,559	2,767,479	2,725,417	2,645,149	2,590,401	2,479,774	2,422,689	1,969,813	2,409,003
Contributions as a percentage of covered payroll	19.26%	19.13%	18.68%	17.78%	16.88%	15.97%	14.63%	11.23%	12.83%	11.93%
Judicial Division										
	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Contractually required contributions	\$ 10,031	\$ 7,754	\$ 7,546	\$ 7,571	\$ 6,878	\$ 6,218	\$ 5,677	\$ 4,258	\$ 3,955	\$ 4,498
Contributions in relation to the contractually required contributions	(10,031)	(7,754)	(7,546)	(7,571)	(6,878)	(6,218)	(5,677)	(4,258)	(3,955)	(4,498)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	60,646	47,454	46,181	46,332	42,088	38,057	41,019	30,766	28,577	29,132
Contributions as a percentage of covered payroll	16.54%	16.34%	16.34%	16.34%	16.34%	16.34%	13.84%	13.84%	13.84%	15.44%
Denver Public Schools Division										
	FY 2019									
Contractually required contributions	\$ 18,622									
Contributions in relation to the contractually required contributions	(18,622)									
Contribution deficiency(excess)	-									
Schools Division										
	FY 2019									
Contractually required contributions	\$ 126,505									
Contributions in relation to the contractually required contributions	(126,505)									
Contribution deficiency(excess)	-									

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

### 2018 Changes in Assumptions or Other Inputs Since 2017

- The single equivalent interest rate (SEIR) for the State Division was increased from 4.72 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the fiduciary net position (FNP), thereby eliminating the need to apply the municipal bond index rate.

- The SEIR for the School Division was increased from 4.78 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.
- The SEIR for the Judicial Division was increased from 5.41 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

#### 2017 Changes in Assumptions or Other Inputs Since 2016

- The SEIR for the State Division was lowered from 5.26 percent to 4.72 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The SEIR for the Judicial Division was increased from 5.18 percent to 5.41 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR for the State and Judicial Divisions changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

#### 2016 Changes in Assumptions or Other Inputs Since 2015

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the State Division was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020, for females.
- The post-retirement mortality assumption for healthy lives for the Judicial Division was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, for males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.

- The SEIR for the State Division was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86 percent on the measurement date.
- The SEIR for the Judicial Division was lowered from 5.73 percent to 5.18 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 3.57 percent on the prior measurement date to 3.86 percent on the measurement date.

#### 2015 Changes in Assumptions or Other Inputs Since 2014

- The SEIR for the Judicial Division was lowered from 6.14 percent to 5.73 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 3.70 percent on the prior measurement date to 3.57 percent on the measurement date.
- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18-month AI timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35 percent of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and UAAL payment calculations to reflect contributions throughout the year.

#### 2014 Changes in Assumptions or Other Inputs Since 2013

- The SEIR for the Judicial Division was lowered from 6.66 percent to 6.14 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 4.73 percent on the prior measurement date to 3.70 percent on the measurement date.

#### 2013 Changes in Assumptions or Other Inputs Since 2012

- The investment return assumption was lowered from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 3.50 percent to 2.80 percent.
- The wage inflation assumption was lowered from 4.25 percent to 3.90 percent.

## NOTE RSI-3 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) INFORMATION

### A. PROPORTIONATE SHARE OF PERA HEALTH CARE TRUST FUNDS OPEB LIABILITY AND CONTRIBUTIONS

#### Proportionate Share:

The State's Health Care Trust Fund (HFTC) – a defined benefit cost-sharing multiple-employer other post-employment benefit plan – is administered by the Public Employees' Retirement Association (PERA). The schedule below presents the State's (primary government's) proportionate share of the net OPEB liability for its OPEB plan. The amounts presented were determined as of the measurement date, which is the calendar year-end that occurred within the State's fiscal year. Information is not available prior to Calendar Year 2016.

(Amounts In Thousands)	CY 2018	CY 2017	CY 2016
State's proportion (percentage) of the collective net OPEB liability	33.40%	33.71%	33.83%
State's proportionate share of the collective net OPEB liability	\$ 454,363	\$ 438,113	\$ 438,677
State's covered payroll	\$ 3,318,668	\$ 2,842,778	\$ 2,797,414
State's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	13.69%	15.41%	15.68%
Fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.72%

#### Contributions:

The following schedule presents a ten-year history of the State's (primary government's) contribution to PERA for the HCTF as of each fiscal year ending June 30:

(Amounts In Thousands)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Contractually required contributions	\$ 30,171	\$ 29,346	\$ 28,699	\$ 28,272	\$ 27,410	\$ 26,810	\$ 25,712	\$ 25,025	\$ 20,384	\$ 24,869
Contributions in relation to the contractually required contributions	(30,171)	(29,346)	(28,699)	(28,272)	(27,410)	(26,810)	(25,712)	(25,025)	(20,384)	(24,869)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	2,957,937	2,877,013	2,813,660	2,771,749	2,687,237	2,628,458	2,520,793	2,453,455	1,998,390	2,438,135
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

**B. CHANGES IN THE TOTAL UNIVERSITY OPEB LIABILITY AND RELATED RATIOS – UNIVERSITY OF COLORADO SYSTEM**

University OPEB Plan (Amounts in Thousands)	Fiscal Year Ending	
	2019	2018
Service cost	\$ 49,754	53,099
Interest cost	28,404	24,648
Changes in benefit terms	-	-
Differences between expected and actual experience	(1,728)	(87,654)
Changes of assumptions	35,919	(46,406)
Benefit payments	(15,163)	(17,211)
Net change in total OPEB liability	97,186	(73,524)
Total OPEB liability (beginning)	746,773	820,297
Total OPEB liability (ending)	843,959	746,773
Covered-employee payroll	\$ 1,663,010	1,475,177
Total OPEB liability as a % of payroll	50.75%	50.62%

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

There were no significant changes in assumptions or other inputs effective for the December 31, 2018 or December 31, 2017 measurement periods for the PERA HCTF.

There are no assets accumulated in a trust to pay related benefits for the University OPEB Plan. The University's actuaries utilized different mortality tables in Fiscal Year 2019.



**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND - GENERAL PURPOSE REVENUE COMPONENT**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(DOLLARS IN THOUSANDS)

	Forecasted / Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Budgetary Basis	
Budgetary fund balance, July 1	\$ 691,107	\$ 691,107	\$ 691,107	
Resources (Inflows):				
Sales and use tax	3,562,400	3,640,300	3,592,176	\$ (48,124)
Other excise taxes	102,300	104,600	103,146	(1,454)
Individual income tax, net	7,206,300	7,540,650	7,327,511	(213,139)
Corporate income tax, net	722,000	836,550	855,707	19,157
Insurance tax	319,300	315,300	314,664	(636)
Pari-mutuel, courts, and other	37,300	28,400	53,072	24,672
Investment income	18,700	14,200	26,517	12,317
Transfers-in from other funds	6,800	19,200	37,524	18,324
Amounts available for appropriation	12,666,207	13,190,307	13,001,424	(188,883)
Charges to appropriations (outflows):				
Agriculture	11,107	11,107	11,107	-
Corrections	810,881	829,097	827,467	1,630
Education	4,180,288	4,114,386	4,113,625	761
Governor	43,090	43,054	41,795	1,259
Health Care Policy and Financing	2,915,601	2,956,984	2,967,476	(10,492)
Higher Education	1,005,311	1,001,176	1,001,010	166
Human Services	991,332	978,294	962,300	15,994
Judicial Branch	553,074	560,715	553,768	6,947
Labor and Employment	19,593	19,278	19,278	-
Law	16,611	16,612	16,029	583
Legislative Branch	49,914	50,288	50,288	-
Local Affairs	38,520	37,145	37,007	138
Military and Veterans Affairs	11,110	11,207	10,690	517
Natural Resources	32,005	32,005	31,894	111
Personnel and Administration	16,047	13,923	13,711	212
Public Health and Environment	54,039	52,166	51,959	207
Public Safety	183,106	184,816	183,663	1,153
Regulatory Agencies	6,101	6,169	6,154	15
Revenue	245,030	388,090	361,461	26,629
Treasury	1,080,602	1,080,626	1,038,877	41,749
Nondepartmental:				
Transfers-out to capital projects fund	-	90,382	90,382	-
Total charges to appropriations	12,263,362	12,477,520	12,389,941	87,579
Budgetary reserves and amounts not forecasted or budgeted:				
Increase in Contingency reserve - C.R.S. 24-75-201.1	(139,300)	(139,300)	(139,300)	-
Release of prior year State Controller approved rollforwards			29,641	
State Controller approved rollforwards			(33,264)	
Net of revenues not forecasted and expenditures not budgeted			(20,216)	
Total budgetary reserves and amounts not forecasted or budgeted	(139,300)	(139,300)	(163,139)	
Budgetary fund balance, June 30	\$ 263,545	\$ 573,487	\$ 448,345	

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

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND- GENERAL PURPOSE REVENUE COMPONENT  
BUDGET- TO- GAAP RECONCILIATION  
FOR THE YEAR ENDED JUNE 30, 2019  
(DOLLARS IN THOUSANDS)**

**Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

**Sources/inflows of resources:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 13,001,424
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current- year revenue for financial reporting purposes.	(691,107)
Federal revenues not forecasted	5,996,265
Fee revenues and other funding sources not forecasted	717,430
Other revenues not forecasted	29,006
Deferred Medicaid revenues are excluded from inflows of budgetary resources but are revenues for financial reporting purposes - C.R.S. 24- 75- 201(2) (a) (II).	(89,693)
Fair value of investments in excess of cost is excluded from inflows of budgetary resources but is revenue for financial reporting purposes.	24,227
Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control	(452,479)
Transfers are inflows of budgetary resources but are other financing sources for financial reporting purposes.	(173,254)
Capital lease proceeds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(528)
Insurance recoveries are not revenues for financial reporting purposes.	(215)
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - general fund components	<u>\$ 18,361,076</u>

**Uses/outflows of resources and reserves:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	12,389,941
Differences - budget to GAAP:	
Expenditures of federal grants and contracts not budgeted	5,990,816
Fee revenue and other funding uses not budgeted	683,866
Other expenditures not budgeted	88,235
Transfers to other funds are outflows of budgetary resources but are other financing uses for financial reporting purposes.	(5,384,140)
Deferred Medicaid expenditures are excluded from outflows of budgetary resources but are expenditures for financial reporting purposes - C.R.S. 24- 75- 201(2) (a) (II).	(135,011)
Deferred payroll expenditures are excluded from outflows of budgetary resources but are expenditures for financial reporting purposes - C.R.S. 24- 75- 201(2) (a) (III).	106,757
Deferred information technology expenditures are excluded from outflows of budgetary resources but are expenditures for financial reporting purposes - C.R.S. 24- 75- 201(2) (a) (IV).	486
Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control.	(452,479)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances—general fund components	<u>\$ 13,288,471</u>

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

#### **NOTE RSI-4**

##### **BUDGETARY COMPARISON SCHEDULE GENERAL FUND – GENERAL PURPOSE REVENUE COMPONENT**

The State of Colorado reports components of the General Fund segregated by revenues being either general purpose or special purpose. Special purpose revenues are fund component revenues which are not of a sufficient original source to qualify for reporting as a special revenue fund. The special purpose components of the General Fund are: State Public Schools, Risk Management, and Other Special Purpose. General purpose revenues are not designated for a specific purpose and are reported in the General Purpose Revenue component of the General Fund. The General Purpose Revenue component of the General Fund is the primary operating fund of the state and is used to account for all financial resources and activity not required to be accounted for in another fund. Refer to the Supplementary Information section for additional information on the General Fund components and combining statements for the General Fund.

This schedule is presented primarily to report the change in budgetary fund balance from the prior fiscal year. The change in budgetary fund balance, as reconciled to the state's financial statements, supports the state's budgetary process. Ending budgetary fund balance on this schedule combined with relevant revenue forecasts are used to determine the total amount to be appropriated for the following fiscal year.

Beginning budgetary fund balances, resources (inflows), and amounts available for appropriation for the original budget and final budget are based on quarterly economic forecasts prepared by the Governor's Office of State Planning and Budgeting. Beginning budgetary fund balance and resources (inflows) in the actual amounts column reconcile to the state's accounting system. The March 2018 forecast is used for the original budget and the December 2018 forecast is used for the final budget. Charges to appropriations (outflows) for original and final budget are derived from budgeted expenditures recorded in the state's accounting system and agree to appropriations made by the General Assembly.

The original and final budget does not include budgeted amounts for federal grants and contracts, fees and other funding sources/uses, and revenues/expenditures not budgeted because they are currently not forecasted by the Office of State Planning and Budget. Amounts are included in the actual column because the activity is accounted for in this component of the General Fund.

Certain state laws result in budget-to-GAAP differences. C.R.S. 24-75-201(2)(a)(II) excludes Medicaid revenues from inflows of budgetary resources but they are revenues for financial reporting. C.R.S. 24-75-201(2)(a)(III) excludes Medicaid expenditures from outflows of budgetary resources but they are expenditures for financial reporting. C.R.S. 24-75-201(2)(a)(IV) excludes some payroll-related expenditures from outflows of budgetary resources but they are expenditures for financial reporting. C.R.S. 24-75-201(2)(a)(IV) excludes specific information technology expenditures from outflows of budgetary resources but they are expenditures for financial reporting purposes. Refer to the Budget-to-GAAP Reconciliation for amounts related to these statutorily-based budget-to-GAAP differences as well as for information on other budget-to-GAAP differences.

State law (C.R.S. 24-75-201.1) restricts state appropriations from this component of the General Fund so that budgetary resources will be available for use in a state fiscal emergency. A state fiscal emergency may be declared by the passage of a joint resolution which is approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor. The reserve for Fiscal Year 2019 is \$814.2 million. The reserve is included in this schedule and therefore beginning and ending budgetary fund balance are net of the required reserve. A positive ending budgetary fund balance in the actual column indicates a reserve maintained in compliance with state law.



## **SUPPLEMENTARY INFORMATION**

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## GENERAL FUND COMPONENTS

For legal compliance purposes, the General Fund is is segregated into the following components:

### GENERAL PURPOSE REVENUE

This fund is the general operating fund for state operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes.

### SPECIAL PURPOSE FUNDS

The State Public School fund is a statutory fund that distributes substantially all of its resources to school districts each year; most of the 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, 2019**

(DOLLARS IN THOUSANDS)	SPECIAL PURPOSE FUNDS						TOTAL
	GENERAL PURPOSE REVENUE	STATE PUBLIC SCHOOL	RISK MANAGEMENT	OTHER SPECIAL PURPOSE		INTRA-FUND RECEIVABLE ELIMINATIONS	
ASSETS:							
Cash and Pooled Cash	\$ 649,531	\$ 1,632	\$ 36,233	\$ 357,808	\$ 1,045,204	\$ -	\$ 1,045,204
Taxes Receivable, net	1,934,123	-	-	-	1,934,123	-	1,934,123
Other Receivables, net	530,470	-	630	220	531,320	-	531,320
Due From Other Governments	411,756	1,942	-	218	413,916	-	413,916
Due From Other Funds	29,319	-	-	51,998	81,317	(22,697)	58,620
Due From Component Units	19	-	-	-	19	-	19
Inventories	9,944	-	-	-	9,944	-	9,944
Prepays, Advances and Deposits	38,252	-	333	74	38,659	-	38,659
Restricted Assets:							
Restricted Cash and Pooled Cash	4	23,818	-	355,742	379,564	-	379,564
Restricted Receivables	-	-	-	1,166	1,166	-	1,166
Investments	10,486	-	-	338,657	349,143	-	349,143
Other Long-Term Assets	-	-	-	4,703	4,703	-	4,703
TOTAL ASSETS	\$ 3,613,904	\$ 27,392	\$ 37,196	\$ 1,110,586	\$ 4,789,078	\$ (22,697)	\$ 4,766,381
LIABILITIES:							
Tax Refunds Payable	\$ 927,722	\$ -	\$ -	\$ -	\$ 927,722	\$ -	\$ 927,722
Accounts Payable and Accrued Liabilities	833,289	1	1,610	32,439	867,339	-	867,339
TABOR Refund Liability (Note 2B)	431,685	-	-	-	431,685	-	431,685
Due To Other Governments	131,643	-	-	22,914	154,557	-	154,557
Due To Other Funds	40,871	-	997	429	42,297	(22,697)	19,600
Unearned Revenue	32,821	-	-	348	33,169	-	33,169
Claims and Judgments Payable	737	-	-	-	737	-	737
Other Current Liabilities	22,225	-	-	2	22,227	-	22,227
Deposits Held In Custody For Others	181	-	-	352	533	-	533
TOTAL LIABILITIES	2,421,174	1	2,607	56,484	2,480,266	(22,697)	2,457,569
DEFERRED INFLOW OF RESOURCES:	245,094	811	-	-	245,905	-	245,905
FUND BALANCES:							
Nonspendable:							
Inventories	9,944	-	-	-	9,944	-	9,944
Prepays	38,140	-	333	74	38,547	-	38,547
Restricted	-	-	-	814,658	814,658	-	814,658
Committed	814,200	26,580	34,256	239,370	1,114,406	-	1,114,406
Assigned	33,264	-	-	-	33,264	-	33,264
Unassigned	52,088	-	-	-	52,088	-	52,088
TOTAL FUND BALANCES	947,636	26,580	34,589	1,054,102	2,062,907	-	2,062,907
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,613,904	\$ 27,392	\$ 37,196	\$ 1,110,586	\$ 4,789,078	\$ (22,697)	\$ 4,766,381



**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GENERAL FUND COMPONENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	SPECIAL PURPOSE FUNDS					TOTAL	INTRA-FUND TRANSFER ELIMINATIONS	TOTAL
	GENERAL PURPOSE REVENUE	STATE PUBLIC SCHOOLS	RISK MANAGEMENT	OTHER SPECIAL PURPOSE				
REVENUES:								
Taxes:								
Individual and Fiduciary Income	\$ 7,327,511	\$ -	\$ -	\$ -	\$ 7,327,511	\$ -	\$ 7,327,511	
Corporate Income	855,707	-	-	-	855,707	-	855,707	
Sales and Use	3,592,176	-	-	-	3,592,176	-	3,592,176	
Excise	103,145	-	-	-	103,145	-	103,145	
Other Taxes	315,175	-	-	-	315,175	-	315,175	
Licenses, Permits, and Fines	34,566	-	70	1,989	36,625	-	36,625	
Charges for Goods and Services	19,732	-	67,088	295	87,115	-	87,115	
Rents	205	-	-	1	206	-	206	
Investment Income (Loss)	62,253	37	1,505	31,611	95,406	-	95,406	
Federal Grants and Contracts	5,865,753	-	-	7,162	5,872,915	-	5,872,915	
Other	184,853	1,498	118	23,766	210,235	-	210,235	
TOTAL REVENUES	18,361,076	1,535	68,781	64,824	18,496,216	-	18,496,216	
EXPENDITURES:								
Current:								
General Government	186,042	57	53,373	5,183	244,655	-	244,655	
Business, Community, and Consumer Affairs	156,305	-	-	21,510	177,815	-	177,815	
Education	812,289	4,733	-	5,394	822,416	-	822,416	
Health and Rehabilitation	701,834	-	-	1,041	702,875	-	702,875	
Justice	1,600,165	-	-	77	1,600,242	-	1,600,242	
Natural Resources	40,428	-	-	575	41,003	-	41,003	
Social Assistance	7,293,105	-	-	13,007	7,306,112	-	7,306,112	
Capital Outlay	16,784	-	-	110,706	127,490	-	127,490	
Intergovernmental:								
Cities	66,826	-	-	45,774	112,600	-	112,600	
Counties	1,479,253	-	-	15,749	1,495,002	-	1,495,002	
School Districts	686,936	3,946,946	-	216,270	4,850,152	-	4,850,152	
Special Districts	48,839	-	-	17,883	66,722	-	66,722	
Federal	86	-	-	-	86	-	86	
Other	183,735	-	-	274	184,009	-	184,009	
Debt Service	15,844	-	-	67,719	83,563	-	83,563	
TOTAL EXPENDITURES	13,288,471	3,951,736	53,373	521,162	17,814,742	-	17,814,742	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,072,605	(3,950,201)	15,408	(456,338)	681,474	-	681,474	
OTHER FINANCING SOURCES (USES):								
Transfers-In	173,254	4,017,177	18	511,463	4,701,912	(4,230,841)	471,071	
Transfers-Out	(5,384,141)	(132,174)	(1,997)	(62,884)	(5,581,196)	4,230,841	(1,350,355)	
Face Amount of Bond/COP Issuance	-	-	-	240,425	240,425	-	240,425	
Bond/COP Premium/Discount	-	-	-	12,456	12,456	-	12,456	
Capital Lease Proceeds	528	-	-	-	528	-	528	
Insurance Recoveries	216	-	340	-	556	-	556	
TOTAL OTHER FINANCING SOURCES (USES)	(5,210,443)	3,885,003	(1,639)	701,460	(625,319)	-	(625,319)	
NET CHANGE IN FUND BALANCES	(137,538)	(65,198)	13,769	245,122	56,155	-	56,155	
FUND BALANCE, FISCAL YEAR BEGINNING	1,085,174	91,778	20,820	808,980	2,006,752	-	2,006,752	
FUND BALANCE, FISCAL YEAR END	\$ 947,636	\$ 26,580	\$ 34,589	\$ 1,054,102	\$ 2,062,907	\$ -	\$ 2,062,907	



## **CAPITAL PROJECTS FUND COMPONENTS**

Transactions related to resources obtained and used for acquisition, construction, or improvement of State owned facilities and certain equipment are accounted for in the Capital Projects Fund, unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund. For legal compliance purposes, the Capital Projects Fund is segregated into the following components:

### **REGULAR CAPITAL PROJECTS**

This fund accounts for projects that are either fully or partially funded with general-purpose revenue that is transferred from the General Purpose Revenue Fund. It also includes cash-funded or mixed funded projects.

### **SPECIAL CAPITAL PROJECTS**

This fund accounts for certain projects that are not funded with any general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Center, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects.

**COMBINING BALANCE SHEET**  
**CAPITAL PROJECTS FUND COMPONENTS**  
**JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
<b>ASSETS:</b>			
Cash and Pooled Cash	\$ 217,127	\$ 12,812	\$ 229,939
Other Receivables, net	14	-	14
Due From Other Governments	2,292	2,167	4,459
Prepays, Advances and Deposits	19	-	19
Restricted Cash and Pooled Cash	-	3	3
Investments	543,234	1,923	545,157
Other Long- Term Assets	13	-	13
<b>TOTAL ASSETS</b>	<b>\$ 762,699</b>	<b>\$ 16,905</b>	<b>\$ 779,604</b>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Liabilities	\$ 15,618	\$ 849	\$ 16,467
Due To Other Funds	25	-	25
Other Current Liabilities	167	-	167
<b>TOTAL LIABILITIES</b>	<b>15,810</b>	<b>849</b>	<b>16,659</b>
<b>FUND BALANCES:</b>			
<b>Nonspendable:</b>			
Prepays	19	-	19
Restricted	-	5	5
Committed	746,870	16,051	762,921
<b>TOTAL FUND BALANCES</b>	<b>746,889</b>	<b>16,056</b>	<b>762,945</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 762,699</b>	<b>\$ 16,905</b>	<b>\$ 779,604</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECTS FUND COMPONENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
REVENUES:			
Taxes:			
Other Taxes	\$ 391	\$ -	\$ 391
Licenses, Permits, and Fines	60	-	60
Investment Income (Loss)	16,363	1,761	18,124
Federal Grants and Contracts	9,551	9,341	18,892
TOTAL REVENUES	26,365	11,102	37,467
EXPENDITURES:			
Current:			
General Government	31,768	3,290	35,058
Business, Community, and Consumer Affairs	392	-	392
Education	1,124	152	1,276
Health and Rehabilitation	134	-	134
Justice	5,149	160	5,309
Social Assistance	4,762	130	4,892
Capital Outlay	55,354	6,135	61,489
Intergovernmental:			
Special Districts	288	-	288
TOTAL EXPENDITURES	98,971	9,867	108,838
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(72,606)	1,235	(71,371)
OTHER FINANCING SOURCES (USES):			
Transfers- In	272,483	10,576	283,059
Transfers- Out	(72,349)	(120,582)	(192,931)
Face Amount of Bond/COP Issuance	500,000	-	500,000
Bond/COP Premium/Discount	44,154	-	44,154
Insurance Recoveries	1,155	235	1,390
TOTAL OTHER FINANCING SOURCES (USES)	745,443	(109,771)	635,672
NET CHANGE IN FUND BALANCES	672,837	(108,536)	564,301
FUND BALANCE, FISCAL YEAR BEGINNING	74,052	124,592	198,644
FUND BALANCE, FISCAL YEAR END	\$ 746,889	\$ 16,056	\$ 762,945



## OTHER GOVERNMENTAL FUNDS

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

**Special Revenue Funds-** These funds are used to account for the proceeds of specific revenue sources that are intended for specific purposes other than special assessments or major capital projects.

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

**Permanent Funds-** These funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support State programs.

**COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTALS
<b>ASSETS:</b>					
Cash and Pooled Cash	\$ 2,326,274	\$ -	\$ 229,939	\$ -	\$ 2,556,213
Taxes Receivable, net	38,788	-	-	-	38,788
Other Receivables, net	147,777	-	14	10,406	158,197
Due From Other Governments	50,078	341	4,459	-	54,878
Due From Other Funds	34,565	-	-	-	34,565
Inventories	90,323	-	-	-	90,323
Prepays, Advances and Deposits	43,019	-	19	3	43,041
Restricted Assets:					
Restricted Cash and Pooled Cash	1,191,419	218	3	171,587	1,363,227
Restricted Investments	4,267	-	-	1,094,276	1,098,543
Restricted Receivables	444,218	-	-	-	444,218
Investments	179,283	103,452	545,157	-	827,892
Other Long-Term Assets	486,673	-	13	15,839	502,525
<b>TOTAL ASSETS</b>	<b>\$ 5,036,684</b>	<b>\$ 104,011</b>	<b>\$ 779,604</b>	<b>\$ 1,292,111</b>	<b>\$ 7,212,410</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>					
	-	-	-	1,948	1,948
<b>LIABILITIES:</b>					
Tax Refunds Payable	\$ 135	\$ -	\$ -	\$ -	\$ 135
Accounts Payable and Accrued Liabilities	397,298	-	16,467	2,761	416,526
Due To Other Governments	128,869	-	-	5	128,874
Due To Other Funds	29,688	-	25	221	29,934
Unearned Revenue	113,465	-	-	-	113,465
Compensated Absences Payable	10	-	-	-	10
Claims and Judgments Payable	325	-	-	-	325
Other Current Liabilities	3,227	-	167	-	3,394
Deposits Held In Custody For Others	51	-	-	-	51
<b>TOTAL LIABILITIES</b>	<b>673,068</b>	<b>-</b>	<b>16,659</b>	<b>2,987</b>	<b>692,714</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>					
	5,642	-	-	-	5,642
<b>FUND BALANCES:</b>					
Nonspendable:					
Long-term Portion of Interfund Loans Receivable	13	-	-	-	13
Inventories	90,323	-	-	-	90,323
Permanent Fund Principal	-	-	-	1,274,846	1,274,846
Prepays	43,019	-	19	3	43,041
Restricted	1,360,286	104,011	5	-	1,464,302
Committed	2,864,333	-	762,921	16,223	3,643,477
<b>TOTAL FUND BALANCES</b>	<b>4,357,974</b>	<b>104,011</b>	<b>762,945</b>	<b>1,291,072</b>	<b>6,516,002</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
	<b>\$ 5,036,684</b>	<b>\$ 104,011</b>	<b>\$ 779,604</b>	<b>\$ 1,294,059</b>	<b>\$ 7,214,358</b>



**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTALS
<b>REVENUES:</b>					
Taxes:					
Individual and Fiduciary Income	\$ 628,715	\$ -	\$ -	\$ -	\$ 628,715
Corporate Income	64,085	-	-	-	64,085
Sales and Use	41,112	-	-	-	41,112
Excise	849,676	-	-	-	849,676
Other Taxes	421,720	-	391	-	422,111
Licenses, Permits, and Fines	831,970	-	60	-	832,030
Charges for Goods and Services	315,531	-	-	-	315,531
Rents	9,870	-	-	165,007	174,877
Investment Income (Loss)	144,062	2,119	18,124	92,597	256,902
Federal Grants and Contracts	788,297	-	18,892	-	807,189
Additions to Permanent Funds	-	-	-	1,062	1,062
Unclaimed Property Receipts	47,144	-	-	-	47,144
Other	215,315	-	-	41	215,356
<b>TOTAL REVENUES</b>	<b>4,357,497</b>	<b>2,119</b>	<b>37,467</b>	<b>258,707</b>	<b>4,655,790</b>
<b>EXPENDITURES:</b>					
Current:					
General Government	96,411	-	35,058	558	132,027
Business, Community, and Consumer Affairs	315,090	-	392	-	315,482
Education	87,604	-	1,276	-	88,880
Health and Rehabilitation	142,552	-	134	-	142,686
Justice	365,741	-	5,309	-	371,050
Natural Resources	71,818	-	-	16,100	87,918
Social Assistance	228,048	-	4,892	-	232,940
Transportation	1,297,949	-	-	-	1,297,949
Capital Outlay	76,778	-	61,489	(1,085)	137,182
Intergovernmental:					
Cities	389,924	-	-	-	389,924
Counties	420,518	-	-	41	420,559
School Districts	743,788	-	-	-	743,788
Special Districts	93,448	-	288	-	93,736
Federal	1,442	-	-	-	1,442
Other	63,966	-	-	-	63,966
Debt Service	1,986	94,826	-	-	96,812
<b>TOTAL EXPENDITURES</b>	<b>4,397,063</b>	<b>94,826</b>	<b>108,838</b>	<b>15,614</b>	<b>4,616,341</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(39,566)</b>	<b>(92,707)</b>	<b>(71,371)</b>	<b>243,093</b>	<b>39,449</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers- In	947,848	104,768	283,059	5,967	1,341,642
Transfers- Out	(438,061)	-	(192,931)	(105,695)	(736,687)
Face Amount of Bond/COP Issuance	-	-	500,000	-	500,000
Bond/COP Premium/Discount	-	-	44,154	-	44,154
Sale of Capital Assets	6,295	-	-	17,860	24,155
Insurance Recoveries	7	-	1,390	-	1,397
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>516,089</b>	<b>104,768</b>	<b>635,672</b>	<b>(81,868)</b>	<b>1,174,661</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>476,523</b>	<b>12,061</b>	<b>564,301</b>	<b>161,225</b>	<b>1,214,110</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING (as restated)</b>	<b>3,881,451</b>	<b>91,950</b>	<b>198,644</b>	<b>1,129,847</b>	<b>5,301,892</b>
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 4,357,974</b>	<b>\$ 104,011</b>	<b>\$ 762,945</b>	<b>\$ 1,291,072</b>	<b>\$ 6,516,002</b>

## **SPECIAL REVENUE FUNDS**

### **LABOR**

This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.

### **RESOURCE EXTRACTION**

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

### **HIGHWAY USERS TAX**

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.

### **STATE EDUCATION**

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

### **GAMING**

This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the State. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.

### **TOBACCO IMPACT MITIGATION**

This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional State tax on cigarettes and tobacco products approved by State voters in the 2004 general election and the expenditure of those tax revenues.

RESOURCE MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas resources of the State. Most of the related programs are managed by the Colorado Department of Natural Resources.
ENVIRONMENT AND HEALTH PROTECTION	This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado.
UNCLAIMED PROPERTY	This fund reports the escheats funds managed by the State Treasurer that are not held in trust for claimants. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. Per statute, the owner's legal rights to the asset are protected in perpetuity; however, historically not all of the assets are claimed. The assets ultimately expected to be claimed and paid are reported as Net Position Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund.
OTHER SPECIAL REVENUE	This fund category represents a collection of active funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types.

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2019**

(DOLLARS IN THOUSANDS)

	LABOR	RESOURCE EXTRACTION	HIGHWAY USERS TAX	STATE EDUCATION	GAMING
<b>ASSETS:</b>					
Cash and Pooled Cash	\$ 155,898	\$ 793,281	\$ 69,388	\$ -	\$ 134,345
Taxes Receivable, net	18,967	992	2,009	-	13,500
Other Receivables, net	2,686	61,457	1,546	-	112
Due From Other Governments	2,926	2,817	-	120	-
Due From Other Funds	-	17,569	1,978	-	-
Inventories	-	72,018	18,012	-	-
Prepays, Advances and Deposits	1	11,887	3,717	-	45
<b>Restricted Assets:</b>					
Restricted Cash and Pooled Cash	68,655	85,324	836,806	190,504	9,814
Restricted Investments	1,981	-	2,286	-	-
Restricted Receivables	-	-	444,218	-	-
Investments	178	-	-	-	-
Other Long-Term Assets	-	441,957	15,049	-	5,370
<b>TOTAL ASSETS</b>	<b>\$ 251,292</b>	<b>\$ 1,487,302</b>	<b>\$ 1,395,009</b>	<b>\$ 190,624</b>	<b>\$ 163,186</b>
<b>LIABILITIES:</b>					
Tax Refunds Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable and Accrued Liabilities	9,951	29,770	260,185	11,600	6,088
Due To Other Governments	-	61,616	44,460	-	20,647
Due To Other Funds	41	228	620	-	23,927
Unearned Revenue	13	4,021	44,163	-	700
Compensated Absences Payable	-	-	-	-	-
Claims and Judgments Payable	221	-	92	-	-
Other Current Liabilities	477	-	31	-	-
Deposits Held In Custody For Others	-	-	-	-	5
<b>TOTAL LIABILITIES</b>	<b>10,703</b>	<b>95,635</b>	<b>349,551</b>	<b>11,600</b>	<b>51,367</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>					
	-	992	2,804	-	-
<b>FUND BALANCES:</b>					
<b>Nonspendable:</b>					
Long-term Portion of Interfund Loans Receivable	-	13	-	-	-
Inventories	-	72,018	18,012	-	-
Prepays	1	11,887	3,717	-	45
Restricted	70,637	79,502	961,284	179,024	18,583
Committed	169,951	1,227,255	59,641	-	93,191
<b>TOTAL FUND BALANCES</b>	<b>240,589</b>	<b>1,390,675</b>	<b>1,042,654</b>	<b>179,024</b>	<b>111,819</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 251,292</b>	<b>\$ 1,487,302</b>	<b>\$ 1,395,009</b>	<b>\$ 190,624</b>	<b>\$ 163,186</b>

TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
\$ 123,941	\$ 5,202	\$ 131,232	\$ 195,189	\$ 717,798	\$ 2,326,274
280	-	-	-	3,040	38,788
59,878	2	7,034	1,410	13,652	147,777
1,040	-	34,369	-	8,806	50,078
183	-	-	-	14,835	34,565
-	-	293	-	-	90,323
-	1	58	3	27,307	43,019
-	-	-	-	316	1,191,419
-	-	-	-	-	4,267
-	-	-	-	-	444,218
-	-	-	173,378	5,727	179,283
-	-	-	-	24,297	486,673
<b>\$ 185,322</b>	<b>\$ 5,205</b>	<b>\$ 172,986</b>	<b>\$ 369,980</b>	<b>\$ 815,778</b>	<b>\$ 5,036,684</b>
\$ -	\$ -	\$ -	\$ -	\$ 135	\$ 135
21,008	475	9,215	626	48,380	397,298
174	340	32	-	1,600	128,869
3,028	-	61	-	1,783	29,688
-	-	11,069	-	53,499	113,465
-	-	-	-	10	10
-	-	-	-	12	325
-	-	203	-	2,516	3,227
-	-	-	-	46	51
<b>24,210</b>	<b>815</b>	<b>20,580</b>	<b>626</b>	<b>107,981</b>	<b>673,068</b>
<b>280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,566</b>	<b>5,642</b>
-	-	-	-	-	13
-	-	293	-	-	90,323
-	1	58	3	27,307	43,019
21,127	6,666	6,181	-	17,282	1,360,286
139,705	(2,277)	145,874	369,351	661,642	2,864,333
<b>160,832</b>	<b>4,390</b>	<b>152,406</b>	<b>369,354</b>	<b>706,231</b>	<b>4,357,974</b>
<b>\$ 185,322</b>	<b>\$ 5,205</b>	<b>\$ 172,986</b>	<b>\$ 369,980</b>	<b>\$ 815,778</b>	<b>\$ 5,036,684</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)

	LABOR	RESOURCE EXTRACTION	HIGHWAY USERS TAX	STATE EDUCATION	GAMING
<b>REVENUES:</b>					
Taxes:					
Individual and Fiduciary Income	\$ -	\$ -	\$ -	\$ 628,715	\$ -
Corporate Income	-	-	-	64,085	-
Sales and Use	-	-	-	-	-
Excise	-	-	654,887	-	-
Other Taxes	53,507	24,726	363	-	125,000
Licenses, Permits, and Fines	1,101	3,982	409,519	-	841
Charges for Goods and Services	117	17,239	154,772	-	285
Rents	-	3	3,609	-	-
Investment Income (Loss)	3,785	42,961	31,131	8,954	5,115
Federal Grants and Contracts	8	125,942	456,454	-	-
Unclaimed Property Receipts	-	-	-	-	-
Other	8,890	4,097	167,135	62	2,259
<b>TOTAL REVENUES</b>	<b>67,408</b>	<b>435,950</b>	<b>1,877,870</b>	<b>701,816</b>	<b>133,500</b>
<b>EXPENDITURES:</b>					
Current:					
General Government	1,280	-	60,701	-	-
Business, Community, and Consumer Affairs	47,920	6,138	-	-	31,692
Education	-	-	-	49,298	16,039
Health and Rehabilitation	-	544	12,303	-	33
Justice	17,209	-	143,078	-	-
Natural Resources	-	69,769	-	-	-
Social Assistance	-	-	-	-	-
Transportation	-	-	1,294,660	-	-
Capital Outlay	8	11,913	53,874	-	-
Intergovernmental:					
Cities	4,944	57,289	263,769	-	18,296
Counties	7,792	44,068	279,289	-	19,367
School Districts	-	1,897	-	654,915	540
Special Districts	280	21,651	64,986	-	759
Federal	-	1,144	2	-	-
Other	-	3,951	822	-	2,019
Debt Service	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>79,433</b>	<b>218,364</b>	<b>2,173,484</b>	<b>704,213</b>	<b>88,745</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(12,025)</b>	<b>217,586</b>	<b>(295,614)</b>	<b>(2,397)</b>	<b>44,755</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers- In	52,667	24,750	445,317	28,663	274
Transfers- Out	(855)	(92,764)	(59,252)	(53,159)	(41,726)
Sale of Capital Assets	-	-	-	-	-
Insurance Recoveries	-	-	4	-	3
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>51,812</b>	<b>(68,014)</b>	<b>386,069</b>	<b>(24,496)</b>	<b>(41,449)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>39,787</b>	<b>149,572</b>	<b>90,455</b>	<b>(26,893)</b>	<b>3,306</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING (as restated)</b>	<b>200,802</b>	<b>1,241,103</b>	<b>952,199</b>	<b>205,917</b>	<b>108,513</b>
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 240,589</b>	<b>\$ 1,390,675</b>	<b>\$ 1,042,654</b>	<b>\$ 179,024</b>	<b>\$ 111,819</b>

TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 628,715
-	-	-	-	-	64,085
-	-	-	-	41,112	41,112
131,899	-	-	-	62,890	849,676
-	-	-	-	1,124	421,720
80,997	90	53,204	-	282,236	831,970
1,265	1,679	78,204	-	61,970	315,531
-	-	-	-	6,258	9,870
3,923	232	4,406	21,518	22,037	144,062
2,122	-	51,534	-	152,237	788,297
-	-	-	47,144	-	47,144
366	426	5,789	20	26,271	215,315
220,572	2,427	193,137	68,682	656,135	4,357,497
71	-	93	2,478	31,788	96,411
-	171	2,159	1,886	225,124	315,090
976	-	-	-	21,291	87,604
29,713	-	54,170	-	45,789	142,552
300	-	55,133	-	150,021	365,741
-	2,039	-	-	10	71,818
121,850	-	63,354	-	42,844	228,048
-	-	-	-	3,289	1,297,949
38	175	668	6,571	3,531	76,778
1,198	99	2,315	-	42,014	389,924
22,038	1,606	1,266	5	45,087	420,518
32,682	-	66	-	53,688	743,788
2,845	-	200	33	2,694	93,448
-	-	173	41	82	1,442
12,174	73	4,498	-	40,429	63,966
-	-	-	752	1,234	1,986
223,885	4,163	184,095	11,766	708,915	4,397,063
(3,313)	(1,736)	9,042	56,916	(52,780)	(39,566)
54,286	670	26,716	17	314,488	947,848
(27,167)	(142)	(10,704)	(16,671)	(135,621)	(438,061)
-	-	-	6,295	-	6,295
-	-	-	-	-	7
27,119	528	16,012	(10,359)	178,867	516,089
23,806	(1,208)	25,054	46,557	126,087	476,523
137,026	5,598	127,352	322,797	580,144	3,881,451
\$ 160,832	\$ 4,390	\$ 152,406	\$ 369,354	\$ 706,231	\$ 4,357,974





## **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, 2019**

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
<b>ASSETS:</b>			
Other Receivables, net	\$ 10,406	\$ -	\$ 10,406
Prepays, Advances and Deposits	3	-	3
Restricted Assets:			
Restricted Cash and Pooled Cash	155,364	16,223	171,587
Restricted Investments	1,094,276	-	1,094,276
Other Long-Term Assets	15,839	-	15,839
<b>TOTAL ASSETS</b>	<b>\$ 1,275,888</b>	<b>\$ 16,223</b>	<b>\$ 1,292,111</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
	1,948	-	1,948
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Liabilities	\$ 2,761	\$ -	\$ 2,761
Due To Other Governments	5	-	5
Due To Other Funds	221	-	221
<b>TOTAL LIABILITIES</b>	<b>2,987</b>	<b>-</b>	<b>2,987</b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Permanent Fund Principal	1,274,846	-	1,274,846
Prepays	3	-	3
Committed	-	16,223	16,223
<b>TOTAL FUND BALANCES</b>	<b>1,274,849</b>	<b>16,223</b>	<b>1,291,072</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,277,836</b>	<b>\$ 16,223</b>	<b>\$ 1,294,059</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Rents	161,540	3,467	165,007
Investment Income (Loss)	92,073	524	92,597
Additions to Permanent Funds	1,062	-	1,062
Other	28	13	41
TOTAL REVENUES	254,703	4,004	258,707
EXPENDITURES:			
Current:			
General Government	553	5	558
Natural Resources	16,100	-	16,100
Capital Outlay	(1,085)	-	(1,085)
Intergovernmental:			
Counties	41	-	41
TOTAL EXPENDITURES	15,609	5	15,614
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	239,094	3,999	243,093
OTHER FINANCING SOURCES (USES):			
Transfers- In	5,967	-	5,967
Transfers- Out	(105,695)	-	(105,695)
Sale of Capital Assets	17,860	-	17,860
TOTAL OTHER FINANCING SOURCES (USES)	(81,868)	-	(81,868)
NET CHANGE IN FUND BALANCES	157,226	3,999	161,225
FUND BALANCE, FISCAL YEAR BEGINNING (as restated)	1,117,623	12,224	1,129,847
FUND BALANCE, FISCAL YEAR END	\$ 1,274,849	\$ 16,223	\$ 1,291,072

## 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.

### UNEMPLOYMENT INSURANCE

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

### LOTTERY

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

### 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, 2019**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	UNEMPLOYMENT INSURANCE	STATE LOTTERY	STATE FAIR AUTHORITY
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash and Pooled Cash	\$ 145,352	\$ 138,571	\$ 30,640	\$ 52,228	\$ 2,912
Investments	-	-	-	-	-
Premiums/Taxes Receivable, net	-	-	115,263	-	-
Contributions Receivable, net	-	-	-	-	-
Student and Other Receivables, net	14,994	101	2,509	24,133	253
Due From Other Governments	6,698	925	5,672	-	-
Due From Other Funds	3,986	-	7	-	-
Inventories	986	-	-	1,609	-
Prepays, Advances and Deposits	2,443	48	-	6,069	78
Total Current Assets	174,459	139,645	154,091	84,039	3,243
<b>Noncurrent Assets:</b>					
Restricted Cash and Pooled Cash	36,705	41,596	1,137,612	2,488	-
Restricted Receivables	-	39,570	-	-	-
Investments	-	-	-	-	-
Other Long- Term Assets	-	-	-	-	-
Depreciable Capital Assets and Infrastructure, net	173,488	345	3,017	423	11,870
Land and Nondepreciable Capital Assets	389,158	-	16,729	-	615
Total Noncurrent Assets	599,351	81,511	1,157,358	2,911	12,485
<b>TOTAL ASSETS</b>	<b>773,810</b>	<b>221,156</b>	<b>1,311,449</b>	<b>86,950</b>	<b>15,728</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>46,380</b>	<b>1,071</b>	<b>2,255</b>	<b>4,361</b>	<b>994</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Accrued Liabilities	20,730	35	643	11,948	400
Due To Other Governments	-	30,721	1	128	-
Due To Other Funds	807	-	24	32,965	-
Unearned Revenue	48,808	-	-	-	664
Compensated Absences Payable	987	61	-	44	5
Leases Payable	-	-	-	-	-
Notes, Bonds, and COPs Payable	-	-	-	-	-
Other Current Liabilities	33	1,793	11,766	37,773	7
Total Current Liabilities	71,365	32,610	12,434	82,858	1,076
<b>Noncurrent Liabilities:</b>					
Due to Other Funds	16,877	-	-	-	-
Deposits Held In Custody For Others	25	-	-	-	-
Accrued Compensated Absences	8,164	75	-	776	106
Capital Lease Payable	-	-	-	-	-
Notes, Bonds, and COPs Payable	-	-	-	-	-
Net Pension Liability	246,433	2,793	13,543	25,422	6,543
Other Postemployment Benefits	10,105	98	570	1,076	270
Other Long- Term Liabilities	-	-	-	23	-
Total Noncurrent Liabilities	281,604	2,966	14,113	27,297	6,919
<b>TOTAL LIABILITIES</b>	<b>352,969</b>	<b>35,576</b>	<b>26,547</b>	<b>110,155</b>	<b>7,995</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<b>133,561</b>	<b>1,654</b>	<b>8,859</b>	<b>13,796</b>	<b>3,478</b>
<b>NET POSITION:</b>					
Net investment in Capital Assets:	562,646	345	19,746	423	12,485
Restricted for:					
Unemployment Insurance	-	-	1,258,552	-	-
Debt Service	-	-	-	-	-
Emergencies	34,000	-	-	-	-
Other Purposes	65,961	50,446	-	2,488	-
Unrestricted	(328,947)	134,206	-	(35,551)	(7,236)
<b>TOTAL NET POSITION</b>	<b>\$ 333,660</b>	<b>\$ 184,997</b>	<b>\$ 1,278,298</b>	<b>\$ (32,640)</b>	<b>\$ 5,249</b>

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTAL
\$ 944	\$ 26,024	\$ 7,559	\$ 4,705	\$ 272,920	\$ 52,684	\$ 734,539
-	-	-	-	-	355	355
-	-	-	15	-	257	115,535
-	-	-	-	-	-	-
1,445	895	-	3,370	10,544	470	58,714
1,879	2,959	-	-	9,178	257	27,568
3,646	2,218	-	-	-	6	9,863
11,365	189	672	-	-	169	14,990
-	93	-	-	45	625	9,401
19,279	32,378	8,231	8,090	292,687	54,823	970,965
-	-	-	-	28,749	99	1,247,249
-	-	-	-	-	-	39,570
-	-	-	-	18,306	12,780	31,086
1,438	-	-	-	-	-	1,438
3,544	29,421	1,972	22	1,011,361	12,502	1,247,965
977	3,921	-	-	572,465	4,256	988,121
5,959	33,342	1,972	22	1,630,881	29,637	3,555,429
25,238	65,720	10,203	8,112	1,923,568	84,460	4,526,394
6,926	15,814	1,022	1,435	3,443	7,226	90,927
6,773	4,067	1,269	2,980	49,716	2,603	101,164
-	763	-	-	-	-	31,613
-	-	-	-	-	11,502	45,298
391	663	-	-	-	6,057	56,583
140	203	-	-	3	42	1,485
-	298	-	-	-	-	298
-	-	-	-	-	550	550
5	90	-	14	-	36	51,517
7,309	6,084	1,269	2,994	49,719	20,790	288,508
-	-	-	-	1,968	-	18,845
-	-	-	-	-	-	25
1,115	2,066	239	439	38	976	13,994
-	1,741	-	-	-	-	1,741
-	-	-	-	524,748	1,227	525,975
36,413	93,452	5,905	8,138	8,428	29,976	477,046
1,548	3,945	249	333	355	1,098	19,647
-	-	-	-	47,874	-	47,897
39,076	101,204	6,393	8,910	583,411	33,277	1,105,170
46,385	107,288	7,662	11,904	633,130	54,067	1,393,678
18,820	51,572	3,088	5,162	140,732	14,478	395,200
4,521	31,303	1,972	22	875,665	14,981	1,524,109
-	-	-	-	-	-	1,258,552
-	-	-	-	35,188	-	35,188
-	-	-	-	-	-	34,000
-	-	-	-	-	-	118,895
(37,562)	(108,629)	(1,497)	(7,541)	242,296	8,160	(142,301)
\$ (33,041)	\$ (77,326)	\$ 475	\$ (7,519)	\$ 1,153,149	\$ 23,141	\$ 2,828,443

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	UNEMPLOYMENT INSURANCE	STATE LOTTERY	STATE FAIR AUTHORITY
OPERATING REVENUES:					
Unemployment Insurance Premiums	\$ -	\$ -	\$ 546,650	\$ -	\$ -
License and Permits	135,761	-	138	64	-
Tuition and Fees	2	-	-	-	-
Sales of Goods and Services	7,581	-	-	679,780	6,554
Investment Income (Loss)	-	2,522	-	-	-
Rental Income	-	-	-	-	554
Federal Grants and Contracts	35,477	235,686	12,973	-	-
Intergovernmental Revenue	31,929	-	-	-	-
Other	4,229	20	-	889	-
TOTAL OPERATING REVENUES	214,979	238,228	559,761	680,733	7,108
OPERATING EXPENSES:					
Salaries and Fringe Benefits	72,214	863	4,923	7,953	3,376
Operating and Travel	94,392	208,495	377,275	70,841	4,104
Cost of Goods Sold	444	-	-	15,671	-
Depreciation and Amortization	12,436	68	2,400	142	846
Intergovernmental Distributions	6,860	-	-	-	-
Debt Service	-	12,806	-	-	-
Prizes and Awards	19	-	-	416,939	893
TOTAL OPERATING EXPENSES	186,365	222,232	384,598	511,546	9,219
OPERATING INCOME (LOSS)	28,614	15,996	175,163	169,187	(2,111)
NONOPERATING REVENUES AND (EXPENSES):					
Taxes	-	-	-	-	-
Fines and Settlements	371	-	2,188	-	-
Investment Income (Loss)	5,524	6,955	25,421	2,319	3,508
Rental Income	13,702	-	-	-	-
Gifts and Donations	766	-	-	-	515
Intergovernmental Distributions	-	-	-	(68,494)	-
Federal Grants and Contracts	-	-	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	165	-	-	-	-
Insurance Recoveries from Prior Year Impairments	113	-	-	-	-
Debt Service	(1)	-	-	-	(18)
Other Revenues	3	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	20,643	6,955	27,609	(66,175)	4,005
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	49,257	22,951	202,772	103,012	1,894
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:					
Capital Contributions	50	-	-	-	59
Transfers- In	25,636	19	83	175	1,554
Transfers- Out	(4,331)	(76)	(56)	(98,665)	(108)
TOTAL CONTRIBUTIONS AND TRANSFERS	21,355	(57)	27	(98,490)	1,505
CHANGE IN NET POSITION	70,612	22,894	202,799	4,522	3,399
NET POSITION - FISCAL YEAR BEGINNING (RESTATED)	263,048	162,103	1,075,499	(37,162)	1,850
NET POSITION - FISCAL YEAR ENDING	\$ 333,660	\$ 184,997	\$ 1,278,298	\$ (32,640)	\$ 5,249



CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 546,650
-	-	-	505	-	8,067	144,535
-	1	-	6	-	1,854	1,863
44,792	25,181	19,447	-	124,984	5,332	913,651
-	-	-	-	-	2,109	4,631
-	-	-	-	-	2,138	2,692
3,614	33,550	-	-	9,921	1,011	332,232
-	251	-	-	-	-	32,180
245	48	830	-	179	223	6,663
48,651	59,031	20,277	511	135,084	20,734	1,985,097
11,959	28,877	1,369	12,949	6,002	8,299	158,784
10,360	10,757	4,356	24,619	2,233	8,147	815,579
23,966	-	14,013	-	-	387	54,481
435	2,028	115	18	17,865	914	37,267
-	5,061	-	-	101	2,475	14,497
-	-	-	-	-	-	12,806
-	-	10	-	-	1	417,862
46,720	46,723	19,863	37,586	26,201	20,223	1,511,276
1,931	12,308	414	(37,075)	108,883	511	473,821
-	-	-	34,846	-	-	34,846
-	-	-	-	731	34	3,324
74	920	381	301	11,342	554	57,299
33	21	-	-	-	-	13,756
4	-	-	-	3,109	386	4,780
-	-	-	-	-	-	(68,494)
-	-	-	-	5,795	-	5,795
-	66	2	-	1,143	(9)	1,367
-	-	-	-	-	-	113
(17)	(68)	-	-	(6,882)	(56)	(7,042)
-	-	-	-	-	-	3
94	939	383	35,147	15,238	909	45,747
2,025	13,247	797	(1,928)	124,121	1,420	519,568
-	-	-	-	-	-	109
246	1,631	42	61	55	503	30,005
(992)	(2,177)	(81)	(18)	-	(612)	(107,116)
(746)	(546)	(39)	43	55	(109)	(77,002)
1,279	12,701	758	(1,885)	124,176	1,311	442,566
(34,320)	(90,027)	(283)	(5,634)	1,028,973	21,830	2,385,877
\$ (33,041)	\$ (77,326)	\$ 475	\$ (7,519)	\$ 1,153,149	\$ 23,141	\$ 2,828,443

**COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	UNEMPLOYMENT INSURANCE	STATE LOTTERY	STATE FAIR AUTHORITY
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from:					
Tuition, Fees, and Student Loans	\$ -	\$ -	\$ -	\$ -	\$ -
Fees for Service	134,778	-	3,892	-	4,754
Receipts for Interfund Services	25	-	103	-	-
Sales of Products	1,864	-	163	679,912	55
Gifts, Grants, and Contracts	44,588	231,718	12,964	-	-
Unemployment Insurance Premiums	-	-	548,976	-	-
Income from Property	13,702	-	-	-	554
Other Sources	34,906	2,542	-	1,128	1,721
Cash Payments to or for:					
Employees	(98,950)	(1,483)	(7,055)	(11,128)	(4,239)
Suppliers	(60,703)	(3,321)	(8,606)	(32,414)	(3,688)
Payments for Interfund Services	(3,447)	(68)	(774)	-	(49)
Sales Commissions and Lottery Prizes	(7,221)	-	-	(471,071)	-
Unemployment Benefits	-	-	(378,655)	-	-
Other Governments	(6,860)	-	-	-	-
Other	(17,305)	(218,042)	(4,454)	(323)	(966)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>35,377</b>	<b>11,346</b>	<b>166,554</b>	<b>166,104</b>	<b>(1,858)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers- In	23,931	2	-	-	1,414
Transfers- Out	(4,331)	(76)	(56)	(98,665)	(108)
Receipt of Deposits Held in Custody	750	-	-	-	5
Release of Deposits Held in Custody	(749)	-	-	-	-
Gifts and Grants for Other Than Capital Purposes	766	-	-	-	515
Intergovernmental Distributions	-	-	-	(61,801)	-
Other	-	-	-	-	3,482
NonCapital Debt Proceeds	-	-	-	-	-
NonCapital Debt Service Payments	-	-	-	-	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>20,367</b>	<b>(74)</b>	<b>(56)</b>	<b>(160,466)</b>	<b>5,308</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of Capital Assets	(88,500)	(160)	(34,923)	(587)	(1,019)
Proceeds from Sale of Capital Assets	48,982	80	18,194	280	560
Capital Debt Proceeds	-	-	-	-	-
Capital Debt Service Payments	(1)	-	-	-	-
Capital Lease Payments	-	-	-	-	(889)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(39,519)</b>	<b>(80)</b>	<b>(16,729)</b>	<b>(307)</b>	<b>(1,348)</b>

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
\$ -	\$ 1	\$ -	\$ -	\$ -	\$ 1,897	\$ 1,898
132	27,097	-	-	124,702	3,767	299,122
7,434	11	-	-	892	1,902	10,367
34,005	-	19,447	-	-	774	736,220
3,780	34,002	-	-	6,716	1,046	334,814
-	-	-	-	-	-	548,976
33	21	-	-	-	2,195	16,505
246	528	832	36,660	48,748	7,459	134,770
(15,206)	(39,021)	(2,276)	(14,344)	(9,438)	(8,599)	(211,739)
(31,394)	(12,632)	(18,303)	(266)	(10,987)	(7,878)	(190,192)
(99)	(128)	(214)	(129)	(371)	-	(5,279)
-	-	(1)	-	-	-	(478,293)
-	-	-	-	-	-	(378,655)
-	(5,062)	-	-	(101)	(2,475)	(14,498)
(240)	(29)	(16)	(23,428)	-	(137)	(264,940)
(1,309)	4,788	(531)	(1,507)	160,161	(49)	539,076
-	986	-	-	-	664	26,997
(992)	(2,177)	(81)	(18)	-	(915)	(107,419)
7	-	-	2	-	-	764
(7)	-	-	-	-	-	(756)
4	-	-	-	-	386	1,671
-	-	-	-	-	-	(61,801)
-	-	-	-	-	-	3,482
-	64	-	-	19,876	167	20,107
-	(64)	-	-	(19,876)	(167)	(20,107)
(988)	(1,191)	(81)	(16)	-	135	(137,062)
(692)	(1,218)	(1,595)	(158)	(186,659)	(17,083)	(332,594)
360	711	711	143	1,143	15,959	87,123
-	-	-	-	-	530	530
(17)	-	-	-	(11,974)	(1,150)	(13,142)
-	(366)	-	-	-	-	(1,255)
(349)	(873)	(884)	(15)	(197,490)	(1,744)	(259,338)

(Continued)

**STATEMENT OF CASH FLOWS, CONTINUED  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	UNEMPLOYMENT INSURANCE	STATE LOTTERY	STATE FAIR AUTHORITY
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest and Dividends on Investments	2,933	6,526	25,414	1,480	-
Proceeds from Sale/Maturity of Investments	-	-	-	-	-
Purchases of Investments	-	-	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	2,591	429	7	839	27
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>5,524</b>	<b>6,955</b>	<b>25,421</b>	<b>2,319</b>	<b>27</b>
<b>NET INCREASE (DECREASE) IN CASH AND POOLED CASH</b>	<b>21,749</b>	<b>18,147</b>	<b>175,190</b>	<b>7,650</b>	<b>2,129</b>
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	160,308	162,020	993,062	47,066	783
CASH AND POOLED CASH, FISCAL YEAR END	<u>\$ 182,057</u>	<u>\$ 180,167</u>	<u>\$ 1,168,252</u>	<u>\$ 54,716</u>	<u>\$ 2,912</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 28,614	\$ 15,996	\$ 175,163	\$ 169,187	\$ (2,111)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	12,436	68	2,400	142	846
Investment/Rental Income and Other Revenue in Operating Income	-	-	-	-	-
State Support for PERA Pensions	1,705	19	83	175	45
Rents, Fines, Donations, and Grants and Contracts in NonOperating	14,808	-	2,188	-	-
Compensated Absences Expense	522	32	-	32	6
Interest and Other Expense in Operating Income	6,975	(1)	(1)	28	225
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:					
(Increase) Decrease in Operating Receivables	(3,854)	(4,104)	(4,198)	(1,947)	(142)
(Increase) Decrease in Inventories	(260)	-	-	261	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	363	(12)	-	(1,256)	(16)
(Increase) Decrease in Pension Deferred Outflow	43,485	(238)	4,237	5,465	1,320
(Increase) Decrease in OPEB Deferred Outflow	(309)	(20)	(6)	(14)	(4)
Increase (Decrease) in Accounts Payable	(1,605)	(26)	(2,127)	(319)	156
Increase (Decrease) in Pension Liability	(183,124)	(1,064)	(12,041)	(20,430)	(4,982)
Increase (Decrease) in OPEB Liability	446	26	(11)	9	9
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	4,935	30	(5,271)	3,158	118
Increase (Decrease) in Pension Deferred Inflow	110,253	645	6,127	11,596	2,675
Increase (Decrease) in OPEB Deferred Inflow	(13)	(5)	11	17	(3)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 35,377</b>	<b>\$ 11,346</b>	<b>\$ 166,554</b>	<b>\$ 166,104</b>	<b>\$ (1,858)</b>
<b>SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:</b>					
Capital Assets Funded by the Capital Projects Fund	-	-	-	-	59
Capital Assets Acquired by Grants or Donations and Payable Increases	67	-	-	-	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	2,591	900	7	-	-
Loss on Disposal of Capital and Other Assets	1,916	-	-	-	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	-	-	-	-	-
State Support for PERA Pensions	1,705	19	83	175	45
Advertising Provided through Private Sponsorship	-	-	-	-	1,204

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
22	493	236	149	7,092	1,393	45,738
-	-	-	-	24,173	1,595	25,768
-	-	-	-	(24,190)	(1,166)	(25,356)
52	426	144	152	4,231	1,282	10,180
74	919	380	301	11,306	3,104	56,330
(2,572)	3,643	(1,116)	(1,237)	(26,023)	1,446	199,006
3,516	22,381	8,675	5,942	327,692	51,337	1,782,782
\$ 944	\$ 26,024	\$ 7,559	\$ 4,705	\$ 301,669	\$ 52,783	\$ 1,981,788

\$ 1,931	\$ 12,308	\$ 414	\$ (37,075)	\$ 108,883	\$ 511	\$ 473,821
435	2,028	115	18	17,865	914	37,267
-	-	-	-	-	(2,109)	(2,109)
246	645	42	61	55	177	3,253
33	21	2	34,846	9,635	-	61,533
(30)	121	(3)	(57)	(17)	(19)	587
(23)	17	173	15	(17,530)	1	(10,121)
(3,160)	832	-	1,302	(8,565)	62	(23,774)
(517)	(12)	27	-	-	161	(340)
549	(24)	-	-	29	(352)	(719)
5,815	19,862	1,278	2,038	(711)	5,342	87,893
(53)	(56)	(2)	(5)	(69)	(53)	(591)
2,514	(51)	(345)	827	8,419	355	7,798
(25,605)	(75,394)	(4,544)	(7,829)	(3,146)	(18,030)	(356,189)
111	41	7	(30)	90	111	809
104	500	-	-	44,894	752	49,220
16,363	43,888	2,305	4,350	380	12,134	210,716
(22)	62	-	32	(51)	(6)	22
\$ (1,309)	\$ 4,788	\$ (531)	\$ (1,507)	\$ 160,161	\$ (49)	\$ 539,076

-	-	-	-	-	-	59
-	-	-	-	65,918	-	65,985
52	426	144	152	1,323	1,282	6,877
-	(726)	-	-	-	59	1,249
-	312	-	-	-	405	717
246	645	42	61	55	177	3,253
-	-	-	-	-	-	1,204



## INTERNAL SERVICE FUNDS

These funds account for operations of State agencies that provide a majority of their services to other State agencies on a user charge basis. The major activities in these funds are:

CENTRAL SERVICES	This fund accounts for the sales of goods and services to other State agencies. The sales items include mail services, printing, quick copy, graphic design, microfilming, fleet, and motor pool.
STATEWIDE FINANCIAL INFORMATION TECHNOLOGY SYSTEMS CASH FUND	This fund accounts for information technology maintenance and upgrades as well as direct and indirect costs of the department in connection with Statewide financial and human resources information technology systems.
INFORMATION TECHNOLOGY	This fund accounts for computer and telecommunications services sold to other State agencies.
CAPITOL COMPLEX	This fund accounts for the cost and income related to maintaining State office space in the complex surrounding the State Capitol. Only certain capitol complex capital assets are reported in this fund, and other capitol complex capital assets are reported on the government-wide financial statements.
HIGHWAYS	This fund is used to account for the operations of the Department of Transportation print shop.
PUBLIC SAFETY	This fund accounts for aircraft rental to State agencies by the Department of Public Safety.
OFFICE OF ADMINISTRATIVE COURTS	This fund accounts for the operations of the Office of Administrative Courts in the Department of Personnel & Administration.
LEGAL SERVICES	This fund accounts for the Attorney General's services to State agencies in the Department of Law.
OTHER INTERNAL SERVICE ACTIVITIES	This fund primarily accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to State agencies on a straight commission basis.

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2019**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 13,191	\$ 3,453	\$ 21,759	\$ 7,684
Other Receivables, net	1,156	-	68	1
Due From Other Governments	-	-	146	-
Due From Other Funds	-	-	277	-
Inventories	597	-	-	136
Prepays, Advances and Deposits	15	93	8,087	-
Total Current Assets	14,959	3,546	30,337	7,821
<b>Noncurrent Assets:</b>				
Depreciable Capital Assets and Infrastructure, net	76,848	21,934	16,578	10,749
Land and Nondepreciable Capital Assets	-	174	137	-
Total Noncurrent Assets	76,848	22,108	16,715	10,749
<b>TOTAL ASSETS</b>	<b>91,807</b>	<b>25,654</b>	<b>47,052</b>	<b>18,570</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>				
	4,347	1,421	43,979	1,900
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	2,110	440	20,207	1,181
Due To Other Governments	1	-	-	-
Due To Other Funds	-	-	-	-
Unearned Revenue	-	-	3,876	49
Compensated Absences Payable	-	-	1,071	14
Leases Payable	16,645	3,725	-	1,453
Other Current Liabilities	242	-	-	-
Total Current Liabilities	18,998	4,165	25,154	2,697
<b>Noncurrent Liabilities:</b>				
Accrued Compensated Absences	581	109	7,166	246
Capital Lease Payable	56,194	7,524	-	9,360
Net Pension Liability	22,850	6,302	265,977	11,060
Other Postemployment Benefits	918	259	10,526	452
Total Noncurrent Liabilities	80,543	14,194	283,669	21,118
<b>TOTAL LIABILITIES</b>	<b>99,541</b>	<b>18,359</b>	<b>308,823</b>	<b>23,815</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>				
	12,825	3,347	137,537	6,022
<b>NET POSITION:</b>				
Net investment in Capital Assets:	4,008	10,859	16,715	(63)
Unrestricted	(20,220)	(5,490)	(372,044)	(9,304)
<b>TOTAL NET POSITION</b>	<b>\$ (16,212)</b>	<b>\$ 5,369</b>	<b>\$ (355,329)</b>	<b>\$ (9,367)</b>



HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ -	\$ 269	\$ 1,324	\$ 8,961	\$ 170	\$ 56,811
4	20	4	3	32	1,288
-	-	-	-	-	146
-	-	-	-	-	277
161	-	-	-	-	894
-	-	7	469	-	8,671
165	289	1,335	9,433	202	68,087
68	1,672	21	1,002	-	128,872
-	-	-	-	-	311
68	1,672	21	1,002	-	129,183
233	1,961	1,356	10,435	202	197,270
218	71	2,243	15,991	753	70,923
32	1	377	2,850	369	27,567
-	-	-	-	-	1
596	-	-	-	-	596
-	-	-	-	50	3,975
-	-	14	315	-	1,414
-	-	-	-	-	21,823
-	-	-	-	-	242
628	1	391	3,165	419	55,618
-	-	343	1,617	31	10,093
-	-	-	-	-	73,078
1,396	-	13,081	81,785	3,267	405,718
59	-	536	3,259	136	16,145
1,455	-	13,960	86,661	3,434	505,034
2,083	1	14,351	89,826	3,853	560,652
1,712	-	7,001	42,524	3,058	214,026
68	1,672	21	1,002	-	34,282
(3,412)	359	(17,774)	(106,926)	(5,956)	(540,767)
\$ (3,344)	\$ 2,031	\$ (17,753)	\$ (105,924)	\$ (5,956)	\$ (506,485)

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
OPERATING REVENUES:				
Sales of Goods and Services	\$ 65,410	\$ 12,941	\$ 298,465	\$ 23
Rental Income	-	-	-	15,967
Other	1,047	-	16	1
TOTAL OPERATING REVENUES	66,457	12,941	298,481	15,991
OPERATING EXPENSES:				
Salaries and Fringe Benefits	6,539	2,416	157,906	2,772
Operating and Travel	35,629	6,649	108,885	6,717
Depreciation and Amortization	19,327	4,332	3,913	2,336
Prizes and Awards	-	-	17	2
TOTAL OPERATING EXPENSES	61,495	13,397	270,721	11,827
OPERATING INCOME (LOSS)	4,962	(456)	27,760	4,164
NONOPERATING REVENUES AND (EXPENSES):				
Fines and Settlements	4	-	-	-
Investment Income (Loss)	-	83	478	-
Gain/(Loss) on Sale or Impairment of Capital Assets	1,581	-	706	131
Insurance Recoveries from Prior Year Impairments	36	-	-	-
Debt Service	(1,605)	(169)	(79)	(552)
TOTAL NONOPERATING REVENUES (EXPENSES)	16	(86)	1,105	(421)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	4,978	(542)	28,865	3,743
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	985	-	-	-
Transfers- In	637	932	1,911	109
Transfers- Out	(364)	(122)	(653)	(1,946)
TOTAL CONTRIBUTIONS AND TRANSFERS	1,258	810	1,258	(1,837)
CHANGE IN NET POSITION	6,236	268	30,123	1,906
NET POSITION - FISCAL YEAR BEGINNING	(22,448)	5,101	(385,452)	(11,273)
NET POSITION - FISCAL YEAR ENDING	\$ (16,212)	\$ 5,369	\$ (355,329)	\$ (9,367)

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ 1,333	\$ 155	\$ 5,652	\$ 41,200	\$ 2,891	\$ 428,070
-	-	-	-	-	15,967
-	-	-	-	53	1,117
1,333	155	5,652	41,200	2,944	445,154
(364)	40	2,989	28,616	1,246	202,160
758	59	1,171	3,175	1,415	164,458
31	304	1	236	-	30,480
-	-	-	10	-	29
425	403	4,161	32,037	2,661	397,127
908	(248)	1,491	9,163	283	48,027
-	-	-	-	-	4
-	-	46	301	9	917
-	-	22	-	-	2,440
-	-	-	-	-	36
(13)	-	-	(5)	-	(2,423)
(13)	-	68	296	9	974
895	(248)	1,559	9,459	292	49,001
-	-	-	-	-	985
9	-	90	563	25	4,276
-	-	(116)	(3,340)	(100)	(6,641)
9	-	(26)	(2,777)	(75)	(1,380)
904	(248)	1,533	6,682	217	47,621
(4,248)	2,279	(19,286)	(112,606)	(6,173)	(554,106)
\$ (3,344)	\$ 2,031	\$ (17,753)	\$ (105,924)	\$ (5,956)	\$ (506,485)

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from:				
Fees for Service	\$ 1,856	\$ -	\$ 640	\$ 39
Receipts for Interfund Services	63,055	12,941	298,000	19
Sales of Products	6	-	-	-
Gifts, Grants, and Contracts	204	-	-	-
Income from Property	-	-	-	15,967
Other Sources	883	-	2,653	182
Cash Payments to or for:				
Employees	(9,316)	(2,138)	(181,653)	(4,153)
Suppliers	(32,581)	(137)	(69,268)	(5,513)
Payments for Interfund Services	(3,098)	(6,502)	(51,939)	(722)
Sales Commissions and Lottery Prizes	-	-	-	-
Other	(35)	(2)	(97)	(3)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>20,974</b>	<b>4,162</b>	<b>(1,664)</b>	<b>5,816</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers- In	508	889	72	33
Transfers- Out	(364)	(122)	(653)	(1,946)
Receipt of Deposits Held in Custody	490	-	-	-
Release of Deposits Held in Custody	(435)	-	-	-
NonCapital Debt Proceeds	-	115	-	-
NonCapital Debt Service Payments	-	(115)	-	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>199</b>	<b>767</b>	<b>(581)</b>	<b>(1,913)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of Capital Assets	(409,531)	25	(7,082)	(60,955)
Proceeds from Sale of Capital Assets	409,787	-	4,644	60,593
Capital Debt Service Payments	(18)	(29)	(79)	-
Capital Lease Payments	(18,542)	(3,894)	-	(2,005)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(18,304)</b>	<b>(3,898)</b>	<b>(2,517)</b>	<b>(2,367)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and Dividends on Investments	-	38	24	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	45	454	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-</b>	<b>83</b>	<b>478</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND POOLED CASH</b>	<b>2,869</b>	<b>1,114</b>	<b>(4,284)</b>	<b>1,536</b>
<b>CASH AND POOLED CASH, FISCAL YEAR BEGINNING</b>	<b>10,322</b>	<b>2,339</b>	<b>26,043</b>	<b>6,148</b>
<b>CASH AND POOLED CASH, FISCAL YEAR END</b>	<b>\$ 13,191</b>	<b>\$ 3,453</b>	<b>\$ 21,759</b>	<b>\$ 7,684</b>

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ -	\$ 14	\$ 23	\$ 21	\$ 235	\$ 2,828
5	128	5,632	41,181	2,655	423,616
1,325	-	-	-	-	1,331
-	-	-	-	-	204
-	-	-	-	-	15,967
-	-	-	-	45	3,763
(493)	(2)	(4,436)	(34,184)	(1,991)	(238,366)
(3,358)	(86)	(603)	(2,919)	(682)	(115,147)
596	(13)	(572)	(474)	(504)	(63,228)
-	-	-	-	(179)	(179)
(3)	-	(1)	(10)	(27)	(178)
(1,928)	41	43	3,615	(448)	30,611
-	-	-	-	-	1,502
-	-	(116)	(3,340)	(100)	(6,641)
-	-	-	-	-	490
-	-	-	-	-	(435)
-	-	-	-	-	115
-	-	-	-	-	(115)
-	-	(116)	(3,340)	(100)	(5,084)
-	(695)	(67)	(355)	(94)	(478,754)
-	363	44	176	-	475,607
(13)	-	-	(5)	-	(144)
-	-	-	-	-	(24,441)
(13)	(332)	(23)	(184)	(94)	(27,732)
-	-	23	153	2	240
-	-	23	148	7	677
-	-	46	301	9	917
(1,941)	(291)	(50)	392	(633)	(1,288)
1,941	560	1,374	8,569	803	58,099
\$ -	\$ 269	\$ 1,324	\$ 8,961	\$ 170	\$ 56,811

(Continued)

**STATEMENT OF CASH FLOWS, CONTINUED**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 4,962	\$ (456)	\$ 27,760	\$ 4,164
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	19,327	4,332	3,913	2,336
State Support for PERA Pensions	155	43	1,839	76
Rents, Fines, Donations, and Grants in NonOperating	40	-	-	131
Compensated Absences Expense	46	(2)	466	(6)
Interest and Other Expense in Operating Income	233	1	93	97
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	(493)	-	176	34
(Increase) Decrease in Inventories	(139)	-	-	21
(Increase) Decrease in Other Operating Assets and Deferred Outflows	4	(71)	(4,358)	-
(Increase) Decrease in Pension Deferred Outflow	3,951	1,441	55,821	2,505
(Increase) Decrease in OPEB Deferred Outflow	(34)	(16)	(136)	(3)
Increase (Decrease) in Accounts Payable	(144)	91	(7,951)	379
Increase (Decrease) in Pension Liability	(17,340)	(4,015)	(201,965)	(8,837)
Increase (Decrease) in OPEB Liability	27	27	397	6
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	(4)	-	2,637	49
Increase (Decrease) in Pension Deferred Inflow	10,362	2,791	119,735	4,858
Increase (Decrease) in OPEB Deferred Inflow	21	(4)	(91)	6
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 20,974	\$ 4,162	\$ (1,664)	\$ 5,816
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	959	-	-	-
Loss on Disposal of Capital and Other Assets	52,149	-	(2,823)	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	-	748	-	-
Assumption of Capital Lease Obligation or Mortgage	18,000	-	-	-
State Support for PERA Pensions	155	43	1,839	76

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ 908	\$ (248)	\$ 1,491	\$ 9,163	\$ 283	\$ 48,027
31	304	1	236	-	30,480
9	1	90	563	25	2,801
-	-	-	-	-	171
-	-	15	45	(7)	557
1	(31)	22	2	131	549
(4)	(12)	3	2	-	(294)
(100)	-	-	-	-	(218)
-	-	(7)	(244)	-	(4,676)
565	93	2,934	14,127	1,457	82,894
-	1	(3)	(108)	5	(294)
(2,502)	(10)	(2)	109	(135)	(10,165)
(2,531)	(1)	(10,241)	(57,094)	(4,836)	(306,860)
(31)	-	13	209	(45)	603
593	-	-	-	(8)	3,267
1,109	(56)	5,724	36,655	2,641	183,819
24	-	3	(50)	41	(50)
\$ (1,928)	\$ 41	\$ 43	\$ 3,615	\$ (448)	\$ 30,611
-	-	-	-	-	959
-	-	(88)	-	-	49,238
-	-	-	-	-	748
-	-	-	-	-	18,000
9	1	90	563	25	2,801

## FIDUCIARY FUNDS

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

### PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

#### STATE EMPLOYEE BENEFIT PLANS

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

#### COLORADO STATE UNIVERSITY OTHER POST-EMPLOYMENT BENEFITS TRUST

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

### PRIVATE PURPOSE TRUST FUNDS

#### TREASURER'S

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

#### UNCLAIMED PROPERTY

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



#### COLLEGE SAVINGS PLAN

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

#### COLLEGE OPPORTUNITY FUND

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

#### OTHER

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

#### AGENCY FUNDS

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

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	STATE EMPLOYEE BENEFIT PLANS	COLORADO STATE UNIVERSITY OTHER POST-EMPLOYMENT BENEFITS TRUST	TOTALS
<b>ASSETS:</b>			
Current Assets:			
Cash and Pooled Cash	\$ 83,224	\$ -	\$ 83,224
Other Receivables, net	860	1,787	2,647
Due From Other Funds	1,110	-	1,110
Total Current Assets	85,194	1,787	86,981
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	517	517
Investments:			
Government Securities	-	5,272	5,272
Corporate Bonds	-	9,217	9,217
Asset Backed Securities	-	888	888
Mortgages	-	8,499	8,499
Mutual Funds	-	32,675	32,675
Other Investments	-	28,629	28,629
Total Noncurrent Assets	-	85,697	85,697
<b>TOTAL ASSETS</b>	<b>85,194</b>	<b>87,484</b>	<b>172,678</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	21,344	3,530	24,874
Due To Other Funds	14	-	14
Intrafund Payables	1	-	1
Claims and Judgments Payable	20,935	-	20,935
Total Current Liabilities	42,294	3,530	45,824
Noncurrent Liabilities:			
Accrued Compensated Absences	46	-	46
Total Noncurrent Liabilities	46	-	46
<b>TOTAL LIABILITIES</b>	<b>42,340</b>	<b>3,530</b>	<b>45,870</b>
<b>NET POSITION:</b>			
Restricted for:			
OPEB	-	83,954	83,954
Held in Trust for:			
Pension/Benefit Plan Participants	42,854	-	42,854
<b>TOTAL NET POSITION</b>	<b>\$ 42,854</b>	<b>\$ 83,954</b>	<b>\$ 126,808</b>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	STATE EMPLOYEE BENEFIT PLANS	COLORADO STATE UNIVERSITY OTHER POST-EMPLOYMENT BENEFITS TRUST	TOTALS
ADDITIONS:			
Member Contributions	\$ 84,764	\$ 1,636	\$ 86,400
Employer Contributions	342,990	151	343,141
Investment Income/(Loss)	2,568	4,350	6,918
Other Additions	5,163	-	5,163
Transfers- In	1,568	-	1,568
TOTAL ADDITIONS	437,053	6,137	443,190
DEDUCTIONS:			
Distributions to Participants	-	3,305	3,305
Health Insurance Premiums Paid	157,378	-	157,378
Health Insurance Claims Paid	228,846	-	228,846
Other Benefits Plan Expense	31,893	-	31,893
Other Deductions	20,975	149	21,124
Transfers- Out	224	-	224
TOTAL DEDUCTIONS	439,316	3,454	442,770
CHANGE IN NET POSITION	(2,263)	2,683	420
NET POSITION - FISCAL YEAR BEGINNING	45,117	81,271	126,388
NET POSITION - FISCAL YEAR ENDING	\$ 42,854	\$ 83,954	\$ 126,808

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
JUNE 30, 2019**

(DOLLARS IN THOUSANDS)						
	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	OTHER	TOTALS
<b>ASSETS:</b>						
Current Assets:						
Cash and Pooled Cash	\$ 14,387	\$ 167,876	\$ 358	\$ 136	\$ 5,981	\$ 188,738
Other Receivables, net	41	-	12,149	-	1,571	13,761
Due From Other Funds	-	-	11,502	-	-	11,502
Noncurrent Assets:						
Restricted Cash and Pooled Cash	-	-	68,451	-	-	68,451
Investments:						
Government Securities	-	18,487	-	-	663	19,150
Mutual Funds	-	-	8,583,920	-	-	8,583,920
Other Investments	-	-	142,654	-	-	142,654
<b>TOTAL ASSETS</b>	<b>14,428</b>	<b>186,363</b>	<b>8,819,034</b>	<b>136</b>	<b>8,215</b>	<b>9,028,176</b>
<b>LIABILITIES:</b>						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 9,935	\$ 115	\$ 2,143	\$ 12,193
Due To Other Funds	-	-	6	-	-	6
Unearned Revenue	-	-	5,508	-	4,977	10,485
Noncurrent Liabilities:						
Deposits Held In Custody For Others	-	-	5,906	-	-	5,906
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>21,355</b>	<b>115</b>	<b>7,120</b>	<b>28,590</b>
<b>NET POSITION:</b>						
Held in Trust for:						
Individuals, Organizations, and Other Entities	14,428	186,363	8,797,679	21	1,095	8,999,586
<b>TOTAL NET POSITION</b>	<b>\$ 14,428</b>	<b>\$ 186,363</b>	<b>\$ 8,797,679</b>	<b>\$ 21</b>	<b>\$ 1,095</b>	<b>\$ 8,999,586</b>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)						
	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	OTHER	TOTALS
ADDITIONS:						
Additions By Participants	\$ -	\$ -	\$ 1,005,775	\$ 319,853	\$ 12,480	\$ 1,338,108
Investment Income/(Loss)	539	2,533	522,055	-	260	525,387
Unclaimed Property Receipts	-	61,285	-	-	-	61,285
Other Additions	1,021	-	1,201	-	1,238	3,460
Transfers- In	-	-	35	-	2	37
TOTAL ADDITIONS	1,560	63,818	1,529,066	319,853	13,980	1,928,277
DEDUCTIONS:						
Distributions to Participants	-	-	-	319,968	-	319,968
Payments in Accordance with Trust Agreements	580	46,822	875,989	-	13,599	936,990
Transfers- Out	-	-	-	-	26	26
TOTAL DEDUCTIONS	580	46,822	875,989	319,968	13,625	1,256,984
CHANGE IN NET POSITION	980	16,996	653,077	(115)	355	671,293
NET POSITION - FISCAL YEAR BEGINNING	13,448	169,367	8,144,602	136	740	8,328,293
NET POSITION - FISCAL YEAR ENDING	\$ 14,428	\$ 186,363	\$ 8,797,679	\$ 21	\$ 1,095	\$ 8,999,586

**COMBINING STATEMENT OF CHANGES  
IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**DEPARTMENT OF REVENUE AGENCY FUNDS**

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 145,727	\$ 1,899,522	\$ 1,882,248	\$ 163,001
Taxes Receivable, net	185,414	455,227	444,471	196,170
Other Receivables, net	-	369	369	-
Due From Other Funds	-	402	201	201
<b>TOTAL ASSETS</b>	<b>\$ 331,141</b>	<b>\$ 2,355,520</b>	<b>\$ 2,327,289</b>	<b>\$ 359,372</b>
<b>LIABILITIES:</b>				
Tax Refunds Payable	\$ 2,574	\$ 3,295	\$ 2,932	\$ 2,937
Accounts Payable and Accrued Liabilities	10	34,397	34,407	-
Due To Other Governments	329,180	2,123,239	2,097,377	355,042
Due To Other Funds	-	20	20	-
Claims and Judgments Payable	45	445	421	69
Other Current Liabilities	(877)	1,612	-	735
Other Long- Term Liabilities	209	2,577	2,197	589
<b>TOTAL LIABILITIES</b>	<b>\$ 331,141</b>	<b>\$ 2,165,585</b>	<b>\$ 2,137,354</b>	<b>\$ 359,372</b>

**COMBINING STATEMENT OF CHANGES  
IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**OTHER AGENCY FUNDS**

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 145,016	\$ 217,060	\$ 218,262	\$ 143,814
Taxes Receivable, net	7,753	19,402	18,940	8,215
Other Receivables, net	305	1,500	1,509	296
Inventories	3	2	-	5
Other Long- Term Assets	9,780	974	1,933	8,821
<b>TOTAL ASSETS</b>	<b>\$ 162,857</b>	<b>\$ 238,938</b>	<b>\$ 240,644</b>	<b>\$ 161,151</b>
<b>LIABILITIES:</b>				
Tax Refunds Payable	\$ 173	\$ 148	\$ 198	\$ 123
Accounts Payable and Accrued Liabilities	1,258	23,150	23,620	788
Due To Other Governments	13,723	119,898	118,957	14,664
Due To Other Funds	-	8,334	8,334	-
Claims and Judgments Payable	-	28	28	-
Other Current Liabilities	147,247	145,090	147,214	145,123
Deposits Held In Custody For Others	449	81	102	428
Other Long- Term Liabilities	7	166	148	25
<b>TOTAL LIABILITIES</b>	<b>\$ 162,857</b>	<b>\$ 296,895</b>	<b>\$ 298,601</b>	<b>\$ 161,151</b>

**COMBINING STATEMENT OF CHANGES  
IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**DEPARTMENT OF TREASURY AGENCY FUNDS**

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 502,077	\$ 1,062,186	\$ 343,434	\$ 1,220,829
Other Receivables, net	-	282	282	-
Due From Other Funds	11,115	10,519	21,634	-
Due From Component Units	188	313	394	107
<b>TOTAL ASSETS</b>	<b>\$ 513,380</b>	<b>\$ 1,073,300</b>	<b>\$ 365,744</b>	<b>\$ 1,220,936</b>
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Liabilities	\$ 27	\$ 429	\$ 441	\$ 15
Other Current Liabilities	465,162	1,066,805	343,644	1,188,323
Deposits Held In Custody For Others	48,191	558	16,151	32,598
<b>TOTAL LIABILITIES</b>	<b>\$ 513,380</b>	<b>\$ 1,067,792</b>	<b>\$ 360,236</b>	<b>\$ 1,220,936</b>

**COMBINING STATEMENT OF CHANGES  
IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**TOTALS - ALL AGENCY FUNDS**

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 792,820	\$ 3,178,768	\$ 2,443,944	\$ 1,527,644
Taxes Receivable, net	193,167	474,629	463,411	204,385
Other Receivables, net	305	2,151	2,160	296
Due From Other Funds	11,115	10,921	21,835	201
Due From Component Units	188	313	394	107
Inventories	3	2	-	5
Other Long- Term Assets	9,780	974	1,933	8,821
<b>TOTAL ASSETS</b>	<b>\$ 1,007,378</b>	<b>\$ 3,667,758</b>	<b>\$ 2,933,677</b>	<b>\$ 1,741,459</b>
<b>LIABILITIES:</b>				
Tax Refunds Payable	\$ 2,747	\$ 3,443	\$ 3,130	\$ 3,060
Accounts Payable and Accrued Liabilities	1,295	57,976	58,468	803
Due To Other Governments	342,903	2,243,137	2,216,334	369,706
Due To Other Funds	-	8,354	8,354	-
Claims and Judgments Payable	45	473	449	69
Other Current Liabilities	611,532	1,213,507	490,858	1,334,181
Deposits Held In Custody For Others	48,640	639	16,253	33,026
Other Long- Term Liabilities	216	2,743	2,345	614
<b>TOTAL LIABILITIES</b>	<b>\$ 1,007,378</b>	<b>\$ 3,530,272</b>	<b>\$ 2,796,191</b>	<b>\$ 1,741,459</b>





## **COMPONENT UNITS**

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements. Descriptions of each of the component units presented can be found in Note 1.

**COMBINING STATEMENT OF NET POSITION  
OTHER COMPONENT UNITS (NONMAJOR)  
JUNE 30, 2019**

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	HLC @ METRO	TOTAL
<b>ASSETS:</b>			
Current Assets:			
Cash and Pooled Cash	\$ 2,918	\$ 232	\$ 3,150
Other Receivables, net	2,709	204	2,913
Due From Other Governments	-	334	334
Total Current Assets	5,627	770	6,397
Noncurrent Assets:			
Restricted Cash and Pooled Cash	2,548	9,236	11,784
Other Long- Term Assets	218	202	420
Depreciable Capital Assets and Infrastructure, net	141,981	36,182	178,163
Land and Nondepreciable Capital Assets	24,552	297	24,849
Total Noncurrent Assets	169,299	45,917	215,216
<b>TOTAL ASSETS</b>	<b>174,926</b>	<b>46,687</b>	<b>221,613</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>-</b>	<b>4,487</b>	<b>4,487</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	3,156	1,251	4,407
Notes, Bonds, and COPs Payable	-	1,317	1,317
Other Current Liabilities	-	604	604
Total Current Liabilities	3,156	3,172	6,328
Noncurrent Liabilities:			
Notes, Bonds, and COPs Payable	-	48,919	48,919
Other Long- Term Liabilities	7,000	4,487	11,487
Total Noncurrent Liabilities	7,000	53,406	60,406
<b>TOTAL LIABILITIES</b>	<b>10,156</b>	<b>56,578</b>	<b>66,734</b>
<b>NET POSITION:</b>			
Net investment in Capital Assets:	166,533	(12,285)	154,248
Restricted for:			
Permanent Funds and Endowments:			
Expendable	-	-	-
Other Purposes	2,894	6,738	9,632
Unrestricted	(4,657)	143	(4,514)
<b>TOTAL NET POSITION</b>	<b>\$ 164,770</b>	<b>\$ (5,404)</b>	<b>\$ 159,366</b>

**COMBINING STATEMENT OF ACTIVITIES  
OTHER COMPONENT UNITS (NONMAJOR)  
FOR THE YEAR ENDED JUNE 30, 2019**

(DOLLARS IN THOUSANDS)			
	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	HLC @ METRO	TOTAL
EXPENSES	\$ 6,857	\$ 10,965	\$ 17,822
PROGRAM REVENUES:			
Charges for Services	10,065	10,369	20,434
Operating Grants and Contributions	-	1	1
Capital Grants and Contributions	2,500	998	3,498
TOTAL PROGRAM REVENUES:	12,565	11,368	23,933
NET (EXPENSE) REVENUE	5,708	403	6,111
GENERAL REVENUES:			
Unrestricted Investment Earnings (Losses)	46	169	215
TOTAL GENERAL REVENUES	46	169	215
CHANGE IN NET POSITION	5,754	572	6,326
NET POSITION - FISCAL YEAR BEGINNING (as restated)	159,016	(5,976)	153,040
NET POSITION - FISCAL YEAR ENDING	\$ 164,770	\$ (5,404)	\$ 159,366



## **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, 2019**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS- IN:</b>				
Sales and Other Excise Taxes			\$ 428,341	
Income Taxes			948,554	
Other Taxes			36,533	
Sales and Services			132	
Interest Earnings			3,074	
Other Revenues			4,777	
Transfers- In			5,592	
<b>TOTAL REVENUES AND TRANSFERS- IN</b>			<b>1,427,003</b>	
<b>EXPENDITURES AND TRANSFERS- OUT:</b>				
Operating Budgets:				
Departmental:				
Governor	\$ -	\$ 750	750	\$ -
Health Care Policy and Financing	-	11,022	10,995	27
Higher Education	-	408	408	-
Human Services	-	272	272	-
Local Affairs	4,300	4,300	4,222	78
Personnel & Administration	-	972	766	206
Public Health and Environment	-	2,019	1,868	151
Regulatory Agencies	4,150	4,150	4,150	-
Revenue	207,172	308,930	283,005	25,925
Treasury	1,068,079	1,068,079	1,028,571	39,508
Transfers Not Appropriated by Department	90,382	90,382	90,382	-
<b>SUB- TOTAL OPERATING BUDGETS</b>	<b>1,374,083</b>	<b>1,491,284</b>	<b>1,425,389</b>	<b>65,895</b>
<b>TOTAL EXPENDITURES AND TRANSFERS- OUT</b>	<b>\$ 1,374,083</b>	<b>\$ 1,491,284</b>	<b>1,425,389</b>	<b>\$ 65,895</b>
<b>EXCESS OF REVENUES AND TRANSFERS- IN OVER (UNDER) EXPENDITURES AND TRANSFERS- OUT</b>			<b>\$ 1,614</b>	

**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, 2019**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS- IN:</b>				
Sales and Other Excise Taxes			\$ 880,311	
Other Taxes			983,744	
Tuition and Fees			260,688	
Sales and Services			1,660,355	
Interest Earnings			701,248	
Health Care Provider Fees			3	
Other Revenues			3,029,440	
Transfers- In			6,426,788	
Capital Contributions			25	
<b>TOTAL REVENUES AND TRANSFERS- IN</b>			<b>13,942,602</b>	
<b>EXPENDITURES/EXPENSES AND TRANSFERS- OUT:</b>				
<b>Operating Budgets:</b>				
<b>Departmental:</b>				
Agriculture	\$ 3,187	\$ 7,038	3,926	\$ 3,112
Corrections	21,895	43,107	41,645	1,462
Education	4,137,243	4,130,003	4,106,185	23,818
Governor	362,400	369,747	130,802	238,945
Health Care Policy and Financing	21,217	23,527	12,594	10,933
Higher Education	1,830,424	1,871,323	1,592,256	279,067
Human Services	317,119	153,006	113,205	39,801
Judicial Branch	46,872	64,562	56,424	8,138
Labor and Employment	482,137	482,548	411,605	70,943
Law	39,023	39,467	10,750	28,717
Legislative Branch	13,646	13,646	5,453	8,193
Local Affairs	284,145	322,889	220,519	102,370
Military and Veterans Affairs	2,374	2,374	2,007	367
Natural Resources	906,536	938,714	428,306	510,408
Personnel & Administration	510,193	515,234	499,901	15,333
Public Health and Environment	38,923	111,670	12,635	99,035
Public Safety	162,539	162,710	94,672	68,038
Regulatory Agencies	9,003	9,630	1,860	7,770
Revenue	809,887	947,867	911,124	36,743
State	6,427	6,485	3,028	3,457
Transportation	4,115,533	4,127,262	1,183,622	2,943,640
Treasury	2,518,067	2,557,537	1,930,859	626,678
Budgets/Transfers Not Recorded by Department	6,736	169,377	169,398	(21)
<b>SUB- TOTAL OPERATING BUDGETS</b>	<b>16,645,526</b>	<b>17,069,723</b>	<b>11,942,776</b>	<b>5,126,947</b>
<b>Capital and Multi- Year Budgets:</b>				
<b>Departmental:</b>				
Agriculture	2,210	2,210	-	2,210
Corrections	8,407	8,407	274	8,133
Education	1,137	1,137	6	1,131
Governor	576	576	20	556
Higher Education	65,651	64,094	5,658	58,436
Human Services	23,885	23,885	163	23,722
Military and Veterans Affairs	638	638	-	638
Natural Resources	13,873	67,177	27,314	39,863
Personnel & Administration	14,942	14,942	446	14,496
Public Health and Environment	1,715	1,715	75	1,640
Public Safety	740	740	44	696
<b>SUB- TOTAL CAPITAL AND MULTI- YEAR BUDGETS</b>	<b>133,774</b>	<b>185,521</b>	<b>34,000</b>	<b>151,521</b>
<b>TOTAL EXPENDITURES/EXPENSES AND TRANSFERS- OUT</b>	<b>\$ 16,779,300</b>	<b>\$ 17,255,244</b>	<b>11,976,776</b>	<b>\$ 5,278,468</b>
<b>EXCESS OF REVENUES AND TRANSFERS- IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS- OUT</b>			<b>\$ 1,965,826</b>	

**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, 2019**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS- IN:				
Federal Grants and Contracts			\$ 3,754,215	
TOTAL REVENUES AND TRANSFERS- IN			3,754,215	
EXPENDITURES/EXPENSES AND TRANSFERS- OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	\$ 3,909	\$ 10,933	5,492	\$ 5,441
Corrections	3,516	6,462	5,081	1,381
Education	617,195	856,453	615,616	240,837
Governor	6,767	54,973	28,297	26,676
Health Care Policy and Financing	272,872	486,514	366,153	120,361
Higher Education	29,037	408,235	269,539	138,696
Human Services	269,064	1,261,813	1,061,280	200,533
Judicial Branch	14,671	20,215	18,242	1,973
Labor and Employment	111,999	189,542	109,761	79,781
Law	2,002	1,948	1,657	291
Local Affairs	80,813	296,680	137,643	159,037
Military and Veterans Affairs	220,107	32,116	20,079	12,037
Natural Resources	26,568	97,400	49,507	47,893
Personnel & Administration	-	628	227	401
Public Health and Environment	279,274	455,026	298,903	156,123
Public Safety	69,839	449,391	109,820	339,571
Regulatory Agencies	1,250	8,508	3,439	5,069
Revenue	824	3,057	1,023	2,034
State	-	6,870	40	6,830
Transportation	658,926	998,661	392,382	606,279
Treasury	126,475	126,475	126,475	-
SUB- TOTAL CAPITAL AND MULTI- YEAR BUDGETS	2,795,108	5,771,900	3,620,656	2,151,244
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS- OUT	\$ 2,795,108	\$ 5,771,900	3,620,656	\$ 2,151,244
EXCESS OF REVENUES AND TRANSFERS- IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS- OUT			\$ 133,559	







**SCHEDULE OF TABOR REVENUE  
AND COMPUTATIONS**

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**STATE OF COLORADO**  
**OFFICE OF THE STATE CONTROLLER**  
**COMPARISON OF NONEXEMPT TABOR REVENUES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Percent Change
<b>GENERAL REVENUES</b>				
Individual Income Tax, Net	\$ 7,554,025,207	\$ 6,957,330,741	\$ 596,694,466	8.6%
Sales and Use Tax, Net	3,399,519,069	3,235,912,170	163,606,899	5.1%
Corporate Income Tax, Net	855,706,743	736,021,976	119,684,767	16.3%
Insurance Taxes	314,663,520	303,594,443	11,069,077	3.6%
Fiduciary Income Tax, Net	64,239,350	48,700,734	15,538,616	31.9%
Tobacco Products Tax, Net	54,840,609	50,982,130	3,858,479	7.6%
Alcoholic Beverages Tax, Net	48,304,172	46,487,583	1,816,589	3.9%
Court and Other Fines	25,517,610	9,203,005	16,314,605	177.3%
Interest and Investment Income	24,560,039	18,123,754	6,436,285	35.5%
Business Licenses and Permits	5,817,416	7,453,344	(1,635,928)	-21.9%
Miscellaneous Revenue	1,559,959	1,598,058	(38,099)	-2.4%
General Government Service Fees	1,020,382	667,032	353,350	53.0%
Gaming and Other Taxes	509,843	516,022	(6,179)	-1.2%
Public Safety Service Fees	55,650	-	55,650	N/A
Other Charges For Services	47,443	42,542	4,901	11.5%
Welfare Service Fees	8,434	-	8,434	N/A
<b>TOTAL GENERAL-FUNDED REVENUES</b>	<b>12,350,395,446</b>	<b>11,416,633,534</b>	<b>933,761,912</b>	<b>8.2%</b>
<b>PROGRAM REVENUES</b>				
Fuel and Transportation Taxes, Net	658,121,910	658,463,068	(341,158)	-0.1%
Motor Vehicle Registrations	280,349,502	280,279,899	69,603	0.0%
Severance Taxes	241,727,089	132,827,140	108,899,949	82.0%
Business Licenses and Permits	181,683,801	175,823,163	5,860,638	3.3%
Court and Other Fines	178,205,261	174,692,569	3,512,692	2.0%
Other Charges For Services	168,598,785	161,187,329	7,411,456	4.6%
Gaming and Other Taxes	105,662,962	105,879,363	(216,401)	-0.2%
Interest and Investment Income	88,757,023	62,050,575	26,706,448	43.0%
Health Service Fees	86,491,292	79,435,462	7,055,830	8.9%
General Government Service Fees	75,704,774	70,193,136	5,511,638	7.9%
Rents and Royalties	64,951,667	60,113,530	4,838,137	8.0%
Miscellaneous Revenue	54,481,376	69,091,036	(14,609,660)	-21.1%
Driver's Licenses	42,278,947	45,855,931	(3,576,984)	-7.8%
Sales and Use Tax, Net	41,112,066	42,921,159	(1,809,093)	-4.2%
Employment Taxes	34,090,799	34,245,305	(154,506)	-0.5%
Nonbusiness Licenses and Permits	30,649,735	34,334,358	(3,684,623)	-10.7%
Local Governments and Authorities	24,220,711	35,465,294	(11,244,583)	-31.7%
Certifications and Inspections	22,102,796	25,091,657	(2,988,861)	-11.9%
Public Safety Service Fees	20,347,834	21,186,165	(838,331)	-4.0%
Insurance Taxes	20,079,543	17,096,515	2,983,028	17.4%
Educational Fees	9,178,478	6,360,490	2,817,988	44.3%
Higher Education Auxiliary Sales and Services	3,935,786	6,437,136	(2,501,350)	-38.9%
Sales of Products	2,312,622	2,969,485	(656,863)	-22.1%
Welfare Service Fees	1,902,015	1,091,995	810,020	74.2%
Alcoholic Beverages Tax, Net	819,571	762,525	57,046	7.5%
Other Excise Taxes, Net	257,238	391,759	(134,521)	-34.3%
Tobacco Products Tax, Net	424	390	34	8.7%
Estate and Inheritance Taxes	169	758	(589)	-77.7%
<b>TOTAL PROGRAM REVENUES</b>	<b>2,438,024,176</b>	<b>2,304,247,192</b>	<b>133,776,984</b>	<b>5.8%</b>
<b>TOTAL NONEXEMPT REVENUE</b>	<b>\$ 14,788,419,622</b>	<b>\$ 13,720,880,726</b>	<b>\$ 1,067,538,896</b>	<b>7.8%</b>

STATE OF COLORADO  
SCHEDULE OF COMPUTATIONS REQUIRED  
UNDER ARTICLE X, SECTION 20  
AS OF JUNE 30, 2019

	FISCAL YEAR 2018	FISCAL YEAR 2019
<b>COMPUTATION OF NONEXEMPT REVENUES</b>		
Total State Expenditures	\$ 48,097,074,059	\$ 47,709,288,359
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	11,568,285,214	9,765,775,281
Colorado Healthcare Affordability and Sustainability Enterprise	3,310,867,117	3,430,425,656
CollegeInvest	777,595,435	877,688,744
State Lottery	622,320,424	678,705,486
College Assist	540,409,415	542,600,604
Unemployment Compensation Section	444,422,991	384,654,531
Parks and Wildlife	315,167,828	217,788,580
Correctional Industries	92,974,194	68,448,600
State Nursing Homes	90,791,740	47,137,788
Petroleum Storage Tank Fund	37,621,298	37,604,936
Statewide Transportation Enterprise	21,890,869	20,515,850
Statewide Bridge Enterprise	20,201,311	12,605,239
Brand Board	8,726,704	3,982,694
Clean Screen Authority	3,314,143	2,940,192
Electronic Recording Technology Fund	97,759	2,565,594
Capitol Parking Authority	851,756	751,687
Subtotal Enterprise Expenses	<u>17,855,538,198</u>	<u>16,094,191,462</u>
Total District Expenditures	<u>30,241,535,861</u>	<u>31,615,096,897</u>
Less Exempt District Revenues:		
Interfund Transfers	8,030,077,723	8,640,387,638
Federal Funds	7,047,690,375	6,681,094,966
Other Sources and Additions (Note 7)	847,158,445	1,492,961,744
Voter Approved Revenue Changes (Note 8)	1,023,117,034	1,112,149,036
Exempt Investment Income	(39,672,595)	238,472,414
Gifts	165,341,268	181,128,109
Property Sales	117,685,925	161,928,058
Damage Awards	197,267,370	105,223,336
Subtotal Exempt District Revenues	<u>17,388,665,545</u>	<u>18,613,345,301</u>
Nonexempt District Expenditures	12,852,870,316	13,001,751,596
District Reserve/Fund Balance Increase (Decrease)	849,500,024	1,358,332,520
Excess TABOR Revenues	<u>18,510,386</u>	<u>428,335,506</u>
Total Nonexempt District Revenues	<u>\$ 13,720,880,726</u>	<u>\$ 14,788,419,622</u>
<b>COMPUTATION OF DISTRICT FUND BALANCE CHANGES</b>		
Beginning District Fund Balance	\$ 6,193,393,968	\$ 7,002,966,380
Prior Period District Fund Balance Adjustments (Note 11)	(18,734,901)	(37,727,671)
(Qualification)/Disqualification of Enterprises (Note 14)	(39,703,097)	-
District Reserve/Fund Balance Increase (Decrease)	849,500,024	1,358,332,520
Retention of Revenues in Excess of the Limit C.R.S. 24-77-103.6(1)(a)	18,510,386	428,335,506
Ending District Fund Balance	<u>\$ 7,002,966,380</u>	<u>\$ 8,751,906,735</u>
<b>FISCAL YEAR 2019 COMPUTATION OF SPENDING LIMITATIONS</b>		
	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
<b>FY 2018 Adjusted Limit</b>	\$ 11,220,749,237	\$ 13,702,370,340
Allowable TABOR Growth Rate (Note 12)	4.8%	4.8%
<b>FY 2019 Adjusted Limit</b>	\$ 11,759,345,200	\$ 14,360,084,116
Less Fiscal Year 2019 Nonexempt District Revenues	<u>(14,788,419,622)</u>	<u>(14,788,419,622)</u>
<b>Amount (Over)Under Adjusted Limit FY 2019</b>	\$ (3,029,074,422)	\$ (428,335,506)
FY 2015 remaining amount in excess of the limit to be refunded in the next refund year		\$ 399,089
FY 2018 remaining amount in excess of the limit to be refunded in the next refund year		\$ 2,949,972
Amount to be refunded for Fiscal Year 2019		\$ 431,684,567
FY 2019 retention of revenues in excess of the limit (not refundable) C.R.S. 24-77-103.6(1)(b)		\$ 2,600,738,916

## **NOTES TO THE TABOR SCHEDULE OF REQUIRED COMPUTATIONS**

### **NOTE 1. PURPOSE OF THE SCHEDULE OF REQUIRED COMPUTATIONS**

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

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

The limit on revenue retention is based on an allowable growth percentage (see Note 12) applied to the lesser of the prior year's revenues or the prior year's limit. Revenues in excess of the limit are required to be refunded to taxpayers unless voters approve retention of the excess. In the 2005 general election, voters approved Referendum C, which allowed the State to retain revenues in excess of the limit for a five-year period. Beginning in Fiscal Year 2011, under Referendum C provisions, revenues are refunded only when they exceed the excess State revenues cap (see Note 9).

### **NOTE 2. BASIS OF ACCOUNTING**

Pursuant to Article 77 of Title 24, Colorado Revised Statutes, this report is prepared in accordance with generally accepted accounting principles (GAAP) for governmental entities except where an irreconcilable difference exists between GAAP, and State statute or the provisions of Article X Section 20 of the State Constitution (TABOR). The accounting principles used by the State are more fully described in Note 1 to the Financial Statements.

### **NOTE 3. DEFINITION OF THE DISTRICT**

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

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

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

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

(b) "State" does not include:

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

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

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

It further established a statutory mechanism that allows the governing boards of institutions of higher education to designate certain auxiliary operations as enterprises, which are also exempt from TABOR. Senate Bill 04-189 expanded the authority for each governing board of State institutions of higher education to designate the entire institution as a TABOR exempt enterprise. The Board of Regents of the University of Colorado designated the entire University of Colorado as an enterprise during Fiscal Year 2005, and the remaining boards designated their institutions as enterprises in Fiscal Year 2006. The Auraria Higher Education Center Board of Directors did not designate all of its activities as a TABOR enterprise, but it continues to have selected activities designated as a TABOR enterprise.

Although the General Assembly and governing boards have designated certain enterprises as exempt from TABOR, those enterprises must continue to meet the criteria of a government-owned business authorized to issue its own revenue bonds and to receive less than 10 percent of its revenue in grants from all Colorado state and local governments combined. The State Fair Authority remained disqualified as an enterprise for Fiscal Year 2019.

#### **NOTE 4. DEBT**

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

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

#### **NOTE 5. EMERGENCY RESERVES**

TABOR requires the reservation, for declared emergencies, of three percent or more of fiscal year spending, excluding bonded debt service payments. This requirement for Fiscal Year 2019 totals \$443,652,589.

At June 30, 2019, the net assets of the following funds were designated as the reserve, up to the limits set in the Long Appropriations Act (HB 18-1322):

- Major Medical Fund – \$74,000,000. Only \$70,636,813 of this fund’s balance was restricted since, at June 30, 2019 its net assets were less than \$74,000,000. The assets restricted were net cash of \$68,655,430 and investments, excluding unrealized gains, of \$1,981,383.
- Wildlife Cash Fund – \$34,000,000.
- Perpetual base account of the Severance Tax Fund – \$33,000,000.



- Colorado Water Conservation Board Construction Fund – \$33,000,000.
- Controlled Maintenance Trust Fund – \$93,996,000. Only \$54,607,903 of this fund’s net assets were restricted, all of it cash, since at June 30, 2019 its net assets were less than \$93,996,000. During the fiscal year, \$38,970,000 was transferred from the Controlled Maintenance Trust Fund to the Disaster Emergency Fund, through twelve executive orders, to pay for the costs of fighting wildfires and other purposes. Another \$500,000 was transferred from the trust fund to the Wildfire Emergency Response Fund, through an executive order, due to the costs of exceptional fire risk.
- Unclaimed Property Tourism Promotion Trust Fund - \$5,000,000.

House Bill 18-1322 (2018 legislative session Long Appropriations Act) designated up to \$160,272,000 of State properties as the remainder of the Fiscal Year 2019 emergency reserve.

The estimate of the needed reserve was based on the March 2018 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than available in the designated funds as detailed above, the amount restricted for the reserve was \$53,135,873 less than required by the State Constitution. There is no process by which the General Assembly can adjust the designated reserve after the end of the legislative session when the total TABOR revenues are finally known. In the event of an emergency that exceeds the financial assets in the reserve, the designated Wildlife Cash Fund capital assets would have to be liquidated to meet the constitutional requirement.

#### **NOTE 6. STATUS OF REFUNDING**

There are three TABOR refund mechanisms in current state law – the property tax exemption reimbursement, the temporary income tax rate reduction and the six-tiered sales tax refund. A summary of each is noted below:

1. Property tax exemption reimbursement – with the enactment of Senate Bill 17-267, excess revenue is first refunded via reimbursements to local governments equal to the amount of property tax revenue they lose as a result of the property tax exemptions for seniors and disabled veterans. The amount refunded via this mechanism is the lesser of actual reimbursements or the total refund obligation in accordance with Section 39-3-209(2) C.R.S. If the amount of excess revenue is less than the amount required to reimburse local governments for property tax exemptions for seniors and disabled veterans, then only the portion of the reimbursement equal to the refund obligation is accounted as a TABOR refund. This portion is paid from General Fund revenue set aside in the year when the TABOR surplus was collected. This is considered an under-distribution and is carried forward until the reimbursement is paid. The remaining portion of the reimbursement is financed from revenue collected in the fiscal year when the reimbursement is paid.

2. Temporary income tax rate reduction – under Section 39-22-627 C.R.S., the temporary income tax rate reduction refunds revenue via a temporary reduction in the state income tax rate from 4.63 percent to 4.50 percent for individual and corporate income taxpayers. The income tax rate reduction is triggered if and only if the refund obligation exceeds the amount of the property tax reimbursement mechanism by at least the amount of the reduction in revenue expected to result from the reduction in the income tax rate. When triggered, the income tax rate is reduced in the tax year following the fiscal year in which excess revenue is collected. If the refund obligation is less than the reduction in revenue expected to result from the reduction in the income tax rate, then the refund in excess of the property tax reimbursement mechanism is refunded via the third mechanism.
3. Six-tier sales tax refund mechanism – under Section 39-22-2001 through 2003 C.R.S., the six-tier sales tax refund refunds any excess amount outstanding after the payment of refunds via the property tax reimbursement mechanism and, if triggered, the temporary income tax rate reduction. Despite being called a sales tax refund, the refund appears on income tax forms as a means of returning sale tax revenue paid by individuals. The mechanism grants taxpayers a refund according to where their adjusted gross income falls among six adjusted gross income tiers. When the amount to be refunded via this mechanism is large enough to support at least \$15 per taxpayer, the Department of Revenue is required to distribute the amount among the tiers as it was distributed for the sales tax refund in the tax year 1999. If the amount to be refunded is less than \$15 per taxpayer, an equal refund is provided to each taxpayer regardless of income. Because the number of qualifying taxpayers and their adjusted gross incomes are estimates, the use of the second and third refund mechanisms can result in over or under distribution of the required refund throughout the four-year period allowed for amended tax returns.

Regardless of the refund mechanism, Section 24-77-103.8 C.R.S. requires that under-distributions of refunds be carried forward to subsequent years and added to the required refund in a future year when revenue is over the spending limit. Over-distributions of refunds, pursuant to Section 24-77-103.7 C.R.S., are also carried forward to subsequent years and are used to offset any future refund liability. The amount of the over/under carry forward is to be applied in the year following the year in which the refund is required to be made, which results in a two-year lag between the recording of the excess revenue and the adjustment for over or under refunds of those excess revenues.

At the beginning of Fiscal Year 2019, the State had an outstanding TABOR refund liability of \$39,837,174. During the fiscal year, \$39,695,485 was refunded from the Fiscal Year 2015 and Fiscal Year 2018 liabilities, the two fiscal years when revenue last exceeded the ESRC. Before calculation of the amount over/under the excess State revenues cap for Fiscal Year 2019, and the discovery of prior year revenue recognition errors, the amount left to refund was thus reduced to \$141,689. In Fiscal Year 2019, nonexempt revenue again exceeded the ESRC by \$428,335,506. With the discovery of revenue recognition errors in Fiscal Year 2019 that under-reported \$3,207,372 of nonexempt revenue affecting the Fiscal Year 2015 and Fiscal Year 2018 refunds, the resulting liability at June 30, 2019 was \$431,684,567 (see Note 15 for more detail).

## **NOTE 7. OTHER SOURCES AND ADDITIONS**

The \$1,493.0 million reported in this line item primarily comprises: \$426.6 million of pension and other employee benefit trust fund investment earnings and additions by the State and participants; \$797.04 million of proceeds from the issuance of certificates of participation; \$122.0 million of revenue to permanent funds and trusts; \$22.8 million of local government expenditures recorded by the State as revenues and expenditures to meet grant matching-funds requirements; and \$108.7 million of other miscellaneous revenue.

## **NOTE 8. VOTER APPROVED REVENUE CHANGES**

When State voters approve a revenue change, the resulting revenues are exempt from the TABOR limit on fiscal year spending. The following revenue changes were approved by voters:

- In the 1998 general election, voters approved a citizen-initiated law, Section 25-8-501.1 C.R.S. – Regulation of Commercial Hog Facilities – which instituted a permit fee. The State collected \$56,282 and \$59,562 from this exempt source in Fiscal Year 2019 and Fiscal Year 2018, respectively.
- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 14 to Article XVIII of the State Constitution. This amendment allowed the use of marijuana for medical purposes and authorized the Department of Public Health and Environment to charge a fee for the issuance of a permit for such purpose. The State recorded \$2,155,191 and \$1,647,470 including interest and unrealized gains/losses from this revenue source in Fiscal Year 2019 and Fiscal Year 2018, respectively.
- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 17 to Article IX of the State Constitution. This amendment created the State Education Fund and diverted the revenues from a tax of one-third of one percent on taxable income of individuals, corporations, estates, and trusts from the General Fund to the State Education Fund. It also exempted the revenue from TABOR. The amendment was effective January 1, 2001, and resulted in \$702,203,798 and \$617,552,518 of tax revenues, interest, operating transfers and unrealized gains/losses, as exclusions from fiscal year spending in Fiscal Year 2019 and Fiscal Year 2018, respectively.
- In the 2004 general election, voters approved a citizen-initiated amendment that added Section 21 to Article X of the State Constitution. The amendment authorized additional cigarette and tobacco taxes (3.2 cents per cigarette and 20 percent of manufacturer's list price for other tobacco products) effective January 1, 2005. The amendment specified the use of the tax revenue generated for specific health related programs, and it exempted the revenue from the TABOR limitations. The State recorded \$135,946,088 and \$146,991,846 of tax revenues, interest, transfers, and unrealized gains/losses from this exempt source in Fiscal Year 2019 and Fiscal Year 2018, respectively.

- In the 2005 general election, Colorado voters approved Referendum C – a measure referred to the voters by the Legislature. The referendum allowed the State to retain revenues in excess of the TABOR limit for a period of five years, and it stated that the excess revenue retained qualified as a voter approved revenue change. However, in order to determine the amount retained, the Schedule of Required Computations includes the retained amount as nonexempt revenue. Therefore, the retained amount is not reported in this note as a voter approved revenue change (see Note 9).
- In the 2008 general election, voters approved an amendment required to implement locally approved changes to the parameters for Limited Gaming under Section 9(7) of Article XVIII of the Colorado Constitution. This amendment allowed the residents of Central City, Black Hawk, and Cripple Creek to vote to extend casino hours, approve additional games and increase the maximum single bet limit. It required distribution of most of the gaming tax revenue that resulted from the new gaming limits to Colorado community colleges and to gaming cities and counties, and it exempted the new revenue from state and local revenue and spending limits. The State collected \$20,190,054 and \$20,232,009 of extended limited gaming revenue in Fiscal Year 2019 and Fiscal Year 2018, respectively.
- In the 2013 general election, Colorado voters approved Proposition AA, a measure referred to the voters by the Legislature. The proposition authorized a 15 percent state excise tax on the average wholesale price of retail marijuana, and, in addition to the existing 2.9 percent state sales tax, an additional 10 percent state sales tax on retail marijuana and retail marijuana products, effective January 1, 2014. The amendment specified the use of the excise tax revenue generated for public school construction (for the first \$40.0 million collected) with any additional excise revenue generated to be used for marijuana regulation.

With the enactment of Senate Bill 267 in the 2017 legislative session, the retail marijuana sales tax rate increased from 10 percent to 15 percent and exempted the 2.9 percent sales tax. The State's share of the retail tax increased from 85 percent to 90 percent. These changes took effect on July 1, 2017. The 15 percent excise tax on the wholesale price of retail marijuana still applies.

The State recorded \$58,940,346 of state excise tax and \$192,657,278 of retail marijuana state sales tax revenues from these exempt sources in Fiscal Year 2019. In the prior fiscal year, the State recorded \$68,435,222 and \$168,198,408 respectively, from these two sources.

#### **NOTE 9. REFERENDUM C**

Referendum C was placed on the ballot by the General Assembly and was approved by voters in the November 2005 election. It contained the following provisions:

- The State was authorized to retain and spend all revenues in excess of the limit on fiscal year spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constituted a voter approved revenue change.
- After July 1, 2010, the State is allowed to retain revenues in excess of the limit on fiscal year spending up to a newly defined excess State revenues cap (ESRC). The excess State revenues cap is the highest population and inflation-adjusted nonexempt revenue amount in the period from July 1, 2005, to June 30, 2010, also adjusted for qualification and disqualification of enterprises. This provision effectively disabled the ratchet down provision of TABOR during the five-year period. (The term “ratchet down” is used to describe the TABOR provision that requires each year’s base for calculating the limit to be the lesser of the prior year’s revenues or the prior year’s limit.)
- In the 2017 legislative session, enactment of Senate Bill 17-267 lowered the ESRC base by \$200 million. This one-time change took effect in Fiscal Year 2018 and permanently modified future year calculations of the amount over or under the ESRC. The revised ESRC in Fiscal Year 2018 set a new base which will continue to increase (or decrease) in future years by the combined percentage change in population and inflation.
- A General Fund Exempt Account was created within the General Fund to consist of the retained revenues for each fiscal year of the retention period. The Legislature appropriates money in the account for health care, education (including related capital projects), firefighter and police pension funding (for local governments), and strategic transportation projects.
- The Director of Research of the Legislative Council is required to report the amount of revenues retained with a description of how the retained revenues were expended.
- The State Controller’s annual report demonstrating compliance with the statutes implementing TABOR is required to include the amount of revenues that the State is authorized to retain and expend.

With the end of the Referendum C five-year excess revenue retention period, the State was subject to an ESRC starting in Fiscal Year 2011. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds.

Since the inception of Referendum C in Fiscal Year 2006, the State has retained \$21,816,035,899 -- \$3,593,602,662 during the initial five-year revenue retention period, and an additional \$18,222,433,237 due to the ESRC exceeding the Fiscal Year Spending limit in Fiscal Year 2011 through Fiscal Year 2019.

#### **NOTE 10. DISTRICT RESERVES**

District reserves are the cumulative fund balances of the State reported in the State’s Comprehensive Annual Financial Report at the fund level rather than the government-wide level. District reserves therefore exclude capital assets, liabilities that are not recorded in governmental funds at the fund level (primarily

long-term liabilities), as well as net assets of the TABOR enterprises. The majority of these funds include balances not available for general appropriation due to legal and contractual restrictions.

#### **NOTE 11. PRIOR PERIOD DISTRICT FUND BALANCE ADJUSTMENTS AND ACCOUNTING CHANGES**

Prior period District fund balance adjustments decreased the TABOR District fund balance in total by \$37,727,671.

Prior Period Adjustments –

- The Department of Natural Resources increased the district's net assets by \$27,798,444 to adjust the value of water in the Chatfield Reservoir Mitigation Project. The department also decreased the district's net assets by \$68,518,222 in a reclassification of buildings as investments and in a reclassification of land to the General Full Accrual Accounting Group.
- The Department of Human Services increased the district's net assets by \$2,992,107 in an adjustment that corrected an indirect cost allocation error affecting the Statewide Nursing Home Enterprise.

Accounting Changes –

There were no prior period adjustments in Fiscal Year 2019 due to accounting changes.

#### **NOTE 12. SOURCES OF TABOR GROWTH LIMIT**

The allowable percentage increase in State fiscal year spending equals the sum of inflation and the percentage change in State population in the calendar year ending six months prior to the start of the fiscal year. Inflation is defined in Section C.R.S. 24-77-102(8) C.R.S. as "the percentage change in the consumer price index for the Denver-Boulder Consolidated Metropolitan Statistical Area For All Urban Consumers, All Goods, as published by the U.S. Department of Labor, Bureau of Labor Statistics, or its successor index." The Bureau of Labor Statistics' successor index beginning with the Fiscal Year 2018 Schedule of Computations is the index for the Denver-Aurora-Lakewood area.

The 4.8 percent allowable growth rate comprises a 1.4 percent increase for population growth (census date population for 2017 compared to census date population for 2016) and a 3.4 percent increase for inflation.

#### **NOTE 13. SPENDING LIMIT ADJUSTMENTS FOR PRIOR YEAR ERRORS**

With the addition of the excess State revenues cap, spending limit adjustments only impact the calculation of the Fiscal Year Spending Limit. In Fiscal Year 2019 there were no prior year revenue

recognition errors that were large enough to impact the prior year base, therefore there were no adjustments to the Fiscal Year 2018 Fiscal Year Spending Limit.

#### **NOTE 14. ENTERPRISE QUALIFICATION AND DISQUALIFICATION**

The TABOR amendment to the State Constitution specifies that qualification and disqualification of enterprises shall change the District base. In order to ensure comparability between the base and current year nonexempt revenue, when an activity qualifies as an enterprise the base is reduced by the activity's prior year nonexempt revenue offset by revenue that would have been counted as nonexempt due to the activity's interaction with other State agencies. When a TABOR enterprise becomes disqualified, its current year nonexempt revenue is added to the base after application of the population and inflation growth adjustment and its prior year payments to other State agencies are removed from the base (before application of the allowable growth rate).

In Fiscal Year 2019, there were no enterprise-status disqualifications or re-qualifications. Therefore, there were no adjustments necessary to either the fiscal year spending limit or the excess State revenues cap, or in the amount of the district's net assets.

#### **NOTE 15. TREATMENT OF AMOUNTS HELD FOR FUTURE REFUND**

Section 24-77-103.5 C.R.S. requires that errors in the amount to be refunded be corrected in the year they are discovered. In Fiscal Year 2019, the discovery of various revenue recognition errors increased the amounts of the Fiscal Year 2015 and Fiscal Year 2018 refunds payable. The Fiscal Year 2015 refund payable increased by \$257,400 due to the misclassification of TABOR revenue as exempt from fiscal year spending limits. The Fiscal Year 2018 refund payable increased by \$2,949,972, also due to the misclassification of TABOR revenue as exempt.

At June 30, 2018, total refunds payable were \$39,837,174. Of this amount, \$21,326,788 was un-refunded excess revenue from Fiscal Year 2015. The rest, \$18,510,386 was excess revenue from Fiscal Year 2018. During Fiscal Year 2019, \$39,508,085 was refunded indirectly to taxpayers through the homestead exemption act as a reimbursement of exempt property tax revenue foregone by local governments. The total refund represents the entire amount of the Fiscal Year 2018 excess revenue and \$20,997,699 from the remaining part of the Fiscal Year 2015 refund liability. Another \$187,400 of the Fiscal Year 2015 liability was refunded to taxpayers through the sales tax refund mechanism in place at that time. Before calculation of the Fiscal Year 2019 amount of excess revenue and the discovery of revenue errors, the TABOR refund liability was \$141,689 – all of it from Fiscal Year 2015.

In Fiscal Year 2019, nonexempt revenue exceeded the ESRC by \$428,335,506. The Fiscal Year 2019 excess revenue (\$428,335,506) is added to the additional amounts of excess revenue from prior years discovered during Fiscal Year 2019 (\$257,400 and \$2,949,972) plus the remaining amount of the Fiscal

Year 2015 payable (\$141,689). The result is a TABOR refund payable at June 30, 2019 of \$431,684,567 (see Note 6).

**NOTE 16. FUTURE REFUNDS**

The Department of Revenue estimates that all three mechanisms to distribute the Fiscal Year 2019 TABOR refund payable will be used. See Note 6 for an explanation of the three mechanisms to distribute TABOR refunds.







# Statistical Section



## Comprehensive Annual Financial Report

*For the Fiscal Year Ended June 30, 2019*



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

**GOVERNMENT-WIDE  
SCHEDULE OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>ASSETS:</b>										
<b>Current Assets:</b>										
Cash and Pooled Cash	\$ 3,658,234	\$ 3,107,217	\$ 2,567,219	\$ 2,703,416	\$ 2,696,950	\$ 2,302,356	\$ 2,549,620	\$ 1,969,331	\$ 1,548,435	\$ 1,962,934
Investments	-	-	-	-	-	8,460	3,497	1,726	45,548	15,224
Taxes Receivable, net	1,722,496	1,476,297	1,325,689	1,251,185	1,252,907	1,224,629	1,118,329	1,012,147	830,730	857,246
Other Receivables, net	708,209	654,761	717,660	572,655	450,805	210,062	189,937	156,126	147,768	158,060
Due From Other Governments	468,940	754,910	524,240	440,053	787,269	570,721	369,249	318,460	486,655	516,248
Internal Balances	43,557	38,459	26,262	28,967	28,022	19,336	23,801	15,964	18,620	14,153
Due From Component Units	19	18	154	347	135	54	119	137	62	84
Inventories	101,161	52,102	54,152	53,261	54,194	53,125	55,319	17,057	19,837	16,468
Prepays, Advances and Deposits	90,371	84,277	72,047	67,468	67,917	73,025	57,465	53,961	56,543	38,591
<b>Total Current Assets</b>	<b>6,792,987</b>	<b>6,168,041</b>	<b>5,287,423</b>	<b>5,117,352</b>	<b>5,338,199</b>	<b>4,461,768</b>	<b>4,367,336</b>	<b>3,544,909</b>	<b>3,154,198</b>	<b>3,579,008</b>
<b>Noncurrent Assets:</b>										
<b>Restricted Assets:</b>										
Restricted Cash and Pooled Cash	1,742,791	1,589,926	1,493,996	1,923,920	2,140,729	2,554,938	1,798,432	1,779,413	1,635,476	1,572,925
Restricted Investments	1,098,543	847,587	867,572	732,662	761,140	657,772	598,209	591,083	1,097,797	687,314
Restricted Receivables	445,384	633,173	587,580	510,028	363,300	258,107	176,055	181,932	173,347	195,753
Investments	1,177,035	449,308	255,069	219,369	280,100	428,321	464,535	416,674	52,343	529,059
Other Long-Term Assets	758,544	613,249	614,932	675,809	636,260	686,349	740,735	712,736	761,498	644,867
Depreciable Capital Assets and Infrastructure, net	10,101,317	10,242,384	9,994,890	9,976,023	9,772,651	9,600,423	9,312,959	9,602,516	9,331,295	9,689,916
Land and Nondepreciable Capital Assets	2,121,606	1,914,285	2,041,812	1,851,910	1,968,227	1,931,832	2,170,769	1,903,604	1,780,945	1,637,224
Capital Assets Held as Investments	-	42,896	42,899	33,055	-	-	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>17,445,220</b>	<b>16,332,808</b>	<b>15,898,750</b>	<b>15,922,776</b>	<b>15,922,407</b>	<b>16,117,742</b>	<b>15,261,694</b>	<b>15,187,958</b>	<b>14,832,701</b>	<b>14,957,058</b>
<b>TOTAL ASSETS</b>	<b>24,238,207</b>	<b>22,500,849</b>	<b>21,186,173</b>	<b>21,040,128</b>	<b>21,260,606</b>	<b>20,579,510</b>	<b>19,629,030</b>	<b>18,732,867</b>	<b>17,986,899</b>	<b>18,536,066</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>										
	4,421,051	2,563,034	3,503,643	818,761	350,796	18,289	-	-	-	-
<b>LIABILITIES:</b>										
<b>Current Liabilities:</b>										
Tax Refunds Payable	927,857	918,688	886,992	856,076	669,992	718,211	718,077	661,829	625,145	664,781
Accounts Payable and Accrued Liabilities	1,318,548	1,369,262	1,165,137	1,166,681	1,367,263	1,043,961	742,225	677,471	785,496	847,550
TABOR Refund Liability (Note 2B)	431,685	39,837	21,807	31,358	173,346	706	706	706	706	706
Due To Other Governments	283,432	306,883	395,627	232,724	233,087	245,300	198,953	228,229	216,956	181,684
Due To Component Units	-	-	-	-	-	15	81	-	-	-
Unearned Revenue	150,512	185,677	126,307	123,769	100,467	92,674	95,026	125,174	111,506	128,404
Accrued Compensated Absences	14,097	12,758	11,865	11,522	12,185	10,470	10,955	9,859	9,741	10,287
Claims and Judgments Payable	42,298	42,812	46,369	46,343	47,682	61,623	46,873	44,858	44,641	44,181
Leases Payable	26,162	25,789	28,254	28,261	27,760	26,941	20,004	14,387	12,872	11,384
Notes, Bonds, and COPs Payable	50,865	55,515	46,990	171,835	200,975	187,910	174,340	162,670	145,165	642,445
Other Current Liabilities	31,020	22,837	27,678	29,525	19,052	19,979	14,834	16,531	13,748	20,432
<b>Total Current Liabilities</b>	<b>3,276,476</b>	<b>2,980,058</b>	<b>2,757,026</b>	<b>2,698,094</b>	<b>2,851,809</b>	<b>2,407,790</b>	<b>2,022,074</b>	<b>1,941,714</b>	<b>1,965,976</b>	<b>2,551,854</b>
<b>Noncurrent Liabilities:</b>										
Deposits Held In Custody For Others	584	136	116	90	139	139	17	16	14	13
Accrued Compensated Absences	166,680	162,645	158,435	154,510	149,817	145,992	138,413	132,394	137,139	138,224
Claims and Judgments Payable	168,190	180,865	260,535	276,010	299,785	301,591	323,451	330,516	340,003	347,394
Capital Lease Payable	97,438	106,084	113,899	122,404	144,569	148,055	131,006	107,042	94,716	85,746
Notes, Bonds, and COPs Payable	2,108,495	1,379,778	1,266,507	1,174,467	1,331,892	1,541,225	1,611,220	1,614,293	1,621,749	1,554,964
Net Pension Liability	9,377,357	11,933,852	10,919,603	6,295,004	5,565,526	-	-	-	-	-
Other Postemployment Benefits	284,264	272,038	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	267,983	457,567	407,912	415,669	423,809	402,954	444,118	427,828	434,194	402,599
<b>Total Noncurrent Liabilities</b>	<b>12,470,991</b>	<b>14,492,965</b>	<b>13,127,007</b>	<b>8,438,154</b>	<b>7,915,537</b>	<b>2,539,956</b>	<b>2,648,225</b>	<b>2,612,089</b>	<b>2,627,815</b>	<b>2,528,940</b>
<b>TOTAL LIABILITIES</b>	<b>15,747,467</b>	<b>17,473,023</b>	<b>15,884,033</b>	<b>11,136,248</b>	<b>10,767,346</b>	<b>4,947,746</b>	<b>4,670,299</b>	<b>4,553,803</b>	<b>4,593,791</b>	<b>5,080,794</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>										
	4,997,905	560,903	98,746	133,375	47,262	338	-	-	-	-
<b>Net investment in Capital Assets:</b>										
	10,327,956	10,879,491	14,071,021	11,330,474	10,654,690	10,125,644	10,107,082	10,107,432	9,836,378	10,118,621
<b>Restricted for:</b>										
Construction and Highway Maintenance	954,461	885,775	915,033	966,743	936,535	1,080,201	1,145,997	1,176,269	1,160,789	1,198,849
Education	203,648	295,468	107,012	309,957	766,688	1,110,180	1,265,476	280,269	485,171	194,586
Debt Service	104,011	91,950	79,966	68,105	56,534	44,752	33,113	21,453	10,127	4,093
Emergencies	191,245	201,166	194,369	217,328	217,328	153,150	161,350	72,850	85,400	94,000
<b>Permanent Funds and Endowments:</b>										
Expendable	10,651	8,267	7,643	5,801	7,301	7,271	6,328	6,024	8,017	11,130
Nonexpendable	1,291,071	1,087,000	1,020,225	950,976	896,872	800,132	694,564	684,953	641,802	643,148
Other Purposes	1,042,422	831,995	671,306	717,185	626,649	358,694	349,811	340,818	315,082	138,826
Unrestricted	(6,211,579)	(7,251,155)	(8,359,538)	(3,977,303)	(3,365,803)	1,969,691	1,195,010	1,488,996	850,342	1,052,019
<b>TOTAL NET POSITION</b>	<b>\$ 7,913,886</b>	<b>\$ 7,029,957</b>	<b>\$ 8,707,037</b>	<b>\$ 10,589,266</b>	<b>\$ 10,796,794</b>	<b>\$ 15,649,715</b>	<b>\$ 14,958,731</b>	<b>\$ 14,179,064</b>	<b>\$ 13,393,108</b>	<b>\$ 13,455,272</b>

**GOVERNMENT-WIDE  
SCHEDULE OF NET POSITION  
BUSINESS-TYPE ACTIVITIES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>ASSETS:</b>										
<b>Current Assets:</b>										
Cash and Pooled Cash	\$ 1,841,335	\$3,093,539	\$ 2,846,015	\$2,525,453	\$2,454,684	\$ 2,246,115	\$ 2,169,314	\$ 2,011,437	\$ 1,306,800	\$ 1,176,181
Investments	344,755	1,827,559	549,079	392,188	378,115	254,744	281,822	160,099	273,605	253,270
Taxes Receivable, net	115,535	111,099	125,258	123,638	142,241	135,207	137,970	159,303	186,161	90,005
Other Receivables, net	770,415	601,666	490,427	640,664	430,306	408,364	381,351	330,216	302,042	282,053
Due From Other Governments	172,251	145,051	136,231	94,860	134,455	150,697	155,190	218,667	177,822	158,787
Internal Balances	(43,557)	(38,459)	(26,262)	(28,967)	(28,022)	(19,336)	(23,801)	(15,964)	(18,620)	(14,153)
Due From Component Units	28,175	16,174	23,041	18,188	11,370	23,716	18,969	18,715	19,736	14,474
Inventories	58,481	54,944	59,196	54,748	57,950	54,015	52,826	53,318	43,600	42,779
Prepays, Advances and Deposits	41,567	29,020	31,679	28,756	28,186	37,433	24,806	24,160	18,018	19,244
<b>Total Current Assets</b>	<b>3,328,957</b>	<b>5,840,593</b>	<b>4,234,664</b>	<b>3,849,528</b>	<b>3,609,285</b>	<b>3,290,955</b>	<b>3,198,447</b>	<b>2,959,951</b>	<b>2,309,164</b>	<b>2,022,640</b>
<b>Noncurrent Assets:</b>										
<b>Restricted Assets:</b>										
Restricted Cash and Pooled Cash	1,562,065	284,025	241,268	457,926	499,742	429,965	352,234	372,457	409,652	353,164
Restricted Investments	72,895	106,798	95,280	167,540	246,783	303,678	292,283	293,711	98,146	239,719
Restricted Receivables	39,570	35,362	38,605	40,009	31,609	45,477	45,264	80,975	24,980	239,041
Investments	2,900,742	995,987	2,097,484	1,941,040	1,969,155	1,896,811	1,746,078	1,769,909	1,623,569	1,206,671
Other Long-Term Assets	109,831	130,529	129,350	129,425	129,850	99,380	128,105	114,118	122,939	119,387
Depreciable Capital Assets and Infrastructure, net	8,341,557	8,028,339	7,502,858	7,050,226	6,190,355	5,876,698	5,463,065	5,250,256	4,662,346	3,912,771
Land and Nondepreciable Capital Assets	1,952,976	1,843,135	1,921,788	1,652,441	1,788,595	1,370,142	1,229,761	1,019,556	938,544	1,207,048
<b>Total Noncurrent Assets</b>	<b>14,979,636</b>	<b>11,424,175</b>	<b>12,026,633</b>	<b>11,438,607</b>	<b>10,856,089</b>	<b>10,022,151</b>	<b>9,256,790</b>	<b>8,900,982</b>	<b>7,880,176</b>	<b>7,277,801</b>
<b>TOTAL ASSETS</b>	<b>18,308,593</b>	<b>17,264,768</b>	<b>16,261,297</b>	<b>15,288,135</b>	<b>14,465,374</b>	<b>13,313,106</b>	<b>12,455,237</b>	<b>11,860,933</b>	<b>10,189,340</b>	<b>9,300,441</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>										
	931,725	1,750,279	2,332,443	649,853	348,635	118,103	551	5,005	-	7,778
<b>LIABILITIES:</b>										
<b>Current Liabilities:</b>										
Accounts Payable and Accrued Liabilities	697,916	592,545	786,944	771,248	751,169	659,085	602,571	623,458	556,294	596,926
Due To Other Governments	73,297	64,474	46,765	38,615	22,048	30,805	34,169	53,622	331,246	406,275
Due To Component Units	206	44	1,249	645	623	528	343	123	524	466
Unearned Revenue	351,010	345,734	328,261	306,222	407,108	346,264	305,108	237,530	234,662	232,371
Accrued Compensated Absences	27,340	26,203	25,381	22,761	20,960	18,117	16,609	14,942	14,579	13,035
Claims and Judgments Payable	1,581	-	-	-	-	-	-	-	-	-
Leases Payable	5,474	6,529	7,292	9,132	8,618	6,610	6,575	5,853	4,950	6,672
Notes, Bonds, and COPs Payable	196,235	154,053	146,604	267,134	251,947	244,366	233,811	243,601	79,106	100,329
Other Postemployment Benefits	-	-	-	-	-	14,076	17,052	15,721	-	-
Other Current Liabilities	323,850	191,660	134,584	139,765	125,054	127,033	142,868	110,667	141,484	126,232
<b>Total Current Liabilities</b>	<b>1,676,909</b>	<b>1,381,242</b>	<b>1,477,080</b>	<b>1,555,522</b>	<b>1,587,527</b>	<b>1,446,884</b>	<b>1,359,106</b>	<b>1,305,517</b>	<b>1,362,845</b>	<b>1,482,306</b>
<b>Noncurrent Liabilities:</b>										
Deposits Held In Custody For Others	25	20	20	20	-	-	-	-	-	-
Accrued Compensated Absences	350,352	339,007	317,070	293,365	268,600	250,148	236,329	219,026	205,621	196,295
Claims and Judgments Payable	42,390	35,505	37,361	39,657	41,460	40,982	38,993	36,472	35,373	29,461
Capital Lease Payable	31,928	41,623	42,599	47,994	45,663	35,582	35,153	33,185	43,466	76,702
Derivative Instrument Liability	14,193	6,837	9,251	13,222	9,515	8,566	8,333	12,994	6,182	7,778
Notes, Bonds, and COPs Payable	4,757,334	4,970,288	4,638,363	4,480,091	4,418,327	4,131,227	3,898,265	3,938,320	3,117,100	2,682,987
Due to Component Units	1,798	1,692	1,678	1,631	1,661	1,743	1,755	1,758	2,374	2,501
Net Pension Liability	4,237,019	7,448,575	6,934,505	3,957,073	3,579,748	-	-	-	-	-
Other Postemployment Benefits	1,015,792	938,450	343,570	289,133	241,779	181,511	177,176	139,653	105,876	47,259
Other Long-Term Liabilities	110,482	59,956	15,863	28,569	83,521	44,768	11,972	39,015	43,814	36,450
<b>Total Noncurrent Liabilities</b>	<b>10,561,313</b>	<b>13,841,953</b>	<b>12,340,280</b>	<b>9,150,755</b>	<b>8,690,274</b>	<b>4,694,527</b>	<b>4,407,976</b>	<b>4,420,423</b>	<b>3,559,806</b>	<b>3,079,433</b>
<b>TOTAL LIABILITIES</b>	<b>12,238,222</b>	<b>15,223,195</b>	<b>13,817,360</b>	<b>10,706,277</b>	<b>10,277,801</b>	<b>6,141,411</b>	<b>5,767,082</b>	<b>5,725,940</b>	<b>4,922,651</b>	<b>4,561,739</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>										
	2,482,076	620,945	206,047	250,058	38,380	-	-	-	2,006	-
<b>Net investment in Capital Assets:</b>	<b>5,618,074</b>	<b>5,108,898</b>	<b>6,982,288</b>	<b>5,051,345</b>	<b>4,417,947</b>	<b>3,653,265</b>	<b>3,571,408</b>	<b>3,386,411</b>	<b>2,990,094</b>	<b>2,854,803</b>
<b>Restricted for:</b>										
Education	870,941	470,363	504,096	462,636	439,535	642,611	-	-	-	-
Unemployment Insurance	1,258,552	1,070,082	911,183	740,049	620,575	402,770	218,076	64,433	-	-
Debt Service	80,693	219,248	28,429	85,617	75,666	39,862	8,439	7,464	6,753	6,100
Emergencies	34,000	34,000	34,000	34,000	34,000	34,000	34,000	10,005	12,368	16,257
<b>Permanent Funds and Endowments:</b>										
Expendable	173,553	173,406	165,637	157,611	150,270	7,901	11,716	6,975	5,936	6,825
Nonexpendable	83,198	84,480	91,878	83,274	87,679	64,712	61,159	38,798	73,956	71,738
Other Purposes	118,895	65,961	65,961	101,209	88,686	56,296	631,921	629,655	657,292	630,890
Unrestricted	(3,717,886)	(4,055,531)	(4,213,139)	(1,734,088)	(1,416,530)	2,388,381	2,151,987	1,996,257	1,518,284	1,159,867
<b>TOTAL NET POSITION</b>	<b>\$4,520,020</b>	<b>\$ 3,170,907</b>	<b>\$4,570,333</b>	<b>\$ 4,981,653</b>	<b>\$4,497,828</b>	<b>\$7,289,798</b>	<b>\$6,688,706</b>	<b>\$ 6,139,998</b>	<b>\$5,264,683</b>	<b>\$4,746,480</b>

**GOVERNMENT-WIDE  
SCHEDULE OF NET POSITION  
TOTAL PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>ASSETS:</b>										
<b>Current Assets:</b>										
Cash and Pooled Cash	\$ 5,499,569	\$ 6,200,756	\$ 5,413,234	\$ 5,228,869	\$ 5,151,634	\$ 4,548,471	\$ 4,718,934	\$ 3,980,768	\$ 2,855,235	\$ 3,139,115
Investments	344,755	1,827,559	549,079	392,188	378,115	263,204	285,319	161,825	319,153	268,494
Taxes Receivable, net	1,838,031	1,587,396	1,450,947	1,374,823	1,395,148	1,359,836	1,256,299	1,171,450	1,016,891	947,251
Other Receivables, net	1,478,624	1,256,427	1,208,087	1,213,319	881,111	618,426	571,288	486,342	449,810	440,113
Due From Other Governments	641,191	899,961	660,471	534,913	921,724	721,418	524,439	537,127	664,477	675,035
Due From Component Units	28,194	16,192	23,195	18,535	11,505	23,770	19,088	18,852	19,798	14,558
Inventories	159,642	107,046	113,348	108,009	112,144	107,140	108,145	70,375	63,437	59,247
Prepays, Advances and Deposits	131,938	113,297	103,726	96,224	96,103	110,458	82,271	78,121	74,561	57,835
<b>Total Current Assets</b>	<b>10,121,944</b>	<b>12,008,634</b>	<b>9,522,087</b>	<b>8,966,880</b>	<b>8,947,484</b>	<b>7,752,723</b>	<b>7,565,783</b>	<b>6,504,860</b>	<b>5,463,362</b>	<b>5,601,648</b>
<b>Noncurrent Assets:</b>										
<b>Restricted Assets:</b>										
Restricted Cash and Pooled Cash	3,304,856	1,873,951	1,735,264	2,381,846	2,640,471	2,984,903	2,150,666	2,151,870	2,045,128	1,926,089
Restricted Investments	1,171,438	954,385	962,852	900,202	1,007,923	961,450	890,492	884,794	1,195,943	927,033
Restricted Receivables	484,954	668,535	626,185	550,037	394,909	303,584	221,319	262,907	198,327	434,794
Investments	4,077,777	1,445,295	2,352,553	2,160,409	2,249,255	2,325,132	2,210,613	2,186,583	1,675,912	1,735,730
Other Long-Term Assets	868,375	743,778	744,282	805,234	766,110	785,729	868,840	826,854	884,437	764,254
Depreciable Capital Assets and Infrastructure, net	18,442,874	18,270,723	17,497,748	17,026,249	15,963,006	15,477,121	14,776,024	14,852,772	13,993,641	13,602,287
Land and Nondepreciable Capital Assets	4,074,582	3,757,420	3,963,600	3,504,351	3,756,822	3,301,974	3,400,530	2,923,160	2,719,489	2,844,272
Capital Assets Held as Investments	-	42,896	42,899	33,055	-	-	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>32,424,856</b>	<b>27,756,983</b>	<b>27,925,383</b>	<b>27,361,383</b>	<b>26,778,496</b>	<b>26,139,893</b>	<b>24,518,484</b>	<b>24,088,940</b>	<b>22,712,877</b>	<b>22,234,859</b>
<b>TOTAL ASSETS</b>	<b>42,546,800</b>	<b>39,765,617</b>	<b>37,447,470</b>	<b>36,328,263</b>	<b>35,725,980</b>	<b>33,892,616</b>	<b>32,084,267</b>	<b>30,593,800</b>	<b>28,176,239</b>	<b>27,836,507</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>										
	<b>5,352,776</b>	<b>4,313,313</b>	<b>5,836,086</b>	<b>1,468,614</b>	<b>699,431</b>	<b>136,392</b>	<b>551</b>	<b>5,005</b>	<b>-</b>	<b>7,778</b>
<b>LIABILITIES:</b>										
<b>Current Liabilities:</b>										
Tax Refunds Payable	927,857	918,688	886,992	856,076	669,992	718,211	718,077	661,829	625,145	664,781
Accounts Payable and Accrued Liabilities	2,016,464	1,961,807	1,952,081	1,937,929	2,118,432	1,703,046	1,344,796	1,300,929	1,341,790	1,444,476
TABOR Refund Liability (Note 2B)	431,685	39,837	21,807	31,358	173,346	706	706	706	706	706
Due To Other Governments	356,729	371,357	442,392	271,339	255,135	276,105	233,122	281,851	548,202	587,959
Due To Component Units	206	44	1,249	645	623	543	424	123	524	466
Unearned Revenue	501,522	531,411	454,568	429,991	507,575	438,938	400,134	362,704	346,168	360,775
Accrued Compensated Absences	41,437	38,961	37,246	34,283	33,145	28,587	27,564	24,801	24,320	23,322
Claims and Judgments Payable	43,879	42,812	46,369	46,343	47,682	61,623	46,873	44,858	44,641	44,181
Leases Payable	31,636	32,318	35,546	37,393	36,378	33,551	26,579	20,240	17,822	18,056
Notes, Bonds, and COPs Payable	247,100	209,568	193,594	438,969	452,922	432,276	408,151	406,271	224,271	742,774
Other Postemployment Benefits	-	-	-	-	-	14,076	17,052	15,721	-	-
Other Current Liabilities	354,870	214,497	162,262	169,290	144,106	147,012	157,702	127,198	155,232	146,664
<b>Total Current Liabilities</b>	<b>4,953,385</b>	<b>4,361,300</b>	<b>4,234,106</b>	<b>4,253,616</b>	<b>4,439,336</b>	<b>3,854,674</b>	<b>3,381,180</b>	<b>3,247,231</b>	<b>3,328,821</b>	<b>4,034,160</b>
<b>Noncurrent Liabilities:</b>										
Due to Other Funds	-	-	-	-	-	-	-	-	-	-
Deposits Held in Custody For Others	609	156	136	110	139	139	17	16	14	13
Accrued Compensated Absences	517,032	501,652	475,505	447,875	418,417	396,140	374,742	351,420	342,760	334,519
Claims and Judgments Payable	210,580	216,370	297,896	315,667	341,245	342,573	362,444	366,988	375,376	376,855
Capital Lease Payable	129,366	147,707	156,498	170,398	190,232	183,637	166,159	140,227	138,182	162,448
Derivative Instrument Liability	14,193	6,837	9,251	13,222	9,515	8,566	8,333	12,994	6,182	7,778
Notes, Bonds, and COPs Payable	6,865,829	6,350,066	5,904,870	5,654,558	5,750,219	5,672,452	5,509,485	5,552,613	4,738,849	4,237,951
Due to Component Units	1,798	1,692	1,678	1,631	1,661	1,743	1,755	1,758	2,374	2,501
Net Pension Liability	13,614,376	19,382,427	17,854,108	10,252,077	9,145,274	-	-	-	-	-
Other Postemployment Benefits	1,300,056	1,210,488	343,570	289,133	241,779	181,511	177,176	139,653	105,876	47,259
Other Long-Term Liabilities	378,465	517,523	423,775	444,238	507,330	447,722	456,090	466,843	478,008	439,049
<b>Total Noncurrent Liabilities</b>	<b>23,032,304</b>	<b>28,334,918</b>	<b>25,467,287</b>	<b>17,588,909</b>	<b>16,605,811</b>	<b>7,234,483</b>	<b>7,056,201</b>	<b>7,032,512</b>	<b>6,187,621</b>	<b>5,608,373</b>
<b>TOTAL LIABILITIES</b>	<b>27,985,689</b>	<b>32,696,218</b>	<b>29,701,393</b>	<b>21,842,525</b>	<b>21,045,147</b>	<b>11,089,157</b>	<b>10,437,381</b>	<b>10,279,743</b>	<b>9,516,442</b>	<b>9,642,533</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>										
	<b>7,479,981</b>	<b>1,181,848</b>	<b>304,793</b>	<b>383,433</b>	<b>85,642</b>	<b>338</b>	<b>-</b>	<b>-</b>	<b>2,006</b>	<b>-</b>
<b>Net investment in Capital Assets:</b>	<b>15,946,030</b>	<b>15,988,389</b>	<b>21,053,309</b>	<b>16,381,819</b>	<b>15,072,637</b>	<b>13,778,909</b>	<b>13,678,490</b>	<b>13,493,843</b>	<b>12,826,472</b>	<b>12,973,424</b>
<b>Restricted for:</b>										
Construction and Highway Maintenance	954,461	885,775	915,033	966,743	936,535	1,080,201	1,145,997	1,176,269	1,160,789	1,198,849
Education	1,074,589	765,831	611,108	772,593	1,206,223	1,752,791	1,265,476	280,269	485,171	194,586
Unemployment Insurance	1,258,552	1,070,082	911,183	740,049	620,575	402,770	218,076	64,433	-	-
Debt Service	184,704	311,198	108,395	153,722	132,200	84,614	41,552	28,917	16,880	10,193
Emergencies	225,245	235,166	228,369	251,328	251,328	187,150	195,350	82,855	97,768	110,257
<b>Permanent Funds and Endowments:</b>										
Expendable	184,204	181,673	173,280	163,412	157,571	15,172	18,044	12,999	13,953	17,955
Nonexpendable	1,374,269	1,171,480	1,112,103	1,034,250	984,551	864,844	755,723	723,751	715,758	714,886
Other Purposes	1,161,317	897,956	737,267	818,394	715,335	414,990	981,732	970,473	972,374	769,716
Unrestricted	(9,929,465)	(11,306,686)	(12,572,677)	(5,711,391)	(4,782,333)	4,358,072	3,346,997	3,485,253	2,368,626	2,211,886
<b>TOTAL NET POSITION</b>	<b>\$ 12,433,906</b>	<b>\$ 10,200,864</b>	<b>\$ 13,277,370</b>	<b>\$ 15,570,919</b>	<b>\$ 15,294,622</b>	<b>\$ 22,939,513</b>	<b>\$ 21,647,437</b>	<b>\$ 20,319,062</b>	<b>\$ 18,657,791</b>	<b>\$ 18,201,752</b>

**GOVERNMENT-WIDE  
SCHEDULE OF CHANGES IN NET POSITION  
GOVERNMENTAL ACTIVITIES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>PROGRAM REVENUES:</b>										
Charges for Services:										
Licenses and Permits	\$ 559,093	\$ 564,076	\$ 541,936	\$ 518,820	\$ 501,319	\$ 472,215	\$ 447,232	\$ 442,793	\$ 454,633	\$ 419,866
Service Fees	390,589	358,109	1,006,976	1,139,226	879,139	901,839	965,614	901,950	735,820	589,795
Fines and Forfeits	225,878	190,733	206,662	195,256	201,021	181,098	248,520	187,344	200,432	218,892
Rents and Royalties	175,085	147,310	132,310	142,752	199,067	182,893	133,901	147,946	128,588	79,518
Sales of Products	10,042	3,218	3,205	3,303	3,390	2,141	2,851	1,626	4,974	3,854
Unemployment Surcharge	34,091	34,245	32,507	30,768	29,381	28,635	25,724	19,307	18,611	19,329
Other	211,706	152,285	138,928	143,251	131,151	144,949	127,083	84,828	89,509	67,460
Operating Grants and Contributions	6,822,479	6,627,757	8,149,334	8,578,146	7,726,668	6,782,914	5,860,052	5,884,031	6,218,836	5,885,657
Capital Grants and Contributions	428,332	745,497	814,739	819,321	817,469	728,544	700,548	600,300	659,288	607,383
<b>TOTAL PROGRAM REVENUES</b>	<b>8,857,295</b>	<b>8,823,230</b>	<b>11,026,597</b>	<b>11,570,843</b>	<b>10,488,605</b>	<b>9,425,228</b>	<b>8,511,525</b>	<b>8,270,125</b>	<b>8,510,691</b>	<b>7,891,754</b>
<b>EXPENSES:</b>										
General Government	1,493,871	739,872	653,247	485,611	449,261	447,359	555,507	224,382	192,579	189,865
Business, Community, and Consumer Affairs	734,786	912,495	919,676	777,458	711,558	641,182	584,300	600,068	667,929	662,854
Education	6,469,072	6,086,573	6,045,204	5,859,964	5,687,573	5,472,563	5,187,481	5,205,123	5,432,143	5,096,032
Health and Rehabilitation	935,044	1,258,445	1,170,889	2,898,841	822,556	720,997	697,795	703,684	696,539	659,187
Justice	1,970,515	3,254,155	2,974,666	2,209,158	2,075,534	1,840,989	1,655,057	1,555,294	1,538,363	1,527,857
Natural Resources	123,036	219,659	169,528	135,491	120,374	92,383	77,934	93,900	149,878	144,445
Social Assistance	8,589,168	8,810,715	10,489,419	8,825,599	9,627,104	8,089,560	7,174,711	6,746,574	6,397,426	6,091,958
Transportation	1,875,438	2,179,299	2,105,462	1,830,368	1,896,904	1,872,441	1,769,013	1,777,488	1,974,009	2,105,688
Total Governmental Activities										
Interest on Debt	109,075	60,778	58,764	62,021	59,078	53,094	16,284	40,935	32,487	33,203
<b>TOTAL EXPENSES</b>	<b>22,300,005</b>	<b>23,521,991</b>	<b>24,586,855</b>	<b>23,084,511</b>	<b>21,449,942</b>	<b>19,230,568</b>	<b>17,718,082</b>	<b>16,947,448</b>	<b>17,081,353</b>	<b>16,511,089</b>
<b>NET (EXPENSE) REVENUE</b>	<b>(13,442,710)</b>	<b>(14,698,761)</b>	<b>(13,560,258)</b>	<b>(11,513,668)</b>	<b>(10,961,337)</b>	<b>(9,805,340)</b>	<b>(9,206,557)</b>	<b>(8,677,323)</b>	<b>(8,570,662)</b>	<b>(8,619,335)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>										
Sales and Use Taxes	3,632,282	3,449,844	3,151,679	2,940,839	2,762,222	2,754,977	2,498,006	2,333,644	2,280,693	1,987,576
Excise Taxes	301,292	311,625	321,419	290,276	267,858	236,761	240,895	244,624	236,945	244,344
Individual Income Tax	7,505,245	6,978,833	6,291,376	6,061,679	5,847,141	5,285,634	5,154,624	4,653,105	4,151,119	3,770,597
Corporate Income Tax	963,380	714,313	432,802	643,761	613,316	600,002	606,883	434,885	441,778	360,852
Other Taxes	705,986	577,961	452,042	410,277	673,275	617,612	453,305	519,870	466,408	376,388
Restricted Taxes	1,348,050	1,273,482	1,169,457	1,132,687	1,186,515	1,052,692	1,039,105	965,784	928,260	873,287
Unrestricted Investment Earnings (Losses)	30,196	21,798	16,987	15,705	11,992	17,312	16,842	15,015	6,523	10,215
Other General Revenues	95,051	199,934	103,476	107,005	96,613	112,958	97,402	96,213	91,608	112,138
(Transfers-Out) / Transfers-In	(279,131)	(254,324)	(353,647)	(352,733)	(256,738)	(172,442)	(128,535)	(135,407)	(110,266)	(94,993)
Internal Capital Contributions	-	44	-	(1,583)	-	-	-	-	-	-
Permanent Fund Additions	1,062	277	766	80	401	397	741	595	460	357
<b>TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>	<b>14,303,413</b>	<b>13,273,787</b>	<b>11,586,357</b>	<b>11,247,993</b>	<b>11,202,595</b>	<b>10,505,903</b>	<b>9,979,268</b>	<b>9,128,328</b>	<b>8,493,528</b>	<b>7,640,761</b>
<b>TOTAL CHANGES IN NET POSITION</b>	<b>860,703</b>	<b>(1,424,974)</b>	<b>(1,973,901)</b>	<b>(265,675)</b>	<b>241,258</b>	<b>700,563</b>	<b>772,711</b>	<b>451,005</b>	<b>(77,134)</b>	<b>(978,574)</b>
<b>NET POSITION, FISCAL YEAR BEGINNING (as restated)</b>										
	7,053,183	8,454,931	10,680,938	10,854,941	10,555,536	14,949,152	14,186,020	13,728,059	13,470,242	14,433,846
<b>NET POSITION - ENDING</b>	<b>\$ 7,913,886</b>	<b>\$ 7,029,957</b>	<b>\$ 8,707,037</b>	<b>\$ 10,589,266</b>	<b>\$ 10,796,794</b>	<b>\$ 15,649,715</b>	<b>\$ 14,958,731</b>	<b>\$ 14,179,064</b>	<b>\$ 13,393,108</b>	<b>\$ 13,455,272</b>

**GOVERNMENT-WIDE  
SCHEDULE OF CHANGES IN NET POSITION  
BUSINESS-TYPE ACTIVITIES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>PROGRAM REVENUES:</b>										
Licenses and Permits	\$ 179,382	\$ 168,045	\$ 165,182	\$ 159,704	\$ 157,971	\$ 141,770	\$ 133,315	\$ 131,496	\$ 120,910	\$ 106,946
Service Fees	2,712,042	2,449,817	1,404,677	1,297,576	1,145,897	1,068,966	958,451	865,326	874,990	607,485
Education - Tuition, Fees, and Sales	3,484,740	3,404,969	3,239,887	3,005,967	2,881,240	2,672,136	2,512,026	2,406,696	2,243,375	1,999,358
Fines and Forfeits	3,493	4,630	5,769	4,101	3,968	15,470	12,860	9,561	1,945	2,836
Rents and Royalties	52,866	74,482	45,177	40,077	41,944	39,675	47,881	65,236	29,507	24,648
Sales of Products	747,732	686,196	622,179	661,084	605,101	607,744	636,115	624,407	592,794	590,758
Unemployment Surcharge	546,650	562,095	646,336	603,708	698,609	736,985	725,854	828,530	791,317	491,716
Other	207,087	164,008	188,112	165,237	155,707	154,424	159,162	152,448	153,321	167,930
Operating Grants and Contributions	5,119,323	5,082,655	2,556,915	2,449,163	2,281,931	2,569,038	2,730,519	3,165,718	3,689,492	3,957,310
Capital Grants and Contributions	62,609	89,542	43,873	42,996	78,304	56,899	96,655	132,067	25,432	24,619
<b>TOTAL PROGRAM REVENUES</b>	<b>13,115,924</b>	<b>12,686,439</b>	<b>8,918,107</b>	<b>8,429,613</b>	<b>8,050,672</b>	<b>8,063,107</b>	<b>8,012,838</b>	<b>8,381,485</b>	<b>8,523,083</b>	<b>7,973,606</b>
<b>EXPENSES:</b>										
Higher Education	7,111,041	8,612,196	7,829,889	6,446,902	6,004,484	5,618,507	5,258,665	5,068,481	4,755,385	4,451,541
Healthcare Affordability	3,414,018	3,294,611	-	-	-	-	-	-	-	-
Unemployment Insurance	385,192	444,181	518,891	531,607	530,130	756,484	1,055,148	1,571,321	2,141,728	2,496,188
College Invest	-	-	-	-	-	-	-	-	-	68,650
Lottery	580,808	547,805	494,110	517,847	474,578	477,434	501,010	495,847	470,480	456,352
Parks and Wildlife	184,870	294,065	257,959	203,794	191,426	170,898	177,497	160,933	108,425	105,037
College Assist	222,726	247,361	315,478	320,774	338,631	341,684	407,229	403,023	402,648	410,027
Other Business-Type Activities	212,190	301,094	219,844	282,471	217,838	209,871	187,265	196,542	191,123	170,410
<b>TOTAL EXPENSES</b>	<b>12,110,845</b>	<b>13,741,313</b>	<b>9,636,171</b>	<b>8,303,395</b>	<b>7,757,087</b>	<b>7,574,878</b>	<b>7,586,814</b>	<b>7,896,147</b>	<b>8,069,789</b>	<b>8,158,205</b>
<b>NET (EXPENSE) REVENUE</b>	<b>1,005,079</b>	<b>(1,054,874)</b>	<b>(718,064)</b>	<b>126,218</b>	<b>293,585</b>	<b>488,229</b>	<b>426,024</b>	<b>485,338</b>	<b>453,294</b>	<b>(184,599)</b>
<b>GENERAL REVENUES AND</b>										
<b>OTHER CHANGES IN NET POSITION:</b>										
Other Taxes	-	-	-	-	7	-	-	-	-	-
Special and/or Extraordinary Items	-	-	(808)	-	-	(22,186)	-	-	1,493	(79,575)
(Transfers- Out) / Transfers- In	279,131	254,324	353,647	352,733	256,738	172,442	128,535	135,407	110,266	94,993
Internal Capital Contributions	57,541	51,439	-	10,183	-	-	-	-	-	-
<b>TOTAL GENERAL REVENUES AND</b>	<b>336,672</b>	<b>305,763</b>	<b>352,839</b>	<b>362,916</b>	<b>256,745</b>	<b>150,256</b>	<b>128,535</b>	<b>135,407</b>	<b>111,759</b>	<b>15,418</b>
<b>OTHER CHANGES IN NET POSITION:</b>										
<b>TOTAL CHANGES IN NET POSITION</b>	<b>1,341,751</b>	<b>(749,111)</b>	<b>(365,225)</b>	<b>489,134</b>	<b>550,330</b>	<b>638,485</b>	<b>554,559</b>	<b>620,745</b>	<b>565,053</b>	<b>(169,181)</b>
<b>NET POSITION, FISCAL YEAR BEGINNING</b>										
(as restated)	3,178,269	3,920,018	4,935,558	4,492,519	3,947,498	6,651,313	6,134,147	5,519,253	4,699,630	4,915,661
<b>NET POSITION - ENDING</b>	<b>\$ 4,520,020</b>	<b>\$ 3,170,907</b>	<b>\$ 4,570,333</b>	<b>\$ 4,981,653</b>	<b>\$ 4,497,828</b>	<b>\$ 7,289,798</b>	<b>\$ 6,688,706</b>	<b>\$ 6,139,998</b>	<b>\$ 5,264,683</b>	<b>\$ 4,746,480</b>



**GOVERNMENT-WIDE  
SCHEDULE OF CHANGES IN NET POSITION  
TOTAL PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>PROGRAM REVENUES:</b>										
Charges for Services:										
Licenses and Permits	\$ 738,475	\$ 732,121	\$ 707,118	\$ 678,524	\$ 659,290	\$ 613,985	\$ 580,547	\$ 574,289	\$ 575,543	\$ 526,812
Service Fees	3,102,631	2,807,926	2,411,653	2,436,802	2,025,036	1,970,805	1,924,065	1,767,276	1,610,810	1,197,280
Education - Tuition, Fees, and Sales	3,484,740	3,404,969	3,239,887	3,005,967	2,881,240	2,672,136	2,512,026	2,406,696	2,243,375	1,999,358
Fines and Forfeits	229,371	195,363	212,431	199,357	204,989	196,568	261,380	196,905	202,377	221,728
Rents and Royalties	227,951	221,792	177,487	182,829	241,011	222,568	181,782	213,182	158,095	104,166
Sales of Products	757,774	689,414	625,384	664,387	608,491	609,885	638,966	626,033	597,768	594,612
Unemployment Surcharge	580,741	596,340	678,843	634,476	727,990	765,620	751,578	847,837	809,928	511,045
Other	418,793	316,293	327,040	308,488	286,858	299,373	286,245	237,276	242,830	235,390
Operating Grants and Contributions	11,941,802	11,710,412	10,706,249	11,027,309	10,008,599	9,351,952	8,590,571	9,049,749	9,908,328	9,842,967
Capital Grants and Contributions	490,941	835,039	858,612	862,317	895,773	785,443	797,203	732,367	684,720	632,002
<b>TOTAL PROGRAM REVENUES</b>	<b>21,973,219</b>	<b>21,509,669</b>	<b>19,944,704</b>	<b>20,000,456</b>	<b>18,539,277</b>	<b>17,488,335</b>	<b>16,524,363</b>	<b>16,651,610</b>	<b>17,033,774</b>	<b>15,865,360</b>
<b>EXPENSES:</b>										
General Government	1,493,871	739,872	653,247	485,611	449,261	447,359	555,507	224,382	192,579	189,865
Business, Community, and Consumer Affairs	734,786	912,495	919,676	777,458	711,558	641,182	584,300	600,068	667,929	662,854
Education	6,469,072	6,086,573	6,045,204	5,859,964	5,687,573	5,472,563	5,187,481	5,205,123	5,432,143	5,096,032
Health and Rehabilitation	935,044	1,258,445	1,170,889	2,898,841	822,556	720,997	697,795	703,684	696,539	659,187
Justice	1,970,515	3,254,155	2,974,666	2,209,158	2,075,534	1,840,989	1,655,057	1,555,294	1,538,363	1,527,857
Natural Resources	123,036	219,659	169,528	135,491	120,374	92,383	77,934	93,900	149,878	144,445
Social Assistance	8,589,168	8,810,715	10,489,419	8,825,599	9,627,104	8,089,560	7,174,711	6,746,574	6,397,426	6,091,958
Transportation	1,875,438	2,179,299	2,105,462	1,830,368	1,896,904	1,872,441	1,769,013	1,777,488	1,974,009	2,105,688
Interest on Debt	109,075	60,778	58,764	62,021	59,078	53,094	16,284	40,935	32,487	33,203
Higher Education	7,111,041	8,612,196	7,829,889	6,446,902	6,004,484	5,618,507	5,258,665	5,068,481	4,755,385	4,451,541
Healthcare Affordability	3,414,018	3,294,611	-	-	-	-	-	-	-	-
Unemployment Insurance	385,192	444,181	518,891	531,607	530,130	756,484	1,055,148	1,571,321	2,141,728	2,496,188
CollegeInvest	-	-	-	-	-	-	-	-	-	68,650
Lottery	580,808	547,805	494,110	517,847	474,578	477,434	501,010	495,847	470,480	456,352
Parks and Wildlife	184,870	294,065	257,959	203,794	191,426	170,898	177,497	160,933	108,425	105,037
College Assist	222,726	247,361	315,478	320,774	338,631	341,684	407,229	403,023	402,648	410,027
Other Business- Type Activities	212,190	301,094	219,844	282,471	217,838	209,871	187,265	196,542	191,123	170,410
<b>TOTAL EXPENSES</b>	<b>34,410,850</b>	<b>37,263,304</b>	<b>34,223,026</b>	<b>31,387,906</b>	<b>29,207,029</b>	<b>26,805,446</b>	<b>25,304,896</b>	<b>24,843,595</b>	<b>25,151,142</b>	<b>24,669,294</b>
<b>NET (EXPENSE) REVENUE</b>	<b>(12,437,631)</b>	<b>(15,753,635)</b>	<b>(14,278,322)</b>	<b>(11,387,450)</b>	<b>(10,667,752)</b>	<b>(9,317,111)</b>	<b>(8,780,533)</b>	<b>(8,191,985)</b>	<b>(8,117,368)</b>	<b>(8,803,934)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>										
Sales and Use Taxes	3,632,282	3,449,844	3,151,679	2,940,839	2,762,222	2,754,977	2,498,006	2,333,644	2,280,693	1,987,576
Excise Taxes	301,292	311,625	321,419	290,276	267,858	236,761	240,895	244,624	236,945	244,344
Individual Income Tax	7,505,245	6,978,833	6,291,376	6,061,679	5,847,141	5,285,634	5,154,624	4,653,105	4,151,119	3,770,597
Corporate Income Tax	963,380	714,313	432,802	643,761	613,316	600,002	606,883	434,885	441,778	360,852
Other Taxes	705,986	577,961	452,042	410,277	673,282	617,612	453,305	519,870	466,408	376,388
Restricted Taxes	1,348,050	1,273,482	1,169,457	1,132,687	1,186,515	1,052,692	1,039,105	965,784	928,260	873,287
Unrestricted Investment Earnings (Losses)	30,196	21,798	16,987	15,705	11,992	17,312	16,842	15,015	6,523	10,215
Other General Revenues	95,051	199,934	103,476	107,005	96,613	112,958	97,402	96,213	91,608	112,138
Special and/or Extraordinary Items	-	-	(808)	-	-	(22,186)	0	0	1,493	(79,575)
Internal Capital Contributions	57,541	51,483	-	8,600	-	-	-	-	-	-
Permanent Fund Additions	1,062	277	766	80	401	397	741	595	460	357
<b>TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>	<b>14,640,085</b>	<b>13,579,550</b>	<b>11,939,196</b>	<b>11,610,909</b>	<b>11,459,340</b>	<b>10,656,159</b>	<b>10,107,803</b>	<b>9,263,735</b>	<b>8,605,287</b>	<b>7,656,179</b>
<b>TOTAL CHANGES IN NET POSITION</b>	<b>2,202,454</b>	<b>(2,174,085)</b>	<b>(2,339,126)</b>	<b>223,459</b>	<b>791,588</b>	<b>1,339,048</b>	<b>1,327,270</b>	<b>1,071,750</b>	<b>487,919</b>	<b>(1,147,755)</b>
<b>NET POSITION, FISCAL YEAR BEGINNING (as restated)</b>	<b>10,231,452</b>	<b>12,374,949</b>	<b>15,616,496</b>	<b>15,347,460</b>	<b>14,503,034</b>	<b>21,600,465</b>	<b>20,320,167</b>	<b>19,247,312</b>	<b>18,169,872</b>	<b>19,349,507</b>
<b>NET POSITION - ENDING</b>	<b>\$12,433,906</b>	<b>\$10,200,864</b>	<b>\$13,277,370</b>	<b>\$15,570,919</b>	<b>\$15,294,622</b>	<b>\$22,939,513</b>	<b>\$21,647,437</b>	<b>\$20,319,062</b>	<b>\$18,657,791</b>	<b>\$16,201,752</b>

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES  
Last Ten Fiscal Years**

(DOLLARS IN MILLIONS)

	(restated)		(restated)							
	2019	2018	2017	2016	2015	2014	2013	2012	2011 <sup>1</sup>	2010
<b>REVENUES:</b>										
Taxes	\$ 14,199	\$ 13,389	\$ 11,835	\$ 11,471	\$ 11,205	\$ 10,596	\$ 10,018	\$ 9,182	\$ 8,430	\$ 7,640
Less: Excess TABOR Revenues	-	-	-	-	170	-	-	-	-	-
Licenses, Permits, and Fines	869	940	838	810	801	758	789	724	745	734
Charges for Goods and Services	403	363	1,012	1,144	885	905	970	892	730	552
Rents	175	147	132	143	199	183	134	148	129	80
Investment Income	352	41	46	139	99	115	19	120	97	199
Federal Grants and Contracts	6,680	7,047	8,685	9,047	8,283	7,183	6,428	6,223	6,917	7,023
Unclaimed Property Receipts	47	78	64	65	61	53	37	43	40	42
Other	426	397	338	321	329	365	263	254	221	192
<b>TOTAL REVENUES</b>	<b>23,151</b>	<b>22,402</b>	<b>22,950</b>	<b>23,140</b>	<b>22,032</b>	<b>20,158</b>	<b>18,658</b>	<b>17,586</b>	<b>17,309</b>	<b>16,462</b>
<b>EXPENDITURES:</b>										
Current:										
General Government	377	381	344	324	305	331	325	359	560	775
Business, Community and Consumer Affairs	493	480	453	474	469	395	375	363	388	369
Education	911	832	869	852	785	730	674	661	778	855
Health and Rehabilitation	846	778	770	1,784	699	658	641	626	592	583
Justice	1,971	1,808	1,705	1,741	1,648	1,605	1,422	1,322	1,314	1,315
Natural Resources	129	128	113	107	103	107	99	90	132	126
Social Assistance	7,539	7,572	9,358	8,726	8,627	7,416	6,488	6,065	5,655	4,454
Transportation	1,298	1,348	1,364	1,331	1,282	1,203	1,065	982	1,064	1,017
Capital Outlay	265	272	189	191	325	298	299	459	329	240
Intergovernmental:										
Cities	503	471	491	425	421	412	297	287	300	281
Counties	1,916	1,759	1,740	1,656	1,627	1,573	1,504	1,371	1,478	2,253
School Districts	5,594	5,171	5,122	4,995	4,909	4,475	4,235	4,199	4,303	4,364
Other	410	244	255	227	205	202	323	177	185	219
Debt Service	179	128	239	280	270	261	247	236	208	194
<b>TOTAL EXPENDITURES</b>	<b>22,431</b>	<b>21,372</b>	<b>23,012</b>	<b>23,113</b>	<b>21,675</b>	<b>19,666</b>	<b>17,994</b>	<b>17,197</b>	<b>17,286</b>	<b>17,045</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>720</b>	<b>1,030</b>	<b>(62)</b>	<b>27</b>	<b>357</b>	<b>492</b>	<b>664</b>	<b>389</b>	<b>23</b>	<b>(583)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers- In	1,813	5,447	5,851	4,915	4,535	5,405	5,750	4,622	4,776	5,333
Transfers- Out:										
Higher Education	(376)	(230)	(230)	(181)	(181)	(143)	(135)	(133)	(135)	(125)
Other	(1,711)	(5,458)	(5,966)	(5,079)	(4,607)	(5,390)	(5,728)	(4,612)	(4,731)	(5,264)
Face Amount of Debt Issued	740	156	129	11	-	97	196	156	218	559
Bond Premium/Discount	57	21	14	-	-	6	9	13	-	8
Capital Lease Debt Issuance	1	4	1	-	-	25	1	17	17	-
Sale of Capital Assets	24	10	15	7	3	27	31	14	-	-
Insurance Recoveries	2	7	8	5	13	2	1	6	2	4
Debt Refunding Issuance	-	-	-	-	-	112	31	126	-	-
Debt Refunding Premium Proceeds	-	-	-	-	-	-	19	-	-	-
Debt Refunding Payments	-	-	-	-	-	-	(31)	(144)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>550</b>	<b>(43)</b>	<b>(178)</b>	<b>(322)</b>	<b>(237)</b>	<b>141</b>	<b>125</b>	<b>84</b>	<b>147</b>	<b>515</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,270</b>	<b>987</b>	<b>(240)</b>	<b>(295)</b>	<b>120</b>	<b>633</b>	<b>789</b>	<b>473</b>	<b>170</b>	<b>(68)</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING (as restated)</b>	<b>7,309</b>	<b>6,362</b>	<b>6,604</b>	<b>6,905</b>	<b>6,727</b>	<b>6,101</b>	<b>5,311</b>	<b>4,820</b>	<b>4,672</b>	<b>4,744</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 8,579</b>	<b>\$ 7,349</b>	<b>\$ 6,364</b>	<b>\$ 6,610</b>	<b>\$ 6,847</b>	<b>\$ 6,734</b>	<b>\$ 6,100</b>	<b>\$ 5,293</b>	<b>\$ 4,842</b>	<b>\$ 4,676</b>

<sup>1</sup> - Beginning in Fiscal Year 2011 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.

**GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)**

**GENERAL FUND**

**IN DOLLARS AND AS A PERCENT OF TOTAL**

**Last Ten Fiscal Years**

(DOLLARS IN MILLIONS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Income Tax:										
Individual	\$ 7,328	\$ 7,006	\$ 6,209	\$ 5,993	\$ 5,888	\$ 5,273	\$ 5,149	\$ 4,633	\$ 4,154	\$ 3,777
Corporate	856	736	467	606	635	665	597	457	366	350
Net Income Tax	8,184	7,742	\$ 6,676	6,599	6,523	5,938	5,746	5,090	4,520	4,127
Sales, Use, and Excise Taxes	3,695	3,501	3,188	2,996	2,990	2,763	2,549	2,387	2,323	2,072
Less: Excess TABOR Revenues	-	-	-	-	(170)	-	-	-	-	-
Net Sales, Use, and Excise Taxes	3,695	3,501	3,188	2,996	2,820	2,763	2,549	2,387	2,323	2,072
Insurance Tax	315	304	291	280	257	239	210	197	190	187
Gaming and Other Taxes	53	156	-	16	14	12	12	20	20	16
Investment Income	27	20	15	13	9	15	17	14	8	10
Severance Taxes to be Refunded	-	-	54	-	-	-	-	-	-	-
Other	-	-	40	26	19	25	21	26	25	44
<b>TOTAL GENERAL REVENUES</b>	<b>\$ 12,274</b>	<b>\$ 11,723</b>	<b>\$ 10,264</b>	<b>\$ 9,930</b>	<b>\$ 9,642</b>	<b>\$ 8,992</b>	<b>\$ 8,555</b>	<b>\$ 7,734</b>	<b>\$ 7,086</b>	<b>\$ 6,456</b>
Percent Change From Previous Year	4.7%	14.2%	3.4%	3.0%	7.2%	5.1%	10.6%	9.1%	9.8%	-1.1%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)										
Net Income Tax	66.7%	66.0%	65.0%	66.5%	66.5%	66.0%	67.2%	65.8%	63.8%	63.9%
Sales, Use, and Excise Taxes	30.1	29.9	31.2	30.1	30.5	30.7	29.8	30.9	32.7	32.1
Estate Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Tax	2.6	2.6	2.8	2.8	2.6	2.7	2.5	2.5	2.7	2.9
Other Taxes	0.4	1.3	0.0	0.2	0.1	0.1	0.1	0.3	0.3	0.2
Interest	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.2
Fiscal Emergency Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Severance Taxes to be Refunded	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.4	0.3	0.2	0.3	0.2	0.3	0.4	0.7
<b>TOTAL GENERAL REVENUES</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**EXPENDITURES BY DEPARTMENT AND TRANSFERS  
FUNDED BY GENERAL PURPOSE REVENUES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Department: <sup>1</sup>										
Agriculture	\$ 11,346	\$ 10,428	\$ 10,639	\$ 10,050	\$ 8,633	\$ 7,697	\$ 6,975	\$ 5,152	\$ 4,658	\$ 5,915
Corrections	837,497	773,788	748,559	758,545	717,579	675,706	652,394	647,313	657,559	563,570
Education	4,114,576	4,070,889	3,764,298	3,477,785	3,357,324	3,153,609	3,014,681	2,833,433	2,962,954	3,238,879
Governor	42,375	36,283	39,615	34,609	30,267	22,819	18,555	9,699	11,600	13,781
Health Care Policy and Financing	2,923,196	2,727,717	2,468,392	2,446,338	2,274,875	2,100,771	1,829,776	1,685,679	1,267,889	1,152,245
Higher Education	1,001,121	894,450	870,664	856,849	761,306	658,901	628,565	623,963	705,085	428,784
Human Services	1,055,818	984,291	918,130	936,071	877,162	812,603	753,225	703,676	710,966	751,149
Judicial Branch	561,799	514,874	487,636	481,550	441,700	386,870	354,119	337,039	325,173	323,146
Labor and Employment	20,539	21,302	21,579	7,754	660	50	-	-	-	-
Law	16,396	15,722	14,774	14,525	13,457	12,127	10,355	9,341	9,133	9,133
Legislative Branch	51,082	48,202	44,880	43,410	41,132	38,712	35,957	34,672	31,736	32,504
Local Affairs	37,125	29,184	25,235	25,481	22,244	17,540	10,976	10,448	10,579	10,854
Military and Veterans Affairs	10,983	30,814	8,253	7,907	7,792	7,094	6,576	5,355	4,969	5,263
Natural Resources	32,307	30,882	28,711	27,519	26,216	25,141	23,620	23,400	26,233	25,515
Personnel & Administration	13,971	12,088	12,273	11,034	7,601	31,407	6,588	3,935	4,823	5,139
Public Health and Environment	53,492	46,506	48,448	49,964	59,383	53,588	31,199	27,742	27,165	26,548
Public Safety	185,018	124,204	122,404	113,976	126,747	165,240	85,595	81,993	80,239	79,459
Regulatory Agencies	6,224	5,964	5,742	6,073	6,007	1,730	1,674	1,597	1,529	1,429
Revenue	260,583	250,438	90,957	149,361	97,249	73,626	55,078	55,596	52,540	54,187
Transportation	-	-	392	102	-	-	-	-	-	-
Treasury	774,821	190,457	15,908	12,522	5,684	108,870	27,650	4,914	4,140	7,784
Transfer to Capital Construction Fund	90,382	92,084	84,484	271,130	248,502	186,715	61,411	49,298	11,985	169
Transfer to Various Cash Funds	814,200	674,900	194,735	90,196	67,555	260,272	1,086,051	72,000	296,872	8,000
Transfer to the Highway Users Tax Fund	-	-	79,000	199,200	-	-	-	-	-	-
Other Transfers and Nonoperating Disbursements	278,999	181,151	153,379	143,492	127,795	126,263	262,406	25,479	19,422	20,555
<b>TOTALS</b>	<b>\$ 13,193,850</b>	<b>\$ 11,766,618</b>	<b>\$ 10,259,087</b>	<b>\$ 10,175,443</b>	<b>\$ 9,326,870</b>	<b>\$ 8,927,351</b>	<b>\$ 8,963,426</b>	<b>\$ 7,251,724</b>	<b>\$ 7,227,429</b>	<b>\$ 6,764,008</b>
Percent Change	12.1%	14.7%	0.8%	9.1%	4.5%	-0.4%	23.6%	0.3%	6.9%	-8.8%
(AS PERCENT OF TOTAL)										
Education	31.2%	34.6%	36.7%	34.2%	36.0%	35.3%	33.6%	39.1%	41.0%	47.9%
Health Care Policy and Financing	22.2	23.2	24.1	24.0	24.4	23.5	20.4	23.2	17.5	17.0
Higher Education	7.6	7.6	8.5	8.4	8.2	7.4	7.0	8.6	9.8	6.3
Human Services	8.0	8.4	8.9	9.2	9.4	9.1	8.4	9.7	9.8	11.1
Corrections	6.3	6.6	7.3	7.5	7.7	7.6	7.3	8.9	9.1	8.3
Transfer to Capital Construction Fund	0.7	0.8	0.8	2.7	2.7	2.1	0.7	0.7	0.2	0.0
Transfer to Various Cash Funds	6.2	5.7	1.9	0.9	0.7	2.9	12.1	1.0	4.1	0.1
Transfers to the Highway Users Tax Fund	0.0	0.0	0.8	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Judicial	4.3	4.4	4.8	4.7	4.7	4.3	4.0	4.6	4.5	4.8
Revenue	2.0	2.1	0.9	1.5	1.0	0.8	0.6	0.8	0.7	0.8
All Others	11.5	6.6	5.3	4.9	5.2	7.0	5.9	3.4	3.3	3.7
<b>TOTALS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

**FUND BALANCE**  
**GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES**  
**Last Ten Fiscal Years**  
(DOLLARS IN THOUSANDS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011 <sup>1</sup>	2010
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,721
Risk Management	-	-	-	-	-	-	-	-	-	23,031
Unreserved Undesignated:										
General Fund	-	-	-	-	-	-	-	-	-	(30,822)
Unreserved:										
Designated for Unrealized Investment Gains:										
General Fund	-	-	-	-	-	-	-	-	-	17,854
Nonspendable:										
Inventories	9,944	7,975	8,503	7,522	8,894	8,721	9,931	6,942	8,742	-
Prepays	38,547	38,173	39,348	37,977	40,971	38,535	22,654	24,175	33,009	-
Restricted	814,658	626,068	442,249	497,814	398,948	468,758	487,161	503,449	542,997	-
Committed	1,114,406	970,235	646,700	513,986	705,844	411,362	279,352	331,419	39,458	-
Assigned	33,264	29,641	17,218	19,283	20,731	7,651	7	20	109	-
Unassigned	52,088	334,660	-	-	-	-	-	359,421	(21,468)	-
<b>TOTAL FUND BALANCE</b>	<b>2,062,907</b>	<b>2,006,752</b>	<b>1,154,018</b>	<b>1,076,582</b>	<b>1,175,388</b>	<b>935,027</b>	<b>799,105</b>	<b>1,225,426</b>	<b>602,847</b>	<b>15,784</b>
ALL OTHER GOVERNMENTAL FUNDS:										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,052,572
Noncurrent Assets	-	-	-	-	-	-	-	-	-	584,828
Debt Service	-	-	-	-	-	-	-	-	-	4,093
Statutory Purposes	-	-	-	-	-	-	-	-	-	325,463
Emergencies	-	-	-	-	-	-	-	-	-	94,000
Funds Reported as Restricted	-	-	-	-	-	-	-	-	-	1,151,448
Unreserved, Reported in:										
Special Revenue Funds	-	-	-	-	-	-	-	-	-	57,148
Capital Projects Funds	-	-	-	-	-	-	-	-	-	(35,611)
Nonmajor Special Revenue Funds	-	-	-	-	-	-	-	-	-	1,302,178
Nonmajor Permanent Funds	-	-	-	-	-	-	-	-	-	10,586
Unreserved:										
Designated for Unrealized Investment Gains:										
Reported in Major Funds	-	-	-	-	-	-	-	-	-	34,487
Reported in Nonmajor Special Revenue Funds	-	-	-	-	-	-	-	-	-	40,778
Reported in Nonmajor Permanent Funds	-	-	-	-	-	-	-	-	-	38,541
Nonspendable:										
Long-term Portion of Interfund Loans Receivable	13	12	-	19,171	-	-	-	-	-	-
Inventories	90,323	43,452	44,779	45,026	44,436	43,681	44,262	8,690	9,839	-
Permanent Fund Principal	1,274,846	1,186,138	1,122,480	1,043,619	971,676	868,383	760,160	737,239	658,883	-
Prepays	43,041	42,116	27,686	25,298	25,849	29,365	32,697	28,665	21,540	-
Restricted	1,464,302	1,398,241	1,336,625	1,582,619	1,942,973	2,546,717	2,783,009	1,673,490	1,988,088	-
Committed	3,643,477	2,672,653	2,677,915	2,817,110	2,686,468	2,310,902	1,680,986	1,619,397	1,560,775	-
<b>TOTAL FUND BALANCE</b>	<b>6,516,002</b>	<b>5,342,612</b>	<b>5,209,485</b>	<b>5,532,843</b>	<b>5,671,402</b>	<b>5,799,048</b>	<b>5,301,114</b>	<b>4,067,481</b>	<b>4,239,125</b>	<b>4,660,511</b>
<b>TOTAL FUND BALANCE</b>	<b>\$ 8,578,909</b>	<b>\$ 7,349,364</b>	<b>\$ 6,363,503</b>	<b>\$ 6,609,425</b>	<b>\$ 6,846,790</b>	<b>\$ 6,734,075</b>	<b>\$ 6,100,219</b>	<b>\$ 5,292,907</b>	<b>\$ 4,841,972</b>	<b>\$ 4,676,295</b>

<sup>1</sup> - The implementation of Governmental Accounting Standards Board Statement No. 54 in Fiscal Year 2011 resulted in a significant change in the State's fund balance classifications.

**TABOR REVENUES, EXPENDITURES,  
FISCAL YEAR SPENDING LIMITATIONS,  
AND REFUNDS  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2019	2018	(restated) 2017	(restated) 2016	(restated) 2015	(restated) 2014	2013	2012	2011	2010
DISTRICT REVENUES:										
Exempt District Revenues	\$ 18,613,345	\$ 17,388,665	\$ 17,784,588	\$ 18,170,415	\$ 16,980,420	\$ 17,076,305	\$ 16,446,833	\$ 15,017,772	\$ 15,532,632	\$ 16,056,039
Nonexempt District Revenues	14,788,420	13,720,881	12,891,657	12,824,408	12,530,772	11,691,905	11,107,341	10,273,184	9,424,764	8,567,941
<b>TOTAL DISTRICT REVENUES</b>	<b>33,401,765</b>	<b>31,109,546</b>	<b>30,676,245</b>	<b>30,994,823</b>	<b>29,511,192</b>	<b>28,768,210</b>	<b>27,554,174</b>	<b>25,290,956</b>	<b>24,957,396</b>	<b>24,623,980</b>
Percent Change In Nonexempt District Revenues	7.8%	6.4%	0.5%	2.3%	7.2%	5.3%	8.1%	9.0%	10.0%	-5.9%
DISTRICT EXPENDITURES:										
Exempt District Expenditures	18,613,345	17,388,666	17,784,588	18,170,415	16,980,420	17,076,305	16,446,833	15,017,772	15,532,632	16,056,039
Nonexempt District Expenditures	13,001,752	12,852,870	13,251,437	13,076,457	12,237,753	11,016,588	10,263,972	9,791,616	9,330,892	8,638,571
<b>TOTAL DISTRICT EXPENDITURES</b>	<b>31,615,097</b>	<b>30,241,536</b>	<b>31,036,025</b>	<b>31,246,872</b>	<b>29,218,173</b>	<b>28,092,893</b>	<b>26,710,805</b>	<b>24,809,388</b>	<b>24,863,524</b>	<b>24,694,610</b>
Percent Change In Nonexempt District Expenditures	12%	-3.0%	13%	6.9%	11%	7.3%	4.8%	4.9%	8.0%	-15.0%
<b>TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)</b>	<b>\$ 1,786,668</b>	<b>\$ 868,010</b>	<b>\$ (359,780)</b>	<b>\$ (252,049)</b>	<b>\$ 293,019</b>	<b>\$ 675,317</b>	<b>\$ 843,369</b>	<b>\$ 481,568</b>	<b>\$ 93,872</b>	<b>\$ (70,630)</b>
FISCAL YEAR SPENDING LIMIT										
Prior Fiscal Year Spending Limitation	\$ 11,220,749	\$ 10,761,667	\$ 10,427,606	\$ 9,976,946	\$ 9,566,586	\$ 9,247,466	\$ 8,799,754	\$ 8,654,192	\$ 8,567,941	\$ 9,102,354
Adjustments To Prior Year Limit <sup>1</sup>	0	(24,108)	10,480	(45,595)	(962)	(152)	(27,952)	(26,982)	(16,368)	(422,016)
<b>ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION</b>	<b>11,220,749</b>	<b>10,737,559</b>	<b>10,438,086</b>	<b>9,931,351</b>	<b>9,565,624</b>	<b>9,247,314</b>	<b>8,771,802</b>	<b>8,627,210</b>	<b>8,551,573</b>	<b>8,680,338</b>
Allowable Growth Rate (Population Plus Inflation)	4.8%	4.5%	3.1%	4.4%	4.3%	3.3%	5.4%	2.0%	12%	5.8%
Current Fiscal Year Spending Limitation	11,759,345	11,220,749	10,761,667	10,368,330	9,976,946	9,552,475	9,245,479	8,799,754	8,654,192	9,183,797
Adjustments To Current Year Limit	-	-	-	59,276	0	14,111	1,987	-	-	-
<b>ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION</b>	<b>11,759,345</b>	<b>11,220,749</b>	<b>10,761,667</b>	<b>10,427,606</b>	<b>9,976,946</b>	<b>9,566,586</b>	<b>9,247,466</b>	<b>8,799,754</b>	<b>8,654,192</b>	<b>9,183,797</b>
EXCESS STATE REVENUE CAP (ESRC) <sup>2</sup>	14,360,084	13,702,371	13,327,811	12,946,499	12,361,032	11,852,383	11,460,242	10,871,425	10,684,856	-
NONEXEMPT DISTRICT REVENUES	14,788,420	13,720,881	12,891,657	12,824,408	12,530,772	11,691,905	11,107,341	10,273,184	9,424,764	8,567,941
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	3,029,075	2,500,132	2,129,990	2,396,802	2,553,826	2,125,319	1,859,875	1,473,430	770,572	(615,856)
Amount Over(Under) Excess State Revenue Cap	428,336	18,510	(436,154)	(122,091)	169,740	(160,478)	(352,901)	(598,242)	(1,260,092)	-
Correction Of Prior Years' Refunds	3,207	-	(346)	(13,899)	-	-	-	-	-	-
<b>FISCAL YEAR REFUND</b>	<b>\$ 431,685</b>	<b>\$ 18,510</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 173,346</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>1</sup> - Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activity's revenues and expenditures are no longer shown in the district amounts.

<sup>2</sup> - Beginning in Fiscal Year 2011, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

**DEBT SERVICE EXPENDITURES**  
**ALL GOVERNMENTAL FUND TYPES**  
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2019	2018	2017	2016	2015	(restated) 2014	2013	2012	(restated) 2011	2010
DEBT SERVICE EXPENDITURES:										
Principal	\$ 85,722	\$ 62,203	\$ 177,925	\$ 210,390	\$ 194,818	\$ 184,106	\$ 163,939	\$ 150,690	\$ 124,993	\$ 116,083
Interest	94,654	65,566	60,781	69,729	74,689	77,005	82,660	85,586	82,829	77,919
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>\$ 180,376</b>	<b>\$ 127,769</b>	<b>\$ 238,706</b>	<b>\$ 280,119</b>	<b>\$ 269,507</b>	<b>\$ 261,111</b>	<b>\$ 246,599</b>	<b>\$ 236,276</b>	<b>\$ 207,822</b>	<b>\$ 194,002</b>
Percent Change Over Previous Year	41.2%	-46.5%	-14.8%	3.9%	3.2%	5.9%	4.4%	13.7%	7.1%	2.9%
 TOTAL NONCAPITAL EXPENDITURES	 21,394,396	 20,293,035	 21,788,949	 22,034,812	 20,480,883	 19,001,514	 17,329,054	 16,470,142	 16,654,138	 16,566,769
TOTAL CAPITAL EXPENDITURES	1,036,687	1,079,152	1,222,662	1,078,383	1,194,596	664,762	653,157	726,501	631,546	478,179
TOTAL GOVERNMENTAL EXPENDITURES	22,431,083	21,372,187	23,011,611	23,113,195	21,675,479	19,666,276	17,982,211	17,196,643	17,285,684	17,044,948
 DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:										
Principal	0.4%	0.3%	0.8%	1.0%	1.0%	1.0%	0.9%	0.9%	0.8%	0.7%
Interest	0.4%	0.3%	0.3%	0.3%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%
Total Debt Service Expenditures	0.8%	0.6%	1.1%	1.3%	1.3%	1.4%	1.4%	1.4%	1.2%	1.2%

# TOTAL OUTSTANDING DEBT<sup>1,2,4</sup>

## PRIMARY GOVERNMENT

### Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

		(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities:										
Revenue Backed Debt	\$ -	\$ -	\$ -	\$ 127,925	\$ 289,789	\$ 443,881	\$ 574,147	\$ 739,138	\$ 869,282	\$ 992,436
Certificates of Participation	2,152,555	1,426,314	1,302,382	1,205,172	1,227,828	1,267,869	1,192,193	1,018,456	897,632	689,973
Capital Leases	123,600	131,873	142,153	150,665	172,329	174,996	151,010	121,429	107,588	97,130
Notes and Mortgages	6,805	8,979	11,115	13,205	15,250	17,385	19,220	19,369	-	515,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	2,282,960	1,567,166	1,455,650	1,496,967	1,705,196	1,904,131	1,936,570	1,898,392	1,874,502	2,294,539
Business-Type Activities:										
Revenue Backed Debt	4,452,563	4,602,833	4,391,057	4,320,596	4,242,726	3,967,023	3,724,951	3,753,617	2,762,166	2,306,693
Certificates of Participation	433,021	461,461	346,769	372,661	399,231	403,761	403,603	420,951	430,537	432,698
Capital Leases	37,402	48,152	49,891	57,126	54,281	42,192	41,728	39,038	48,416	83,374
Notes and Mortgages	67,985	60,047	61,396	53,968	28,317	4,810	3,522	7,353	3,503	43,925
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,990,971	5,172,493	4,849,113	4,804,351	4,724,555	4,417,786	4,173,804	4,220,959	3,244,622	2,866,690
Total Primary Government:										
Revenue Backed Debt	4,452,563	4,602,833	4,391,057	4,448,521	4,532,515	4,410,904	4,299,098	4,492,755	3,631,448	3,299,129
Certificates of Participation	2,585,576	1,887,775	1,649,151	1,577,833	1,627,059	1,671,630	1,595,796	1,439,407	1,328,169	1,122,671
Capital Leases	101,002	100,025	102,044	207,791	226,610	217,188	192,738	160,467	156,004	180,504
Notes and Mortgages	74,790	69,026	72,511	67,173	43,567	22,195	22,742	26,722	3,503	558,925
TOTAL OUTSTANDING DEBT <sup>1</sup>	\$ 7,273,931	\$ 6,739,659	\$ 6,304,763	\$ 6,301,318	\$ 6,429,751	\$ 6,321,917	\$ 6,110,374	\$ 6,119,351	\$ 5,119,124	\$ 5,161,229
Percent Change Over Previous Year	7.9%	6.9%	0.1%	-2.0%	1.7%	3.5%	-0.1%	19.5%	-0.8%	-13.6%
Colorado Population (In Thousands) Restated for Census	5,772	5,696	5,616	5,541	5,452	5,351	5,271	5,186	5,118	5,049
Per Capita Debt (Dollars Per Person) Restated for Census	\$1,260	\$1,183	\$1,123	\$1,137	\$1,179	\$1,181	\$1,159	\$1,180	\$1,000	\$1,022
Per Capita Income (Thousands Per Person)	\$59.0	\$56.8	\$54.6	\$52.3	\$52.1	\$50.7	\$47.2	\$45.6	\$43.0	\$39.9
Per Capita Debt as a Percent of Per Capita Income	2.1%	2.1%	2.1%	2.2%	2.3%	2.3%	2.5%	2.6%	2.3%	2.6%

<sup>1</sup> - General Obligation Debt is prohibited by the State Constitution except to fund buildings for state use, to defend the state or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.

<sup>2</sup> - Colorado State Constitution requires multi-years obligations to be approved by voters therefore there is no specific legal debt limitation.

<sup>3</sup> - Decline was related to the College Invest sale and retirement of bonds previously issued to support purchase and origination of student loans.

<sup>4</sup> - Beginning in Fiscal Year 2014 debt liabilities are not offset by unmortgaged refunding gains or losses. With GASB Statement No. 65, these balances became deferred inflows and outflows.



# REVENUE BOND COVERAGE<sup>1</sup>

## Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available ForDebt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
Governmental Funds: Transportation Revenue Anticipation Notes (TRANS)							
2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00
2018	-	-	-	-	-	-	0.00
2017	-	-	-	-	-	-	0.00
2016	1,566,285	1,437,505	128,780	126,100	2,680	128,780	1.00
2015	1,358,950	1,191,461	167,489	157,220	10,269	167,489	1.00
2014	1,240,588	1,073,259	167,329	147,225	20,104	167,329	1.00
2013	1,204,153	1,037,025	167,128	132,105	35,023	167,128	1.00
2012	1,105,452	938,787	166,665	125,265	41,400	166,665	1.00
2011	1,162,586	994,596	167,990	119,385	48,605	167,990	1.00
2010	1,104,185	936,194	167,991	113,300	54,691	167,991	1.00
Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance <sup>2</sup>							
2019	\$ 111,674	\$ -	\$ 111,674	\$ -	\$ 18,234	\$ 18,234	6.12
2018	106,022	-	106,022	-	18,234	18,234	5.81
2017	109,927	-	109,927	-	18,234	18,234	6.03
2016	231,775	-	231,775	124,965	20,546	145,511	1.59
2015	363,612	-	363,612	249,925	24,857	274,782	1.32
2014	486,250	-	486,250	374,885	30,620	405,505	1.20
2013	608,493	-	608,493	499,845	40,965	540,810	1.13
2012	240,822	-	240,822	-	18,234	18,234	13.21
2011	74,280	-	74,280	-	8,408	8,408	8.83
2010	200,753	34,107	166,646	24,000	17,126	41,126	4.05
Higher Education Institutions							
2019	\$ 2,419,413	\$ 685,793	\$ 1,733,620	\$ 132,929	\$ 159,090	\$ 292,019	5.94
2018	2,290,836	643,503	1,647,333	127,378	161,525	288,903	5.70
2017	2,170,616	618,649	1,551,967	117,118	160,835	277,953	5.58
2016	1,984,082	455,553	1,528,529	103,957	157,999	261,956	5.84
2015	1,250,735	579,200	671,535	107,878	152,923	260,801	2.57
2014	1,170,939	557,627	613,312	94,581	138,121	232,702	2.64
2013	1,122,003	537,630	584,373	80,330	131,356	211,686	2.76
2012	1,093,528	507,761	585,767	69,992	114,914	184,906	3.17
2011	1,025,079	487,781	537,298	64,345	110,488	174,833	3.07
2010	947,626	477,126	470,500	46,650	85,723	132,373	3.55

<sup>1</sup> - Pledged revenues supporting the Governmental Funds TRANS include primarily federal grants under agreement with the Federal Highway Administration (FHWA). Before Fiscal Year 2010, 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 2010 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.

<sup>2</sup> - At the close of Fiscal Year 2010, neither CollegeInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported. In Fiscal Year 2012, Unemployment Insurance issued revenue bonds requiring pledged revenues.

**COLORADO DEMOGRAPHIC DATA**  
**Last Ten Fiscal Years**

Year	Population (000)	Percentage Share of U.S. Population	Total Personal Income (Billions)	Per Capita Personal Income (Dollars)	% of U.S. Per Capita Income	Employment (000)	Unemploy- ment %
2019 est	5,772	1.75%	\$ 340.3	\$ 58,954	105.8%	3,101	2.8%
Revised 2018	5,696	1.74	323.8	56,846	105.8	2,995	3.3
Revised 2017	5,616	1.73	306.4	54,561	105.4	2,911	2.7
Revised 2016	5,541	1.71	289.6	52,269	104.7	2,803	3.2
Revised 2015	5,452	1.70	284.1	52,116	106.3	2,720	3.9
Revised 2014	5,351	1.68	271.1	50,662	107.6	2,662	5.0
Revised 2013	5,271	1.67	249.0	47,236	105.3	2,578	6.9
Revised 2012	5,186	1.65	236.7	45,637	102.3	2,540	7.9
Revised 2011	5,118	1.64	219.9	42,955	101.0	2,507	8.4
Revised 2010	5,049	1.63	201.6	39,926	99.0	2,486	8.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment

**COLORADO EMPLOYMENT<sup>1,2</sup>**  
**BY INDUSTRY**  
**Last Ten Fiscal Years**  
(AMOUNTS IN THOUSANDS)

Industry	2019 est	Revised 2018 est	Revised 2017	Revised 2016	Revised 2015	Revised 2014	Revised 2013	Revised 2012	Revised 2011	Revised 2010
Natural Resources and										
Mining	30.8	29.4	25.7	23.7	30.7	34.1	30.6	30.3	27.9	24.4
Construction	176.8	171.8	163.6	155.3	148.8	142.2	127.5	115.8	112.5	115.1
Manufacturing	148.4	146.7	144.0	142.7	141.0	136.6	132.8	130.9	128.1	124.2
Transportation, Trade, and Utilities	479.2	470.5	460.3	454.1	445.8	432.8	420.2	409.7	401.8	397.6
Information	76.0	74.6	71.7	71.9	70.7	70.3	69.8	69.8	71.4	72.0
Financial Activities	171.7	170.0	167.5	163.8	159.0	153.9	151.0	146.7	143.9	144.3
Professional and Business Services	437.6	426.3	413.2	405.7	398.4	386.5	372.6	356.9	341.5	330.8
Educational and Health Services	346.7	340.2	333.5	325.7	313.2	298.0	285.9	281.8	272.9	263.9
Leisure and Hospitality	348.0	340.5	333.4	323.6	312.8	300.4	289.4	279.7	271.4	263.0
Other Services	111.4	110.1	108.7	107.3	104.2	100.9	97.7	96.0	93.7	92.4
Government	450.2	443.5	436.9	428.7	417.1	408.5	403.7	394.9	392.9	393.8
Total	2,776.8	2,723.6	2,658.5	2,602.5	2,541.7	2,464.2	2,381.2	2,312.5	2,258.0	2,221.5

Source: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

<sup>1</sup> - Provided in lieu of information regarding Colorado's principal employers because employer data could not be obtained.

<sup>2</sup> - Excludes nonagricultural self-employed, unpaid family, and domestic workers.

**VALUE OF TOTAL CONSTRUCTION  
IN COLORADO BY TYPE  
Last Ten Years**

(AMOUNTS IN MILLIONS)

<b>Year</b>	<b>Residential</b>	<b>Non- Residential</b>	<b>Non- Building</b>	<b>Total</b>
2019 est	\$ 11,532	\$ 7,300	\$ 2,800	\$ 21,632
Revised				
2018 est	10,703	6,950	3,500	21,153
Revised				
2017	10,599	6,671	3,069	20,339
Revised				
2016	10,068	5,927	2,587	18,582
Revised				
2015	8,597	4,802	2,952	16,351
Revised				
2014	7,563	4,307	2,367	14,237
2013	7,089	3,610	3,680	14,379
2012	5,368	3,675	3,329	12,372
2011	3,363	3,932	2,289	9,584
2010	2,903	2,967	2,214	8,084

Source: Department of Census, F.W. Dodge Company, Division of McGraw-Hill, the Colorado Contractors Assoc., and Colorado Business Economic Outlook Committee.

**COLORADO SALES AND  
GROSS FARMING REVENUES  
Last Ten Years**

(AMOUNTS IN BILLIONS)

<b>Year</b>	<b>Retail Sales</b>	<b>Gross Farm Revenues</b>
2019 est	\$ 101.90	\$ 8.06
Revised		
2018 est	96.70	8.04
Revised		
2017	91.70	8.08
Revised		
2016	87.20	7.50
2015	83.40	8.80
Revised		
2014	79.50	9.09
2013	74.10	8.55
Revised		
2012	70.70	8.35
Revised		
2011	66.70	8.49
Revised		
2010	62.30	7.10

Includes only those sales reported on sales tax reports.

Source: Colorado Business Economic Outlook Agricultural Committee

**DEMAND DRIVERS OF THE PRIMARY GOVERNMENT<sup>1</sup>**  
**BY FUNCTIONS/PROGRAMS**

**Last Ten Years<sup>2</sup>**

	2019	Restated 2018	Restated 2017	Restated 2016	Restated 2015
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Government:					
Funds	883	874	848	815	719
Employees (calculated Average Employment)	78,213	76,578	74,252	72,483	72,369
Balance in Treasury Pool (in millions)	\$9,055.2	\$7,763.2	\$6,852.0	\$7,413.7	\$7,683.2
Business, Community, and Consumer Affairs:					
Professional Licenses at Regulatory Agencies	865,914	853,163	829,350	813,639	789,643
Unemployment Rate (percent) <sup>4</sup>	2.8	3.3	2.7	3.2	3.9
Employment Level	3,101,412	2,994,752	2,911,079	2,803,436	2,719,500
Education:					
Public Schools	1,861	1,889	1,833	1,853	1,836
Primary School Students	Not available	911,536	910,280	905,018	899,112
Health and Rehabilitation:					
Average Daily Population of Mental Health Institutes <sup>3</sup>	595	581	543	545	545
Average Daily Population of Regional Centers <sup>3</sup>	246	261	260	266	272
Justice:					
District Court Cases Filed <sup>3</sup>	216,437	218,413	225,438	216,970	231,188
County Court Cases Filed <sup>3</sup>	Not available	412,714	425,947	430,398	446,255
Inmate Admissions	Not available	9,972	8,851	9,912	9,912
Inmate Releases	Not available	9,947	9,844	10,269	10,269
Average Daily Inmate Population	Not available	20,003	20,000	20,179	20,678
Citations Issued by the State Patrol	136,086	138,772	141,949	145,181	140,943
Crashes Covered by the State Patrol	29,767	28,964	30,264	30,542	29,572
Natural Resources:					
Active Oil and Gas Wells <sup>3</sup>	55,000	54,400	54,600	52,600	52,300
Oil and Gas Drilling Permits <sup>3</sup>	6,200	4,460	4,620	3,725	4,333
Annual State Park Visitors <sup>3</sup>	14,300,000	14,400,000	14,800,000	12,300,000	11,699,543
Water Loans	326	318	328	312	294
Social Assistance:					
Medicaid Recipients <sup>3</sup>	1,350,445	1,420,267	1,385,945	1,289,795	1,003,612
Average Cash Assistance Payments per Month <sup>3</sup>	Not available	Not available	Not available	Not available	63,646
Transportation:					
Lane Miles	Not available	23,026,130	23,053,073	22,984,731	23,018,184
Bridges	3,461	3,451	3,455	3,427	3,439
<b>BUSINESS- TYPE ACTIVITIES:</b>					
Higher- Education:					
Resident Students <sup>3</sup>	147,705	146,138	142,180	145,769	150,073
Nonresident Students <sup>3</sup>	37,952	32,884	32,884	30,869	29,305
Unemployment Insurance:					
Individuals Served - Employment and Training <sup>3</sup>	366,130	360,911	425,253	469,274	553,258
Initial Unemployment Claims <sup>3</sup>	101,599	107,471	129,887	152,658	157,161
Lottery:					
Scratch Tickets Sold	85,738,142	83,746,578	84,041,528	87,433,955	89,637,387
Lotto Tickets Sold	28,034,842	28,462,945	30,609,106	27,422,320	29,837,628
Powerball Tickets Sold	35,073,981	36,013,750	29,860,519	47,427,269	29,581,783
Other Lottery Tickets Sold	67,466,124	56,312,662	54,533,766	29,682,863	50,521,072
Wildlife:					
Hunting & Fishing Licenses Sold <sup>3</sup>	1,700,000	1,700,000	1,700,000	1,600,000	2,300,000
College Assist:					
Guaranteed Loans - In State	-	-	-	-	-
Guaranteed Loans - Out of State	-	-	-	-	-

\*Data not available.

<sup>1</sup>All amounts are counts except where dollars or percentages are indicated.

<sup>2</sup>Data presented by either fiscal year or calendar year based on availability of information.

<sup>3</sup>Data represents estimates from budgetary documents and is not adjusted to actuals.

<sup>4</sup>Data represents annual averages of monthly estimates from Department of Labor and Employment statistical information and is not adjusted to actuals.

Source: JBC Budget in Brief and Various State Agencies' Self-Reported Statistical Information.

Restated 2014	Restated 2013	Restated 2012	Restated 2011	Restated 2010
638	634	626	616	601
70,823	68,898	67,871	66,691	65,325
\$7,047.8	\$7,106.9	\$6,546.6	\$6,076.2	\$5,902.0
750,306	729,328	705,205	703,695	702,498
5.0	6.9	7.9	8.4	8.7
2,662,404	2,577,556	2,539,941	2,507,265	2,486,404
1,824	1,823	1,806	1,786	1,817
889,006	876,999	863,561	854,265	843,316
486	489	501	511	554
288	305	302	307	329
289,965	247,696	238,766	190,531	188,822
493,341	505,234	541,439	562,185	562,570
9,620	9,597	9,116	9,935	10,704
10,506	10,506	10,657	10,161	11,033
20,478	20,551	22,009	22,814	22,980
138,661	124,654	137,546	149,015	170,988
28,292	26,600	22,324	24,878	24,123
50,350	47,916	45,300	45,500	45,000
4,300	5,100	4,800	5,250	5,000
11,556,388	12,461,261	12,651,919	12,463,495	11,666,912
289	277	281	288	278
809,452	687,473	613,148	553,407	476,632
65,208	65,208	66,472	63,742	58,119
23,018,184	23,021,500	23,023,800	23,023,720	23,023,070
3,443	3,438	3,447	3,447	3,447
155,748	159,206	160,944	160,160	146,531
28,580	27,536	26,934	26,225	24,869
552,303	636,977	585,724	615,548	652,570
199,007	228,634	302,418	389,769	408,644
89,961,317	94,109,256	99,988,581	98,545,733	99,657,606
33,809,181	32,561,865	33,276,914	39,257,585	41,620,408
35,134,907	67,690,312	64,285,665	70,047,258	101,568,085
56,956,625	47,690,502	65,916,303	50,464,834	26,833,674
2,300,000	2,315,000	2,333,000	1,380,000	1,630,000
-	-	-	61,076	107,402
-	-	-	4,961	41,616

**AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION  
AND AVERAGE MONTHLY EMPLOYEE SALARY  
Last Ten Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government	3,340	3,320	3,238	3,102	3,005	3,092	2,958	3,042	2,991	2,399
Business, Community, and Consumer Affairs	2,723	2,741	2,756	2,451	2,441	2,482	2,420	2,404	2,458	2,564
Education	47,297	45,884	43,762	42,494	42,767	41,501	40,218	39,097	38,038	37,093
Health and Rehabilitation	4,117	4,147	4,122	4,023	4,007	3,990	3,931	3,953	3,965	4,019
Justice	14,380	14,192	14,076	13,974	13,760	13,416	13,123	13,149	13,093	12,848
Natural Resources	1,626	1,611	1,619	1,623	1,599	1,579	1,586	1,597	1,579	1,607
Social Assistance	1,711	1,672	1,661	1,810	1,766	1,731	1,633	1,605	1,579	1,704
Transportation	3,019	3,011	3,018	3,006	3,024	3,032	3,029	3,024	2,988	3,091
<b>TOTAL AVERAGE EMPLOYMENT</b>	<b>78,213</b>	<b>76,578</b>	<b>74,252</b>	<b>72,483</b>	<b>72,369</b>	<b>70,823</b>	<b>68,898</b>	<b>67,871</b>	<b>66,691</b>	<b>65,325</b>
TOTAL CLASSIFIED	30,999	31,133	31,159	31,102	31,246	31,284	31,504	32,449	32,927	32,799
AVERAGE MONTHLY SALARY	\$ 4,826	\$ 4,650	\$ 4,554	\$ 4,539	\$ 4,502	\$ 4,391	\$ 4,283	\$ 4,314	\$ 4,324	\$ 4,367
TOTAL NON-CLASSIFIED	47,214	45,445	43,093	41,381	41,123	39,539	37,394	35,422	33,764	32,526
AVERAGE MONTHLY SALARY	\$ 7,181	\$ 6,980	\$ 6,872	\$ 6,691	\$ 6,306	\$ 6,140	\$ 5,953	\$ 5,840	\$ 5,786	\$ 5,735

- Classified employees are those holding positions within the State Personnel System. Non-classified employees are excluded from the State Personnel System and are not subject to the rule-making authority of the State Personnel Director. Non-classified positions are found primarily in the Judicial Branch, the Legislative Branch, the Governor's cabinet and office staff, the Department of Law, the Department of Education, and as administrators and faculty in the Department of Higher Education.

- For each State agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the average employee count. average salary was computed as total classified or nonclassified salary divided by related average employee count.

**COLORADO STATE HIGHWAY SYSTEM  
CENTERLINE AND LANE MILES  
LAST TEN FISCAL YEARS**

Mileage Type	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
CenterLine Miles <sup>1</sup>										
Urban	1,502	1,510	1,510	1,523	1,523	1,385	1,385	1,385	1,389	1,398
Rural	7,575	7,578	7,578	7,580	7,580	7,718	7,720	7,720	7,720	7,748
<b>TOTAL CENTERLINE MILES</b>	<b>9,077</b>	<b>9,088</b>	<b>9,088</b>	<b>9,103</b>	<b>9,103</b>	<b>9,103</b>	<b>9,105</b>	<b>9,105</b>	<b>9,109</b>	<b>9,146</b>
Percent Change	-0.1%	0.0%	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	0.0%
Lane Miles <sup>2</sup>										
Urban	5,789	5,808	5,742	5,771	5,771	5,326	5,330	5,330	5,327	5,352
Rural	17,237	17,245	17,242	17,247	17,247	17,688	17,694	17,693	17,654	17,709
<b>TOTAL LANE MILES</b>	<b>23,026</b>	<b>23,053</b>	<b>22,984</b>	<b>23,018</b>	<b>23,018</b>	<b>23,014</b>	<b>23,024</b>	<b>23,023</b>	<b>22,981</b>	<b>23,061</b>
Percent Change	-0.1%	0.3%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.2%	-0.3%	0.1%
Roadways <sup>3</sup>										
Percent Rated Good/Fair	80	79	79	79	79	79	47	48	48	50
Percent Rated Poor	20	21	21	21	21	21	53	52	52	50
<b>TOTAL PERCENTAGE</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<sup>1</sup>Centerline miles measure roadway miles without accounting for the number of lanes.

<sup>2</sup>Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.

<sup>3</sup>In 2013 CDOT changed the overall metric by which pavement condition is measured. The new measure is based on Driveability Life, which identifies how long a pavement will last until the user experience becomes unacceptable.

Source: Department of Transportation

**COLORADO STATE-OWNED BRIDGES  
BY FUNCTIONAL CLASSIFICATION  
LAST TEN FISCAL YEARS**

Functional Classification	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Principal Arterial <sup>1</sup>	1,404	1,387	1,390	1,372	1,377	1,114	1,294	1,303	1,299	1,376
Other Principal Arterial	924	932	931	930	930	1,199	793	791	785	801
Minor Arterial	668	670	670	666	667	667	747	749	752	759
Collector	377	383	387	383	390	391	443	442	446	431
Local	88	79	77	76	75	72	161	162	165	80
<b>TOTAL BRIDGES</b>	<b>3,461</b>	<b>3,451</b>	<b>3,455</b>	<b>3,427</b>	<b>3,439</b>	<b>3,443</b>	<b>3,438</b>	<b>3,447</b>	<b>3,447</b>	<b>3,447</b>
Percent Change	0.3%	-0.1%	0.8%	-0.3%	-0.1%	0.1%	-0.3%	0.0%	0.0%	0.5%
Percent Rated Poor <sup>2</sup>	6.32	4.42	4.90	5.60	5.60	5.70	5.90	3.60	5.53	5.48

<sup>1</sup>Includes Interstate, Expressways, and Freeways.

<sup>2</sup>In 2013 CDOT changed the overall metric for assessing bridges due to Public Law 112- 141. The focus is now on Structurally Deficient bridges.

Source: Department of Transportation

**BUILDING SQUARE FOOTAGE  
OWNED BY THE PRIMARY GOVERNMENT  
BY FUNCTIONS/PROGRAMS**

**Last Ten Years**

	2019	2018	Restated 2017	Restated 2016	Restated 2015	Restated 2014	Restated 2013	Restated 2012	Restated 2011	2010
<b>GOVERNMENTAL ACTIVITIES:</b>										
General Government	3,732,465	3,975,641	4,110,351	4,091,577	3,630,949	3,898,443	3,449,893	3,197,325	3,069,547	3,043,068
Business, Community, and Consumer Affairs <sup>1</sup>	1,278,223	1,253,288	1,253,288	1,117,563	1,260,223	1,462,694	1,091,423	980,198	980,198	980,198
Education	322,484	322,484	322,484	322,484	322,484	327,394	327,394	327,394	326,602	317,894
Health and Rehabilitation	1,463,209	1,463,209	1,463,129	1,443,140	1,439,483	1,371,986	1,407,882	1,522,278	1,476,587	1,489,338
Justice	8,880,526	8,852,530	8,763,302	8,743,419	8,633,069	8,797,346	8,170,861	8,428,687	8,404,174	8,398,319
Natural Resources	915,362	788,919	775,567	754,116	677,422	454,150	457,366	321,373	1,729,810	1,729,810
Social Assistance	1,833,377	1,834,497	1,834,815	1,828,335	1,821,873	1,794,333	1,791,521	1,787,266	1,836,385	1,824,175
Transportation	4,445,286	4,057,721	3,450,675	3,652,382	3,589,835	3,373,967	3,362,781	3,278,758	3,207,047	3,206,451
<b>BUSINESS-TYPE ACTIVITIES:</b>										
Higher Education	56,142,470	55,616,419	55,858,696	54,075,080	52,070,593	50,215,173	49,016,072	48,013,242	47,701,898	46,277,915
Parks and Wildlife	1,926,202	2,887,423	2,811,609	2,811,609	2,811,609	2,811,609	2,811,609	2,811,609	1,131,841	1,109,004
<b>TOTAL</b>	<b>80,939,604</b>	<b>81,052,131</b>	<b>80,643,916</b>	<b>78,839,705</b>	<b>76,257,540</b>	<b>74,507,095</b>	<b>71,886,802</b>	<b>70,668,130</b>	<b>69,864,089</b>	<b>68,376,172</b>

Source: Colorado Office of the State Architect

<sup>1</sup> - Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

**BUILDING SQUARE FOOTAGE  
LEASED BY THE PRIMARY GOVERNMENT  
BY FUNCTIONS/PROGRAMS**

**Last Ten Years**

	2019	2018	2017	2016	2015	(restated) 2014	2013	2012	2011	2010
<b>GOVERNMENTAL ACTIVITIES:</b>										
General Government	162,801	175,427	153,470	153,470	161,533	169,970	200,900	226,201	210,576	276,602
Business, Community, and Consumer Affairs <sup>1</sup>	632,311	635,899	640,803	623,742	597,583	604,185	597,182	575,591	585,944	517,447
Education	56,831	54,765	58,819	53,827	51,749	47,926	47,645	39,804	31,999	28,531
Health and Rehabilitation	478,241	470,748	477,717	473,440	498,721	475,010	473,230	465,649	458,959	455,218
Justice	567,155	473,032	525,493	453,320	343,665	412,286	310,551	321,920	463,506	857,026
Natural Resources	77,831	79,055	78,909	74,016	75,134	91,162	78,937	73,375	81,926	65,735
Social Assistance	103,706	96,465	99,256	99,256	110,867	74,451	61,001	51,404	56,881	55,801
<b>BUSINESS-TYPE ACTIVITIES:</b>										
Higher Education	1,506,925	1,436,583	1,404,972	1,309,490	1,303,315	1,613,516	1,530,285	1,536,160	1,358,597	1,199,672
College Invest	9,126	9,126	9,164	9,597	9,642	11,397	11,397	7,517	8,544	18,983
Lottery	67,327	67,327	67,327	67,327	71,104	71,104	71,104	74,104	66,684	59,915
Parks and Wildlife	23,635	70,058	83,036	76,448	76,448	76,448	76,448	79,112	73,064	73,064
College Assist	9,126	9,126	9,396	10,164	10,246	8,825	8,825	8,825	10,139	12,807
<b>TOTAL</b>	<b>3,695,015</b>	<b>3,577,611</b>	<b>3,608,362</b>	<b>3,404,097</b>	<b>3,310,007</b>	<b>3,656,280</b>	<b>3,467,505</b>	<b>3,459,662</b>	<b>3,406,819</b>	<b>3,620,801</b>

Source: Colorado Office of the State Architect

<sup>1</sup> - Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.



## OTHER COLORADO FACTS

### Important Dates

- 1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.
- 1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.
- 1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.
- 1858 Gold is discovered along Cherry Creek near present day Denver.
- 1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for “colored red.” President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.
- 1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.
- 1870 The Denver Pacific Railroad is completed to Denver.
- 1876 Colorado is admitted to the Union as the 38<sup>th</sup> state. John L. Routt is elected the first governor.
- 1877 The University of Colorado opens classes at Boulder with two teachers and forty-four students.
- 1894 The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of \$2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.
- 1906 The U.S. Mint at Denver issues its first coins.
- 1958 The U.S. Air Force Academy’s permanent campus opens near Colorado Springs.
- 1992 TABOR amendment is added to the State Constitution.

### Geography

Area: 103,718 square miles.

Highest Elevation: Mt Elbert – 14,433 feet above sea level.

Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

### State Symbols and Emblems

**State Motto** – Nil Sine Numine –  
Nothing Without the Deity

**State Songs** – “Where the Columbines Grow” and  
“Rocky Mountain High”

**State Nickname** – Centennial State

**State Gemstone** – Aquamarine

**State Animal** – Rocky Mountain Bighorn Sheep

**State Grass** – Blue Grama Grass

**State Bird** – Lark Bunting

**State Insect** – Colorado Hairstreak Butterfly

**State Fish** – Greenback Cutthroat Trout

**State Mineral** – Rhodochrosite

**State Flower** – White and Lavender Columbine

**State Reptile** – Western Painted Turtle

**State Folk Dance** – Square Dance

**State Amphibian** – Western Tiger Salamander

**State Fossil** – Stegosaurus

**State Rock** – Yule Marble

**State Pet** – Shelter and Rescue Dog and Cat

**State Tree** – Colorado Blue Spruce

**State Cactus** – Claret Cup



**COLORADO**

**Office of the State Controller**

Department of Personnel & Administration

## APPENDIX B-1

### GLOSSARY

This Glossary is a summary of the Glossary attached to the Master Indenture, as such Glossary has been supplemented and amended by the 2020 Supplemental Indenture, which may vary in certain respects from this summary. A copy of the Master Indenture and the 2020 Supplemental Indenture are available as described in the body of this Official Statement under the caption “INTRODUCTION—Other Information.”

“*Additional Rent*” means (a) when used with respect to amounts payable by the State pursuant to the Lease, the costs and expenses incurred by the State in performing its obligations under the Lease other than its obligations with respect to Base Rent and the State’s Purchase Option Price; and (b) when used with respect to amounts payable by a Sublessee pursuant to a Sublease, the costs and expenses incurred by the Sublessee in performing its obligations under such Sublease other than its obligations with respect to Base Rent, if any, and the Sublessee’s Purchase Option Price under such Sublease.

“*Approved Project*” means a project approved by in accordance with § 23-31-903(c), C.R.S., of the Lease Purchase Act.

“*Authorized Denominations*” means, unless provided otherwise in a Supplemental Indenture, \$5,000 and any integral multiple thereof, provided that no Certificate may be in a denomination which exceeds the principal coming due on any maturity date and no individual Certificate may be executed and delivered for more than one maturity.

“*Base Rent*” means (a) when used with respect to amounts payable by the State pursuant to the Lease, the payments by the State pursuant to the Lease for and in consideration of the right to use the Leased Property during the Lease Term of the Lease that are designated as Base Rent in the Lease; and (b) when used with respect to amounts payable by a Sublessee pursuant to a Sublease, the payments, if any, by the Sublessee pursuant to such Sublease for and in consideration of the right to use the Leased Property subleased pursuant to such Sublease during the Sublease Term of such Sublease that are designated as Base Rent in such Sublease.

“*Base Rent Payment Date*” means, when used with respect to Base Rent payable pursuant to the Lease or Sublease, one of the dates in the “Base Rent Payment Date” column in the Exhibit to such Lease or Sublease that includes the schedule for payment of Base Rent payable pursuant to such Lease or Sublease.

“*Bond Counsel*” means Kutak Rock LLP or such other attorneys selected by the State with nationally recognized expertise in the issuance of municipal securities, the interest on which is excluded from gross income for federal income tax purposes.

“*Business Day*” means any day other than (i) a Saturday, a Sunday or a day on which banks in New York, New York or Denver, Colorado are authorized by law to remain closed or (ii) a day on which the New York Stock Exchange is closed.

“*Certificate Fund*” means the special fund created by Section 3.01(a) of the Master Indenture.

“*Certificates*” means all the certificates executed and delivered pursuant to the Master Indenture.

“*Code*” means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

“*Completion Certificate*” means a written certification by the State and the Institution stating that the Completion Date for a Project has occurred and that no further moneys in the Project Account established for such Project are required to pay, or reimburse the State or the Institution for the payment of, Costs of such Project.

“*Completion Date*” means the date a Project is completed based on a Completion Certificate.

“*Costs*” or “*Costs of a Project*” means, with respect to each Project, the costs or construction materials, supplies, contractor and professional services billings and personal services, and other costs directly related to the Project that are incurred prior to the Completion Date for such Project, payment of interest on Certificates during construction of the Projects if not paid from proceeds of the Certificates or other moneys on deposit in the Certificate Fund from, and the payment of items equivalent to those items contained in Additional Rent during construction of the Project and prior to the regularly scheduled Rent payments from annual appropriations of the State from the National Western Center Trust Fund.

“*Costs of Issuance*” means costs incurred in connection with the preparation, negotiation, execution and delivery of any Deed, Site Lease, or Sublease or the Lease, the Indenture, the Certificates or any other document related thereto and due diligence, title and other nonconstruction costs incurred with respect to the Leased Property and the Projects prior to the last Completion Date for a Project that are financed with the proceeds of such Certificates, including, but not limited to, any fees and expenses of the Trustee, any fees and expenses of any underwriter or financial advisor that provides services in connection with the execution and delivery of any Certificates, costs of environmental assessments or reports and title insurance, legal fees and expenses, costs incurred in obtaining ratings from rating agencies, Certificate insurance premiums, costs of immediately available funds, costs of publication, printing and engraving, accountants’ fees and recording and filing fees.

“*Costs of Issuance Account*” means the account of the Construction Fund created by and designated as such in Section 3.02(a) of the Master Indenture.

“*Deed*” means a deed pursuant to which the Institution or another Person has deeded Leased Property to the Trustee.

“*Defeasance Securities*” means Permitted Investments which are cash or direct obligations of, or obligations on which the timely payment of the principal of and interest thereon are unconditionally and fully guaranteed by, the United States of America.

“*Event of Default*” means (a) when the term is used in the Lease or is used to refer to an event occurring under the Lease, an event described in Section 11.01 of the Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to the Lease or is used to refer to an event occurring under such a Sublease, an event described as such in a Sublease; (c) when the term is used in a Site Lease with respect to Leased Property subject to the Lease or is used to refer to an event occurring under such Site Lease, an event described as such in a Site Lease; and (d) when the term is used in the Indenture, an Event of Default under the Lease.

“*Event of Nonappropriation*” means (a) when the term is used in the Lease or is used to refer to an event occurring under the Lease, an event described in Section 5.04(b) of the Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to the Lease or is used to refer to an event occurring under such a Sublease, an event described as such in such Sublease; and (c) when the term is used in the Indenture, an Event of Nonappropriation under the Lease.

“*Failure to Perform*” is defined in Section 7.03 of the Master Indenture.

“*Fair Market Value*” means the price at which a willing seller would sell and a willing buyer would buy property in an arm’s length transaction. For purposes of certifications, representations and agreements under the Lease or a Sublease, the State or a Sublessee may assume that the certified replacement value of real property determined by the Institution is the Fair Market Value of such real property.

“*Fiscal Year*” means the State’s fiscal year, which begins on July 1 of each year and ends on June 30 of the following year.

“*Force Majeure*” means any event that is not within the control of the State, including, without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; or breakage or accidents affecting machinery, transmission pipes or canals.

“*Glossary*” means this Glossary as it may be amended, supplemented or restated from time to time.

“*Hydro Building Project*” means the Project financed with the proceeds of the Series 2020 Certificates described as such in Appendix D to the 2020 Supplemental Indenture.

“*Indenture*” means the Master Indenture and all Supplemental Indentures, collectively.

“*Initial Purchaser*” means the Person who initially purchases a Series of Certificates pursuant to a certificate purchase agreement or otherwise.

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

“*Initial Value*” means with respect to Leased Property that is subject to the Lease, the amount shown as the Initial Value of Leased Property in Exhibit B to the Lease as the same may be amended from time to time.

“*Institution*” means the Board of Governors of the Colorado State University System, and its successors and assigns.

“*Interest Payment Date*” means (a) with respect to the Series 2018 Certificates, each March 1 and September 1 of each year, commencing on September 1, 2018; (b) with respect to the Series 2020 Certificates, each March 1 and September 1 of each year, commencing on March 1, 2021; and (c) with respect to other Certificates, unless this definition is amended prior to the execution and delivery of such other Certificates, the same dates but commencing on the first March 1 or September 1 that is at least 75 days after the original dated date of such Certificates.

“*Land*” means (a) with respect to the land included in the Leased Property subject to the Lease, the land described in Exhibit A to the Lease, as amended and restated and Exhibit C to the 2020 Supplemental Indenture, subject to the terms of the Lease relating to modifications, releases and substitutions of Leased Property; (b) with respect to land included in a Sublessee’s Leased Property subject to the Lease, the land described in an exhibit to such Sublease, subject to the terms of such Sublease relating to modifications, releases and substitutions of Leased Property; (c) with respect to the land included in a Site Lessor’s Leased Property subject to the Lease, the land described in Exhibit A to the Site Lease, as amended and restated and Exhibit C to the 2020 Supplemental Indenture, subject to the terms of such Site Lease relating to

modifications, releases and substitutions of Leased Property; in all cases as the same may be amended from time to time.

“*Lease*” means the State of Colorado National Western Center Lease Purchase Financing Program Lease Purchase Agreement, dated as of March 1, 2018, by and between the Trustee, as lessor and the State, as lessee, as amended by the 2020 Amendment to Lease, and as may be further supplemented and amended.

“*Lease Purchase Act*” means that portion of House Bill 15-1344 which is codified as § 23-31-901, C.R.S. through § 23-31-905, C.R.S., inclusive, as it may be amended.

“*Lease Revenues*” means: (a) the Base Rent, (b) the State’s Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State’s Purchase Option Price pursuant to the Lease), (c) any portion of the proceeds of Certificates deposited with or by the Trustee in the Certificate Fund to pay accrued or capitalized interest on the Certificates, (d) earnings on moneys on deposit in any fund, account or subaccount and all other revenues from the Lease, to the extent such earnings or revenues are deposited into a fund, account or subaccount that is part of the Trust Estate, and (e) any other moneys to which the Trustee may be entitled for the benefit of the Owners.

“*Lease Term*” means the period of time during which the Lease is in force and effect, as set forth in Section 3.01 of the Lease and any similar provision of any other Lease.

“*Leased Property*” means (a) when the term is used in the Lease or to refer to property leased pursuant to the Lease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Trustee to the State pursuant to the Lease, subject to the terms of the Lease relating to modifications, releases and substitutions of Leased Property; (b) when the term is used in a particular Sublease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are subleased to the Sublessee pursuant to the Sublease, subject to the terms of such Sublease relating to modifications, releases and substitutions of Leased Property; (c) when the term is used in a particular Site Lease, the Land and the buildings, structures and improvements located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Site Lessor to the Trustee pursuant to such Site Lease, subject to the terms of such Site Lease relating to modifications, releases and substitutions of Land and the buildings, structures and improvements located on such Land; and (d) when the term is used in other contexts, all the property (including any fee interest, leasehold estate or other interest therein and the Land and the building, structures and improvements now or hereafter located on such Land) leased to the State pursuant to the Lease, subject to the terms of the Lease relating to modifications, releases and substitutions of Leased Property.

“*Lessee*” or “*State*” means the State of Colorado, acting by and through the Department of the Treasury.

“*Master Indenture*” means the State of Colorado National Western Center Lease Purchase Financing Program Master Trust Indenture dated as of March 1, 2018 by the Trustee, as it may be supplemented and amended from time-to-time by a Supplemental Indenture.

“*Moody’s*” means Moody’s Investor Service and its successors and assigns.

“*Net Proceeds*” means the gross proceeds received from any insurance, performance bond, condemnation award or contract or any source as a consequence of a Property Damage, Defect or Title Event *minus* any expenses incurred in connection with the collection of such gross proceeds.

“*Opinion of Counsel*” means a written opinion of legal counsel, who may be counsel to the Trustee.

“*Outstanding*” means all Certificates which have been executed and delivered, except:

- (a) Certificates canceled or which shall have been surrendered to the Trustee for cancellation;
- (b) Certificates in lieu of which other Certificates have been executed under Section 2.05 or 2.06 of the Master Indenture;
- (c) Certificates which have been redeemed as provided in Article IV hereof (including Certificates redeemed on payment of an amount less than the outstanding principal thereof and accrued interest thereon to the redemption date);
- (d) Certificates which are due and for which the Trustee holds funds for the benefit of the Owner thereof pursuant to Section 3.04 of the Master Indenture;
- (e) Certificates which are otherwise deemed discharged pursuant to Section 9.01 of the Master Indenture; and
- (f) Certificates held by the State.

“*Owner*” of a Certificate means the registered owner of such Certificate as shown in the registration records of the Trustee.

“*Permitted Encumbrances*” means, as of any particular time, (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to Section 7.02(b) of the Lease; (b) the Lease, the Indenture, the Subleases, the Deeds and the Site Leases; (c) easements, licenses, rights-of-way, rights and privileges, restrictions and exceptions which a State Representative certifies will not materially adversely affect the value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted pursuant to Section 7.03 of the Lease or any similar provision of any other Lease; (d) any financing statements filed with respect to the Trustee’s interest in the Leased Property, the Leases, the Subleases, the Deeds or the Site Leases; (e) any encumbrance represented by financing statements filed to perfect purchase money security interests in any portion of or all of the Leased Property; (f) any claim filed pursuant to § 38-26-107, C.R.S.; (g) any applicable zoning requirements; (h) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, as certified by the Sublessee that deeded or leased the Leased Property to the Trustee, materially impair title to the Leased Property and (i) anything included as an exception to title in the title report or title commitment or insurance with respect to any Leased Property at the time such Leased Property is subjected to the Lease.

“*Permitted Investments*” means any investment which is a lawful investment permitted for the investment of funds of the State by the laws of the State under § 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.

“*Project*” means an Approved Project that is financed with the proceeds of a Series of Certificates and identified in a Supplemental Indenture relating to such Series of Certificates.

*“Project Account”* means an account of the Construction Fund that is to be used to fund a particular Project.

*“Property Damage, Defect or Title Event”* means an event of the following events (a) any portion of the Leased Property is destroyed or damaged by fire or other casualty, (b) title to, or the temporary or permanent use of, any portion of the Leased Property or the estate of the State or the Trustee in any portion of the Leased Property, is taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, (c) a breach of warranty or any material defect with respect to any portion of the Leased Property becomes apparent or (d) title to or the use of any portion of the Leased Property is lost by reason of a defect in the title thereto.

*“Rating Agency”* means S&P, but only if S&P then maintains a rating on any Outstanding Certificates at the request of the State, and Moody’s, but only if Moody’s then maintains a rating on any Outstanding Certificates at the request of the State.

*“Rebate Fund”* means the special fund created by Section 3.03(a) of the Master Indenture.

*“Record Date”* means with respect to each Interest Payment Date the fifteenth day of the immediately preceding calendar month (whether or not a Business Day).

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

*“Rent”* means Base Rent and Additional Rent, collectively.

*“Requirement of Law”* means any federal, state or local statute, indenture, rule or regulation, any judicial or administrative order (whether or not on consent), request or judgment, any common law doctrine or theory, any provision or condition of any permit required to be obtained or maintained, or any other binding determination of any governmental authority relating to the ownership or operation of property, including but not limited to any of the foregoing relating to zoning, environmental, health or safety matters.

*“S&P”* means S&P Global Ratings and its successors and assigns.

*“Scheduled Lease Term”* means the period that begins on the first day of the Initial Term of the Lease and ends on the date described in Section 3.01(b)(i) of the Lease, as the same may be amended.

*“Scheduled Site Lease Term”* means the period that begins on the first day of the Site Lease Term of a Site Lease and ends on the date described in Section 3.01(a)(i) of such Site Lease.

*“Scheduled Sublease Term”* means the period that begins on the first day of the Initial Term of a Sublease and ends on the date described as such in such Sublease.

*“Series”* means, when used to refer to Certificates, any series of Certificates authorized by and identified as such in any Supplemental Indenture.

*“Series 2018 Certificates”* means the Series 2018A Certificates and the Series 2018B Certificates.

*“Series 2018 Supplemental Indenture”* or *“2018 Supplemental Indenture”* means the State of Colorado National Western Center Lease Purchase Financing Program Series 2018 Supplemental Trust Indenture dated as of March 1, 2018 by the Trustee.



“*Series 2018A Certificates*” means the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation Series 2018A (Tax-Exempt) authorized by the Series 2018 Supplemental Indenture.

“*Series 2018B Certificates*” means the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation Series 2018B (Taxable) authorized by the Series 2018 Supplemental Indenture.

“*Series 2020 Certificates*” means the Series 2020A Certificates and the Series 2020B Certificates.

“*Series 2020 Supplemental Indenture*” or “*2020 Supplemental Indenture*” means the State of Colorado National Western Center Lease Purchase Financing Program Series 2020 Supplemental Trust Indenture dated as of October 1, 2020 by the Trustee.

“*Series 2020A Certificates*” means the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation Series 2020A (Tax-Exempt) authorized by the Series 2020 Supplemental Indenture.

“*Series 2020A Cost of Issuance Account*” means the account by that name established in the Cost of Issuance Account of the Construction Fund pursuant to the Series 2020 Supplemental Indenture.

“*Series 2020A Interest Account*” means the account by that name established in the Interest Account of the Certificate Fund pursuant to the Series 2020 Supplemental Indenture.

“*Series 2020A Project Account*” means the account by that name established in the Project Account of the Construction Fund pursuant to the Series 2020 Supplemental Indenture.

“*Series 2020B Certificates*” means the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation Series 2020B (Federally Taxable) authorized by the Series 2020 Supplemental Indenture.

“*Series 2020B Cost of Issuance Account*” means the account by that name established in the Cost of Issuance Account of the Construction Fund pursuant to the Series 2020 Supplemental Indenture.

“*Series 2020B Interest Account*” means the account by that name established in the Interest Account of the Certificate Fund pursuant to the Series 2020 Supplemental Indenture.

“*Series 2020B Project Account*” means the account by that name established in the Project Account of the Construction Fund pursuant to the Series 2020 Supplemental Indenture.

“*Site Lease*” means the State of Colorado National Western Center Lease Purchase Financing Program Site Lease, dated as of March 1, 2018, by and between the Site Lessor and the Trustee, as amended by the 2020 Amendment to Site Lease, and as may be further supplemented and amended.

“*Site Lease Term*” means the period of time during which the Site Lease is in force and effect as set forth in Section 3.01 of the Site Lease.

“*Site Lessor*” means the Institution in its capacity as lessor (or another Person designated by the Institution) that has leased the Leased Property to the Trustee pursuant to a Site Lease.

“*Special Record Date*” means a special date fixed to determine the names and addresses of Owners of Certificates for purposes of paying defaulted interest in accordance with Section 2.02 of the Master Indenture.

“*State*” means (a) when used with respect to a party to the Lease, a Sublease or a related document, the State of Colorado, acting by and through the Department of the Treasury; and (b) when used in any other context, the State of Colorado.

“*State Representative*” means the (a) the State Treasurer; (b) the Deputy Treasurer; or (c) any other officer or employee of the State authorized by law or by a writing signed by the State Treasurer to act as a State Representative under the Lease, the Indenture, the Subleases, the Deeds and the Site Leases.

“*State’s Purchase Option Price*” means when the term is used to refer to the State’s Purchase Option Price under the Lease, the amount that the State must pay to purchase the interest of the Trustee in all the Leased Property subject to the Lease pursuant to Section 8.01 of the Lease or a portion of the Leased Property subject to the Lease pursuant to Section 8.02 of the Lease.

“*Sublease*” means the State of Colorado National Western Center Lease Purchase Financing Program Sublease, dated as of March 1, 2018, by and between the State, as sublessor, and the Institution, as sublessee, as amended by the 2020 Amendment to Sublease, and as may be further supplemented and amended, pursuant to which a Sublessee subleases its Leased Property from the State.

“*Sublease Term*” means the period of time during which a Sublease is in force and effect as set forth in each of the Subleases with respect to the Leased Property that is subject to the Lease.

“*Sublessee*” means the Institution, or any other party designated in writing by the Institution that is subleasing the Leased Property subject to a Sublease from the State.

“*Sublessee’s Purchase Option Price*” means when the term is used to refer to the Sublessee’s Purchase Option Price under any Sublease with respect to Leased Property subject to the Lease, the amount that the Sublessee must pay to purchase the interest of the Trustee in all the Leased Property subject to such Sublease following an Event of Default or Event of Nonappropriation under the Lease pursuant to Sublessee’s Sublease.

“*Supplemental Indenture*” means any indenture supplementing or amending the Indenture that is adopted pursuant to Article VIII of the Master Indenture.

“*Terra Building Project*” means the Project financed with the proceeds of the Series 2020 Certificates described as such in Appendix D to the 2020 Supplemental Indenture.

“*Trust Bank*” means a commercial bank which is authorized to exercise and is exercising trust powers located within or without the State, and also means any branch of the Federal Reserve Bank.

“*Trust Estate*” means the property placed in trust by the Trustee pursuant to Section 1.01 of the Master Indenture. The Trust Estate does not include the Rebate Fund or any defeasance escrow account established pursuant to Section 9.01 of the Master Indenture.

“*Trustee*” means Zions Bancorporation, National Association (formerly known as ZB, National Association dba Zions Bank), acting in the capacity of trustee pursuant to the Indenture, and any successor thereto appointed under the Indenture.

*“Trustee Representative”* means any officer of the Trustee; and any other person or persons designated to act on behalf of the Trustee under the Lease, the Indenture, the Subleases, the Deeds and the Site Leases by a written certificate furnished to the State containing the specimen signature of such person and signed on behalf of the Trustee by any officer of the Trustee. The identity of the Trustee Representative may be changed by the Trustee from time to time by furnishing a new certificate to the State.

*“2020 Amendment to Lease”* means the State of Colorado National Western Center Lease Purchase Financing Program 2020 Amendment to Lease Purchase Agreement, dated as of October 1, 2020, by and between the Trustee and the State.

*“2020 Amendment to Site Lease”* means the State of Colorado National Western Center Lease Purchase Financing Program 2020 Amendment to Site Lease, dated as of October 1, 2020, by and between the Site Lessor, and the Trustee.

*“2020 Amendment to Sublease”* means the State of Colorado National Western Center Lease Purchase Financing Program 2020 Amendment to Sublease, dated as of October 1, 2020, the State and the Institution.

*“Vida Building Project”* means the Project financed with the proceeds of the Series 2020 Certificates described as such in Appendix D to the 2020 Supplemental Indenture.

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## **APPENDIX B-2**

### **SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, LEASE, SUBLEASE, MASTER INDENTURE AND 2020 SUPPLEMENTAL INDENTURE**

This Appendix summarizes certain provisions of the Site Lease, as amended and supplemented, the Lease, as amended and supplemented, the Sublease, as amended and supplemented, the Master Indenture and the 2020 Supplemental Indenture. In addition, certain provisions of the Site Lease, Lease, Sublease, Master Indenture and 2020 Supplemental Indenture are described in the body of this Official Statement under the captions “INTRODUCTION—Terms of the Series 2020 Certificates,” “THE SERIES 2020 CERTIFICATES” and “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES,” and are not summarized in this Appendix. The summary of the Site Lease, Lease, Sublease, Master Indenture and 2020 Supplemental Indenture set forth below should be read in conjunction with the material in the body of this Official Statement under the captions INTRODUCTION—Terms of the Series 2020 Certificates,” “THE SERIES 2020 CERTIFICATES” and “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.” This summary is qualified in all respects by reference to the Site Lease, the Lease, the Sublease, the Master Indenture and the 2020 Supplemental Indenture, which may vary in certain respects from the summary and such description. Copies of the Site Lease, Lease, Sublease, Master Indenture and 2020 Supplemental Indenture are available from Wells Fargo Bank, National Association, the representative of the Underwriters as described in “INTRODUCTION—Other Information.”

#### **SITE LEASE**

##### **Demising Clause**

The Site Lessor demises and leases the Land described in Exhibit A to the Site Lease, as amended and restated, and the buildings, structures and improvements now or hereafter located on the Land (the “Leased Property” for purposes of the Site Lease) to the Trustee in accordance with the terms of the Site Lease, subject only to Permitted Encumbrances, to have and to hold for the Site Lease Term.

##### **Enjoyment of Leased Property**

The Site Lessor covenants that, during the Site Lease Term and so long as no Event of Default under shall have occurred, the Trustee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Site Lessor, except as expressly required or permitted by the Site Lease.

##### **Site Lease Term**

The Site Lease Term shall commence on the date the Site Lease is executed and delivered and shall expire upon the earliest of any of the following events: (a) June 30, 2058; (b) the purchase of all the Leased Property subject to the Lease by the State pursuant to Section 8.01 of the Lease; (c) the conveyance of the Leased Property to the Site Lessor as Sublessee pursuant to Article VIII of the Site Lessor’s Sublease (which, pursuant to Section 8.03 of the Site Lessor’s Sublease and Section 8.04 of the Lease, will occur when all amounts payable to the Owners of the Certificates and all Additional Rent payable under the Site Lessor’s Sublease and the Lease have been paid); or (d) termination of the Site Lease following an Event of Default under the Site Lease in accordance with Section 11.02(a) of the Site Lease.

### **Effect of Termination of Site Lease Term**

Upon termination of the Site Lease Term, all unaccrued obligations of the Trustee under the Site Lease shall terminate, but all obligations of the Trustee that have accrued under the Site Lease prior to such termination shall continue until they are discharged in full.

### **Site Lessor is Third-Party Beneficiary of Certain Covenants of State in Lease**

The Site Lessor and its successors and assigns are intended third-party beneficiaries of the covenants of the State in Articles VI and VII and Section 9.02, 9.03(b) and 12.02 and of the Trustee in Section 9.03(a) of the Lease (the "Site Lessor Protection Provisions"). If the Lease is terminated for any reason, the Site Lease is not terminated and the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in the Site Lease, as a condition to such lease, sublease or assignment, the lessee, sublessee or assignee must execute an instrument, in form and substance reasonably satisfactory to the Site Lessor, that contains substantially the same covenants as the Site Lessor Protection Provisions and names the Site Lessor and its successors and assigns as intended third-party beneficiaries of such covenants. Any provision of the Site Lease that is similar to any of the Site Lessor Protection Provisions shall not be interpreted to limit or restrict the rights of the Site Lessor under the Site Lease.

### **Rent**

The Trustee is not obligated to pay any rent under the Site Lease. The consideration to the Site Lessor for the right to use the Leased Property during the Site Lease Term is the deposit of proceeds of the Series 2018 Certificates and the Series 2020 Certificates into the Project Accounts held by the Trustee under the Indenture to finance the Site Lessor's Projects. The provisions of the Site Lease are intended to assure that the State or another lessee, sublessee or assignee pays Additional Rent in accordance with the Lease or an amount equal to the Additional Rent that would have been paid under the Lease under another instrument executed and delivered pursuant to the Site Lease.

### **Title to Leased Property**

Title to the Leased Property shall be held in the name of the Site Lessor, subject to the Site Lease, the Lease and the Site Lessor's Sublease.

### **Limitations on Disposition of and Encumbrances on Leased Property**

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

### **Granting of Easements**

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

### **Subleasing and Other Grants of Use**

The Trustee is expressly authorized to lease or sublease the Leased Property to the State pursuant to the Lease and the State is expressly authorized to sublease the Leased Property to the Site Lessor as Sublessee pursuant to the Site Lessor's Sublease.

### **Substitution of Other Property for or Release of Leased Property**

If the State substitutes other real property under the Lease for any portion of the Site Lessor's Leased Property or releases any portion of the Site Lessor's Leased Property from the Lease, the property so substituted under the Lease may also be substituted for Leased Property under the Site Lease and the property so released shall also be released from the Site Lease in any manner and on any terms determined by the State in its sole discretion.

### **Property Damage, Defect or Title Event**

If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited and used in accordance with Section 7.07 of the Lease.

### **Condemnation by State or Site Lessor**

In the event the State brings an eminent domain or condemnation proceeding with respect to a portion of the Leased Property and the Lease has not terminated, the terms of Section 7.08 of the Lease shall apply. In the event the Site Lessor brings an eminent domain or condemnation proceeding with respect to a portion of the Leased Property and the Site Lessor's Sublease has not terminated, the terms of Section 7.08 of the Site Lessor's Sublease shall apply. If (a) the Lease or the Site Lessor's Sublease are terminated for any reason, (b) the 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 the Site Lease, then the applicable terms of the Lease, the Site Lessor's Sublease and the lease, sublease or assignment shall apply to an eminent domain or condemnation proceeding, excluding, however, the terms of any terminated lease or sublease.

### **Personal Property of Trustee, State and Others**

The Trustee, the State and any other Person who has the right to use the Leased Property under the Site Lease, the Lease or the Site Lessor's Sublease, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

### **Subordination of Project Agreements**

Any Project Agreement entered into by the Lessee, the Site Lessor, the Sublessee or any other party with one or more Developers, from time to time, with respect to the Leased Property, and all rights granted to the Developers thereunder, shall be expressly subordinated and subject to the lien, covenants, and provisions of the Lease, the Site Lease and the Sublease, and the pledges, transfers, hypothecations or assignments made by the Lessee in the Lease and by any other party to the Lease, the Site Lease and the Sublease. The Lessee covenants and agrees to take all necessary actions to effectuate the provisions of the prior sentence, including causing the Site Lessor and Sublessee to do the same. For the purposes of this section, the term "Project Agreement" shall mean a project development agreement, a concession

agreement, an operating agreement, a design-build agreement, or any other similar type of agreement or contract between the Lessee, the Site Lessor, the Sublessee or any other party and one or more Developers, pursuant to which agreement the Developer has agreed to design, build, finance, operate and maintain, or any combination thereof, all or a portion of the Leased Property or any improvements thereon, and the term “Developer” shall mean an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature that enters into a Project Agreement with the Lessee, the Site Lessor, the Sublessee or any other party with respect to the Leased Property.

***TMI Project Development Agreement.*** The Trustee, in its capacity as Trustee under the Indenture and in its capacities under the Site Lease and the Lease, agrees to be bound by the terms and conditions (including all financial terms) of the Project Development Agreement, dated February 16, 2018, as amended, by and between the State of Colorado acting by and through the Board of Governors of the Colorado State University System and Colorado Nova Campus Developers, LLC.

### **Access Licenses**

The State is granted the option to purchase all, but not less than all, of the Leased Property by paying to the Trustee the State’s Purchase Option Price (defined below), provided that the State simultaneously purchases all Leased Property subject to the Lease. The “State’s Purchase Option Price” for purposes of a purchase of all the Leased Property pursuant to this section is an amount sufficient (a) to pay all the Outstanding Certificates, to redeem all the Outstanding Certificates (subject to and in accordance with the applicable redemption provisions of the Indenture and only at the times and redemption prices otherwise applicable to the Certificates) or to defease all the Certificates in accordance with the defeasance provisions of the Indenture and (b) to pay all Additional Rent payable through the date on which the Leased Property is conveyed to the State or its designee pursuant to Article VIII of the Lease, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the Leased Property and the payment, redemption or defeasance of the Outstanding Certificates.

### **State’s Option to Purchase Affected Leased Property Following Property Damage, Defect or Title Event**

The State is granted the option to purchase any portion of the Leased Property affected by a Property Damage, Defect or Title Event for which the costs of repair, restoration, modification, improvement or replacement are more than the Net Proceeds, by electing alternative (C) under 7.07(c)(i) of the Lease by paying to the Trustee the “State’s Purchase Option Price,” which, for purposes of a purchase of the affected portion of the Leased Property pursuant to this section, is an amount sufficient (a) to pay all the Attributable Certificates (defined below in this section), to redeem all the Attributable Certificates in accordance with the applicable redemption provisions of the Indenture or to defease all the Attributable Certificates in accordance with the defeasance provisions of the Indenture and (b) to pay all Additional Rent payable through the date of conveyance of such portion of the Leased Property to the State or its designee pursuant to Article VIII of the Lease, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of such portion of the Leased Property and the payment, redemption or defeasance of the Attributable Certificates.

As used in this subsection, the term “*Attributable Certificates*” means (a) a principal amount of the Outstanding Certificates determined by multiplying the principal amount of all the Outstanding Certificates by a fraction, the numerator of which is the Fair Market Value of the portion of the Leased Property to be purchased before the occurrence of the Damage, Defect or Title Event and the denominator of which is the Fair Market Value of all the Leased Property subject to the Lease; and (b) which principal amount shall be allocated among the maturities of the Outstanding Certificates in proportion to the principal amount of each



maturity of the Outstanding Certificates, rounded to the nearest \$5,000 in principal amount of each such maturity. The rounding pursuant to clause (b) of the first sentence of this definition shall be accomplished in any reasonable manner selected by the State in its sole discretion

### **Shared Utilities**

The Site Lessor agrees to provide the Leased Property with all gas, water, steam, electricity, heat, power and other utilities provided by Site Lessor to the Leased Property on a continuous basis except for periods of repair. The Site Lessor shall be entitled to reimbursement for its actual and reasonable costs incurred in providing such utilities, determined in a fair and reasonable manner based on the use of such utilities by the Leased Property or portions thereof, the operational, maintenance and repair costs of such utilities elements and any costs to acquire or relocate any easements or lines relating to or used in connection with the operation of such utilities. Pursuant to the Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the Lease. Pursuant to the Site Lessor's Sublease, the Site Lessor, as Sublessee, has agreed to reimburse the State for such costs during the Sublease Term of the Site Lessor's Sublease. If, (a) the Lease is terminated for any reason, (b) the 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 the Site Lease, the lessee, sublessee or assignee, as a condition to such lease, sublease or assignment, must agree to reimburse the Site Lessor for such costs.

### **Further Assurances and Corrective Instruments**

So long as the Site Lease is in full force and effect, the Trustee and the Site Lessor shall have full power to carry out the acts and agreements provided in the Site Lease and the Site Lessor and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Site Lease 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 under the Site Lease, or for otherwise carrying out the intention of or facilitating the performance of the Site Lease.

### **Compliance With Requirements of Law**

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

### **Participation in Legal Actions**

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

### **Disclaimer of Warranties**

The Site Lessor makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the leased property or any other representation or warranty with respect to the leased property. In no event shall the Site Lessor

be liable for any incidental, special or consequential damage in connection with or arising out of the Site Lease or the existence, furnishing, functioning or use by the Trustee of any item, product or service provided for in the Site Lease.

### **Financial Obligations of Trustee Limited to Trust Estate**

Notwithstanding any other provision of the Site Lease, all financial obligations of the Trustee under the Site Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

### **Events of Default Defined**

An "Event of Default" under the Site Lease shall be deemed to have occurred upon failure by the Trustee to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Trustee by the Site Lessor, unless the Site Lessor shall consent in writing to an extension of such time prior to its expiration; provided, however, that: (a) if the failure stated in the notice cannot be corrected within the applicable period, the Site Lessor shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; and (b) if, by reason of Force Majeure, the Trustee shall be unable in whole or in part to carry out any agreement on its part contained in the 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 shall be solely within the discretion of the Trustee.

### **Remedies on Default**

Whenever any Event of Default shall have happened and be continuing, the Site Lessor may take one or any combination of the following remedial steps: (a) terminate the Site Lease Term and give notice to the Trustee to immediately vacate the Leased Property; (b) sell or lease its interest in all or any portion of the Leased Property, subject to the Site Lessor's purchase option in its capacity as Sublessee under its Sublease; (c) 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 (d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Site Lease, subject, however, to the limitations on the obligations of the Trustee set forth in the Site Lease.

### **No Remedy Exclusive**

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

## **Waivers**

The Site Lessor may waive any Event of Default under the Site Lease and its consequences. In the event that any agreement contained in the Site Lease 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 under the Site Lease.

## **Assignment by Site Lessor**

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

## **Transfer of the Trustee's Interest in Lease and Leased Property Prohibited**

Except as otherwise permitted by Section 7.04 of the Site Lease with respect to subleasing or grants of use of the Leased Property and Section 7.06 of the Site Lease 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 the Site Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

## **Amendments, Changes and Modifications**

Except as otherwise provided in the Site Lease or in the Indenture, the Site Lease may only be amended, changed, modified or altered by a written instrument executed by the Site Lessor and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to the Site Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Lease.

## **LEASE**

### **Demising Clause**

The Trustee demises and leases the Land described in Exhibit A to the Lease, as amended and restated, and the buildings, structures and improvements now and hereafter located on the Land (the "Leased Property" for purposes of the Lease) to the State in accordance with the terms of the Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

### **Enjoyment of Leased Property**

The Trustee covenants that, during the Lease Term and so long as no Event of Default under the Lease shall have occurred, the State shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by the Lease.

### **Effect of Termination of Lease Term**

Upon termination of the Lease Term (a) all unaccrued obligations of the State under the Lease shall terminate, but all obligations of the State that have accrued under the Lease prior to such termination shall continue until they are discharged in full; and (b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property under the Lease shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if

and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto.

### **Costs of the Projects**

The Trustee shall disburse money in the Projects Accounts of the Construction Fund to the State to pay, or reimburse the State for the payment of, Costs of the Projects in accordance with the terms of the Indenture and any Supplemental Indenture. The State may designate the Institution to administer the Projects.

### **Base Rent**

The State shall, subject only to the other Sections of Article V of the Lease, pay Base Rent directly to the Trustee during the Lease Term in immediately available funds in the amounts and at least three Business Days prior to the Base Rent Payment Dates set forth in Exhibit C to the Lease, as amended and restated; provided, however, that there shall be credited against the amount of Base Rent payable on any Base Rent Payment Date the amount on deposit in the Certificate Fund that is not restricted by the Indenture to the payment of the redemption price of Certificates or the costs of defeasing Certificates. Thirty days prior to each Base Rent Payment Date, the Trustee shall notify the State as to the exact amounts that will be credited against the Base Rent due on such date. If further amounts that are to be credited against Base Rent accrue during such 30-day period, such amounts shall be carried over to be applied as a reduction of the Base Rent payable on the next succeeding Base Rent Payment Date.

A portion of each payment of Base Rent is paid as, and represents payment of, interest, and Exhibit C to the Lease, as amended and restated, sets forth the interest component of each payment of Base Rent. Upon receipt by the Trustee of each payment of Base Rent, the Trustee shall apply the amount of each Base Rent payment in the following manner and order: (a) FIRST, the amount of such payment of Base Rent designated and paid as interest under Exhibit C to the Lease, as amended and restated, plus the amount of any past due interest on the Certificates, shall be deposited in the Interest Account of the Certificate Fund; and (b) SECOND, the remaining portion of such payment of Base Rent shall be deposited in the Principal Account of the Certificate Fund.

### **Additional Rent**

The State shall, subject only to Sections 6.01(b) and 7.02(b) of the Lease and the other sections of Article V, pay Additional Rent directly to the Persons to which it is owed (which, in the case of payments required to be made to fund the Rebate Fund pursuant to the Indenture, is the Trustee) in immediately available funds in the amounts and on the dates on which they are due.

### **Unconditional Obligations**

The obligation of the State to pay Base Rent during the Lease Term shall, subject only to the other Sections of Article V of the Lease, and the obligation of the State to pay Additional Rent during the Lease Term shall, subject only to Sections 6.01(b) and 7.02(b) of the Lease, the other Sections of Article V to the Lease, including, without limitation, Sections 5.04 and 5.05 of the Lease and Section 13.16 of the Lease, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute.

and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

### **Event of Nonappropriation**

(a) The officer of the State who is responsible for formulating budget proposals with respect to payment of Rent is directed under the Lease for the Fiscal Year commencing July 1, 2019 (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Colorado General Assembly during the Lease Term and (ii) to include in each annual budget proposal submitted to the Colorado General Assembly during the Lease Term the entire amount of Base Rent scheduled to be paid and the Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the State that any decision to continue or to terminate the Lease shall be made solely by the Colorado General Assembly, in its sole discretion, and not by any other department, agency or official of the State.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure pursuant to subsection (c) of this section, if (i) On June 30 of any Fiscal Year commencing June 30, 2019, if the Colorado General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year; or (ii) on June 30 of the Fiscal Year in which such event occurred or on June 30 of any subsequent Fiscal Year in which such insufficiency became apparent, as applicable, if: (a) a Property Damage, Defect or Title Event has occurred, (b) the Net Proceeds received as a consequence of such event are not sufficient to repair, restore, modify, improve or replace the affected portion of the Leased Property in accordance with Section 7.07 of the Lease, and (c) the Colorado General Assembly has not appropriated amounts sufficient to proceed under clause (i)(A) or clause (i)(C) of Section 7.07(c) of the Lease or the State has not substituted property pursuant to clause (i)(B) of Section 7.07(c) of the Lease by June 30 of the Fiscal Year in which such Property Damage, Defect or Title Event occurred or by June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the affected portion of the Leased Property becomes apparent.

(c) Notwithstanding subsection (b) of this section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated amounts sufficient, or the State has substituted property in the manner required, to avoid an Event of Nonappropriation under subsection (b) of this section and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or substitution.

(d) If the State shall determine to exercise its annual right to terminate the Lease effective on June 30 of any Fiscal Year, the State shall give written notice to such effect to the Trustee not later than April 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the State from terminating the Lease or (iii) result in any liability on the part of the State.

The State shall furnish the Trustee with copies of all appropriation measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Colorado General Assembly, but not later than 30 days following the adoption thereof by the Colorado General Assembly; provided however, that a

failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the State from terminating the Lease or (iii) result in any liability on the part of the State.

### **Limitations on Obligations of the State**

(a) Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the National Western Center Trust Fund. All obligations of the State under the Lease shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments under the Lease. The obligations of the State to pay Rent and all other obligations of the State under the Lease are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning Section 20(4) of Article X of the State Constitution. In the event the State does not renew the Lease, the sole security available to the Trustee, as lessor under the Lease, shall be the Leased Property.

(b) The State's obligations under the Lease shall be subject to the State's annual right to terminate the Lease upon the occurrence of an Event of Nonappropriation.

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

(d) The State shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article VIII of the Lease.

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

### **Taxes, Utilities and Insurance**

(a) The State shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property: (i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due; (ii) all gas, water,

steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property; (iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the lesser of: (A) the principal amount of all Outstanding Certificates or (B) the full replacement value of the Leased Property; and (iv) public liability insurance with respect to the activities to be undertaken by the State and the Institution in connection with the Leased Property and the Lease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, § 24-10-101 et seq., C.R.S. or any successor statute, in an amount not less than the amounts for which the State and the Institution may be liable to third parties thereunder and (B) for all other activities, in an amount not less than \$1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the State shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State or the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the State or the Sublessee, as applicable, by nonpayment of any such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least 10 days in advance of such cancellation or modification; (v) upon request, each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any co-insurance penalty.

(d) In the State's discretion, the insurance required by this section may be provided by the State or the Sublessee and may be provided under blanket insurance policies which insure not only the risks required to be insured under the Lease but also other similar risks or through a self-insurance program described in this subsection. The self-insurance program for Leased Property that was deeded or leased to the Trustee by a Sublessee that is covered by the State's risk management program under § 24-30-1501 et seq., C.R.S. shall be the State's risk management program. The self-insurance program for Leased Property that was deeded or leased to the Trustee

by a Sublessee that is not covered by the State's risk management program shall be the Sublessee's independent risk management program.

### **Maintenance and Operation of Leased Property**

The State shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 7.05 and 7.07 of the Lease.

### **Title to Leased Property**

Title to the Leased Property shall be held in the name of the Trustee, subject to the Lease, until the Leased Property is conveyed or otherwise disposed of as provided in the Lease, and the State shall have no right, title or interest in the Leased Property except as expressly set forth in the Lease.

### **Limitations on Disposition of and Encumbrances on Leased Property**

(a) Except as otherwise permitted in Article VII, Article VIII or XI of the Lease and except for Permitted Encumbrances, (i) neither the Trustee nor the State shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the State shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this section, if the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State and, if the Sublessee has notified the Trustee pursuant to this section, the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the State or the Sublessee, as applicable, by failing to discharge or satisfy such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the State or the Sublessee of the right to continue to contest such item. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

### **Granting of Easements**

As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the Trustee shall, at the request of the State or the Sublessee: (a) consent to the grant of easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from the Lease, the Indenture and the Subleases and any security interest or other encumbrance created under the Lease 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 the Lease, the Indenture and the Subleases and any security interest or other encumbrance created under the Lease or thereunder, with or without consideration; and (c) execute



and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right-of-way or other grant or privilege under subsection (a) or (b) of this section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the State Representative or the Institution 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.

### **Subleasing and Other Grants of Use**

The State may sublease each Sublessee's Leased Property to such Sublessee pursuant to a Sublease and such Sublessee may further sublease or otherwise grant the right to use such Leased Property to another Person, but only if: (a) the Sublease includes a covenant by the Sublessee that is substantially similar to the covenant of the State in Section 9.04 of the Lease; (b) the sublease or grant of use by the Sublessee complies with the covenant in the Sublease described in clause (a) above; and (c) the obligations of the State under the Lease shall remain obligations of the State, and the State shall maintain its direct relationship with the Trustee, notwithstanding any such Sublease, sublease or grant of use.

### **Modification of Leased Property**

The Sublessee, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and 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, the Lease.

### **Substitution of Other Property for or Release of Leased Property**

The State may at any time substitute other property for any portion of the Leased Property or request the release of a portion of the Leased Property in connection with the partial redemption of Certificates upon delivery to the Trustee of the items listed below. Upon delivery thereof, the Trustee shall execute and deliver any documents or instruments requested by the State to accomplish the substitution and/or release. The items are: (a) a certificate by the State certifying that, following such substitution or release, either (i) the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Initial 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 the principal amount of the Outstanding Certificates, both determined as of the date the substitution and/or release occurs. Such certifications of the State may be given based and in reliance upon certifications by the Sublessees that deeded or leased the Leased Property to the Trustee pursuant to Deeds or Site Leases; (b) a title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would comply with Section 2.09(e) of the Master Indenture on the date any substitution occurs; (c) a certificate by the Sublessee certifying that (i) the useful life of the substituted property or the Leased Property remaining after release of a portion thereof extends to or beyond the final maturity of the Certificates and (ii) the substituted property, if any, is at least as essential to the Sublessee as the property for which it was substituted.; and (d) an opinion of Bond Counsel to the effect that such substitution or release is permitted by the Lease and will not cause the State to violate its covenant set forth in Section 9.04 of the Lease.

### **Property Damage, Defect or Title Event**

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the State.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then: (i) the State shall elect one of the following alternatives: (A) to promptly to repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property, in which case the Net Proceeds shall be used to pay a portion of the costs thereof and the State shall, subject to Article V of the Lease, pay the remainder of such costs as Additional Rent; (B) to substitute property for the affected portion of the Leased Property pursuant to Section 7.06 of the Lease, in which case the Net Proceeds shall be delivered to the State; or (C) to purchase the affected portion of the Leased Property pursuant to Section 8.02 of the Lease, in which case the Net Proceeds shall be used to pay the State's Purchase Option Price pursuant to Section 8.02 of the Lease. (ii) If, by June 30 of the Fiscal Year in which a Property Damage, Defect or Title Event occurred (or June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the affected portion of the Leased Property becomes apparent), the State has not appropriated amounts sufficient to proceed under clause (i)(A) or (i)(C) of this subsection or has not substituted property pursuant to clause (i)(B) of this subsection, an Event of Nonappropriation shall be deemed to have occurred.

(d) The State shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the State to pay Rent under the Lease except to the extent Certificates are paid, redeemed or defeased pursuant to Section 8.02 of the Lease.

### **Condemnation by State**

The State agrees that, but only to the extent permitted by law, (a) in the event it brings an eminent domain or condemnation proceeding with respect to all the Leased Property, the value of the Leased Property for purposes of such proceeding shall be not less than the State's Purchase Option Price determined pursuant to Section 8.01 of the Lease; and (b) in the event it brings an eminent domain or condemnation proceeding with respect to a portion of the Leased Property, the value of such portion of the Leased Property for purposes of such proceeding shall be not less than the State's Purchase Option Price for such portion of the Leased Property determined pursuant to Section 8.02 of the Lease.

### **Personal Property of Sublessee**

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

### **Subordination of Project Agreements**

Any Project Agreement entered into by the Lessee, the Site Lessor, the Sublessee or any other party with one or more Developers, from time to time, with respect to the Leased Property, and all rights granted to the Developers thereunder, shall be expressly subordinated and subject to the lien, covenants, and provisions of the Lease, the Site Lease and the Sublease, and the pledges, transfers, hypothecations or assignments made by the Lessee in the Lease and by any other party to the Lease, the Site Lease and the Sublease. The Lessee covenants and agrees to take all necessary actions to effectuate the provisions of the prior sentence, including causing the Site Lessor and Sublessee to do the same. For the purposes of this section, the term “Project Agreement” shall mean a project development agreement, a concession agreement, an operating agreement, a design-build agreement, or any other similar type of agreement or contract between the Lessee, the Site Lessor, the Sublessee or any other party and one or more Developers, pursuant to which agreement the Developer has agreed to design, build, finance, operate and maintain, or any combination thereof, all or a portion of the Leased Property or any improvements thereon, and the term “Developer” shall mean an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature that enters into a Project Agreement with the Lessee, the Site Lessor, the Sublessee or any other party with respect to the Leased Property.

***TMI Project Development Agreement.*** The Trustee, in its capacity as Trustee under the Indenture and in its capacities under the Site Lease and the Lease, agrees to be bound by the terms and conditions (including all financial terms) of the Project Development Agreement, dated February 16, 2018, as amended, by and between the State of Colorado acting by and through the Board of Governors of the Colorado State University System and Colorado Nova Campus Developers, LLC.

### **State’s Option to Purchase All Leased Property**

(a) The State is granted the option to purchase all, but not less than all, of the Leased Property by paying to the Trustee the State’s Purchase Option Price (defined below), provided that the State simultaneously purchases all Leased Property subject to the Lease. The “State’s Purchase Option Price” for purposes of a purchase of all the Leased Property pursuant to this section is an amount sufficient (i) to pay all the Outstanding Certificates, to redeem all the Outstanding Certificates (subject to and in accordance with the applicable redemption provisions of the Indenture and only at the times and redemption prices otherwise applicable to the Certificates) or to defease all the Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date on which the Leased Property is conveyed to the State or its designee pursuant to this Article, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the Leased Property and the payment, redemption or defeasance of the Outstanding Certificates.

(b) In order to exercise its option to purchase the Leased Property pursuant to this Section, the State must: (i) give written notice to the Trustee (A) stating that the State intends to purchase the Leased Property pursuant to this Section, (B) identifying the source of funds it will use to pay the State’s Purchase Option Price and (C) specifying a closing date for such purpose

which is at least 30 and no more than 90 days after the delivery of such notice; and (ii) pay the State's Purchase Option Price to the Trustee in immediately available funds on the closing date.

#### **State's Option to Purchase Affected Leased Property Following Property Damage, Defect or Title Event**

(a) The State is granted the option to purchase any portion of the Leased Property affected by a Property Damage, Defect or Title Event for which the costs of repair, restoration, modification, improvement or replacement are more than the Net Proceeds, by electing alternative (C) under (c)(i) as set forth under the caption "—Property Damage, Defect or title Event" above, by paying to the Trustee the "State's Purchase Option Price," which, for purposes of a purchase of the affected portion of the Leased Property pursuant to this section, is an amount sufficient (i) to pay all the Attributable Certificates (defined below in this subsection), to redeem all the Attributable Certificates in accordance with the applicable redemption provisions of the Indenture or to defease all the Attributable Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date of conveyance of such portion of the Leased Property to the State or its designee pursuant to this Article, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of such portion of the Leased Property and the payment, redemption or defeasance of the Attributable Certificates.

As used in this subsection, the term "Attributable Certificates" means (i) a principal amount of the Outstanding Certificates determined by multiplying the principal amount of all the Outstanding Certificates by a fraction, the numerator of which is the Fair Market Value of the portion of the Leased Property to be purchased before the occurrence of the Damage, Defect or Title Event and the denominator of which is the Fair Market Value of all the Leased Property subject to the Lease; and (ii) which principal amount shall be allocated among the maturities of the Outstanding Certificates in proportion to the principal amount of each maturity of the Outstanding Certificates, rounded to the nearest \$5,000 in principal amount of each such maturity. The rounding pursuant to clause (ii) of the first sentence of this definition shall be accomplished in any reasonable manner selected by the State in its sole discretion.

(b) In order to exercise its option to purchase the affected portion of the Leased Property pursuant to this Section, the State must: (i) give written notice to the Trustee prior to the end of the Scheduled Lease Term (A) stating that the State intends to purchase the affected portion of the Leased Property pursuant to this Section and (B) specifying a closing date for such purchase (which is at least 30 days and not more than 90 days after the delivery of such notice); and (ii) pay the portion of the State's Purchase Option Price in excess of the Net Proceeds to the Trustee in immediately available funds on the closing date.

#### **Conveyance of Leased Property or Affected Portion of Leased Property**

At the closing of any purchase of Leased Property pursuant to Section 8.01 or 8.02 of the Lease, the Trustee shall execute and deliver to the State or its designee all necessary documents assigning, transferring and conveying to the State or its designee the same ownership in the purchased Leased Property that was conveyed to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than the Lease, the Indenture, the Subleases and the Deed or Site Lease pursuant to which the Leased Property was deeded or leased to the Trustee; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee as required or permitted by the Lease, the Indenture and Site Lease pursuant to which the Leased Property was deeded or leased to the Trustee or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by the Lease, the Indenture and the Deed or Site Lease pursuant to which the Leased Property was deeded or leased to the Trustee; (iii) any lien or encumbrance created or

suffered to exist by action of the State or any Sublessee of the Leased Property to be purchased; and (iv) those liens and encumbrances (if any) to which the Leased Property purchased by the State pursuant to Article VIII of the Lease was subject when acquired by the Trustee.

### **Conveyance of Leased Property to State at End of Scheduled Lease Term**

If all Base Rent scheduled to be paid through the end of the Scheduled Lease Term, all Additional Rent payable through the date of conveyance of the Leased Property to the State pursuant to this section shall have been paid, all Certificates have been paid in full in accordance with the Indenture and all other amounts payable pursuant to the Indenture and the Lease have been paid, the Leased Property that remains subject to the Lease shall be assigned, transferred and conveyed to the State at the end of the Scheduled Lease Term in the manner described in Section 8.03 of the Lease without any additional payment by the State.

### **Sublessees' Purchase Options**

Upon the occurrence of an Event of Default or Event of Nonappropriation under the Lease, each Sublessee has the option to purchase the Leased Property that is subject to its Sublease as provided in Article VIII of such Sublease. The Trustee agrees to notify each Sublessee upon the occurrence of an Event of Default or Event of Nonappropriation under the Lease and to comply with the provisions of Article VIII of each Sublease.

### **Further Assurances and Corrective Instruments**

So long as the Lease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the Trustee and the State shall have full power to carry out the acts and agreements provided in the Lease and the State and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Lease 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 under the Lease, or for otherwise carrying out the intention of or facilitating the performance of the Lease.

### **Compliance With Requirements of Law**

On and after the date of the Lease, neither the State nor the Trustee shall take any action with respect to the Leased Property that violates the terms of the Lease or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the State, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the State's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the

Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

### **Participation in Legal Actions**

(a) At the request of and at the cost of the State (payable as Additional Rent under the Lease), the Trustee shall join and cooperate fully in any legal action in which the State or a Sublessee asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the State or such Sublessee; or that involves the imposition of any charges, costs or other obligations with respect to the State's execution, delivery and performance of its obligations under the Lease or such Sublessee's execution, delivery and performance of its obligations under a Deed, Site Lease or Sublease.

(b) At the request of the Trustee and upon a determination by the State that such action is in the best interests of the State, the State shall, at the cost of the State (payable as Additional Rent under the Lease), join and cooperate fully in any legal action in which the Trustee asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee is responsible under the Lease; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of the Lease, the Indenture, the Deeds, the Site Leases by the Trustee or the performance of its obligations under the Lease or thereunder.

### **Tax Covenant of the State**

The State will not use the Projects, and will require each Sublessee to covenant that such Sublessee will not use its Project, in a manner that would cause interest on the Tax-Exempt Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted net book income" for the purpose of computing the alternative minimum tax imposed on such corporations).

### **Reimbursement**

To the extent proceeds of Tax-Exempt Certificates are used to reimburse the State for Costs of the Projects incurred by or on behalf of the State prior to the date such Tax-Exempt Certificates are issued (which costs are referred to in this section as the "reimbursed costs"), the State covenants that: (a) at the time the reimbursed costs were incurred by the State, the State intended to seek reimbursement for such costs from the proceeds of the Tax-Exempt Certificates or another financing source; (b) the reimbursed costs were for "preliminary expenditures," which include architectural, engineering, surveying, soil testing or reimbursement of Certificate issuance and similar costs that were incurred prior to commencement of acquisition, construction or rehabilitation of the Projects in an amount not in excess of 20% of the aggregate issue price of the Tax-Exempt Certificates financing such Projects; (c) the reimbursed costs are for items that would have to be capitalized for federal income tax purposes (determined without regard to any election to treat such costs in another manner) if the State were subject to federal income taxation; (d) none of the amounts paid to the State to reimburse it for the reimbursed costs is reasonably expected to be used to pay any amounts payable by the State under the Lease; and (e) none of the amounts paid to the State for the reimbursed costs will be used to pay the principal, premium or interest on any obligation the interest on which is excluded from gross income for federal income tax purposes.

### **Payment of Fees and Expenses of the Trustee**

The State shall pay as Additional Rent the reasonable fees and expenses of the Trustee in connection with all the Leased Property, all the Projects, the Lease, the Indenture, the Certificates, all the Deeds, all the Site Leases, all the Subleases, or any matter related thereto, including, but not limited to, costs of defending any claim or action brought against the Trustee or its directors, officers, employees or agents relating to the foregoing. The State shall not, however, pay any fees and 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.

### **Payments to Rebate Fund; Rebate Calculations**

The State shall pay to the Trustee as Additional Rent the amount required to be paid to the United States of America on any date on which a rebate payment is due to the extent the amount on deposit in the Rebate Fund is not sufficient. The State also agrees to make or cause to be made all rebate calculations required pursuant to the Indenture and to pay the costs as Additional Rent.

### **Investment of Funds**

By authorizing the execution and delivery of the Lease, the State specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture).

### **Disclaimer of Warranties**

The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the leased property or any other representation or warranty with respect to the leased property. In no event shall the Trustee be liable for any incidental, special or consequential damage in connection with or arising out of the Lease or the existence, furnishing, functioning or use by the State of any item, product or service provided for in the Lease.

### **Financial Obligations of Trustee Limited to Trust Estate**

Notwithstanding any other provision of the Lease, all financial obligations of the Trustee under the Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

### **Events of Default Defined**

Any of the following shall constitute an “Event of Default” under the Lease: (a) failure by the State to pay any specifically appropriated Base Rent to the Trustee by the applicable Base Rent Payment Date on which principal or interest is payable on the Certificates; (b) failure by the State to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the Trustee, when nonpayment thereof has, or may have, a material adverse effect upon the Certificates, the Leased Property or the interest of the Trustee in the Leased Property; (c) failure by the State to vacate the Leased Property within 90 days following an Event of Nonappropriation in accordance with Section 3.02(b) of the Lease; (d) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the State in all or any portion of the Lease or the Leased Property in violation of Section 12.02(a) of the Lease or any succession to all or any portion of the interest of the State in the Leased Property in violation of Section 12.02(b) of the Lease; or (d) failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (a), (b), (c) or (d) above, for a period of 30 days after written notice, specifying such failure and

requesting that it be remedied shall be given to the State by the Trustee, unless the Trustee shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected.

The provisions of this section are subject to the following limitations: (a) the State shall be obligated to pay Rent only during the Lease Term, except as otherwise expressly provided in Section 3.02(b)(ii) of the Lease; and (b) if, by reason of Force Majeure, the State shall be unable in whole or in part to carry out any agreement on its part contained in the Lease, other than its obligation to pay Rent under the Lease, the State shall not be deemed in default during the continuance of such inability; provided, however, that the State shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the State from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the State.

### **Remedies on Default**

Whenever any Event of Default shall have happened and be continuing, the Trustee may take one or any combination of the following remedial steps: (a) terminate the Lease Term and give notice to the State to immediately vacate the Leased Property in the manner provided in Section 3.02(b) of the Lease; (b) sell or lease its interest in all or any portion of the Leased Property, subject to the Sublessees' purchase options under the Subleases; (c) recover any of the following from the State that is not recovered pursuant to subsection (b) of this section: (i) the portion of Rent payable pursuant to Section 3.02(b)(ii) of the Lease; (ii) the portion of Base Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, regardless of when the State vacates the Leased Property; and (iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, but only to the extent such Additional Rent are payable prior to the date, or are attributable to the use of the Leased Property prior to the date, the State vacates the Leased Property; (d) enforce any provision of the Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII of the Lease by specific performance, writ of mandamus or other injunctive relief; and (e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Lease, subject, however, to the limitations on the obligations of the State set forth in Sections 5.05 and 11.03 of the Lease.

### **Limitations on Remedies**

A judgment requiring a payment of money may be entered against the State by reason of an Event of Default only as to the State's liabilities described in Section 11.02(c) of the Lease. A judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 11.02(c)(i) of the Lease.

### **No Remedy Exclusive**

Subject to Section 11.03 of the Lease, no remedy in the Lease 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 under the Lease 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 Article XI of the Lease, it shall not be necessary to give any notice, other than such notice as may be required in Article XI of the Lease.

### **Waivers**

The Trustee may waive any Event of Default under the Lease and its consequences. In the event that any agreement contained in the Lease 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 under the Lease. In the event the Trustee waives any Event of Default described in Section 11.01(a)(i) of the Lease, any subsequent payment by the State of Base Rent then due and owing shall be paid to the Trustee to be applied in accordance with the terms of the Indenture.

### **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 the Lease (other than the Trustee's rights to payment of its fees and expenses and the rights of third parties to Additional Rent payable to them) in trust for the benefit of the Owners pursuant to the Indenture. Any successor trustee under the Indenture shall automatically succeed to previous trustee's interest in the Leased Property and the previous trustee's rights, title, interest and obligations in, to and under the Lease. The Trustee shall not, except as provided in this section or as otherwise provided elsewhere in the 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 the Lease.

### **Transfer of the State's Interest in Lease and Leased Property Prohibited**

(a) Except as otherwise permitted by Section 7.04 of the Lease with respect to subleasing or grants of use of the Leased Property, Section 7.06 with respect to substitutions of other property for Leased Property and subsection (b) of this section with respect to transfers of the Leased Property following termination of the Lease or as otherwise required by law, the State shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in the Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding subsection (a) of this section, the State may transfer its interest in the Leased Property after, and only after, the Lease has terminated and the Leased Property has been conveyed to the State pursuant to Article VIII of the Lease.

### **Binding Effect**

The Lease shall inure to the benefit of and shall be binding upon the Trustee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XII of the Lease. The Institution or other Person that leased or deeded the Leased Property to the Trustee and its successors and assigns is an intended third party beneficiary of the covenants of the State in Articles VI and VII and Sections 9.02, 9.03(a) and 12.02 of the Lease and of the Trustee in Section 9.03(b) of the Lease. The Lease and the covenants set forth in the Lease are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under the Lease.

### **No Individual Liability**

All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained in the Lease shall be deemed to be the covenants, stipulations, promises, agreements

and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or under the Lease, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing the Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

### **Amendments, Changes and Modifications**

Except as otherwise provided in the Lease or in the Indenture, the Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to the Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Lease.

### **Events Occurring on Days That Are Not Business Days**

If the date for making any payment or the last day for performance of any act or the exercising of any right under the 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 the Lease.

### **Merger**

The Trustee and the State intend that the legal doctrine of merger shall have no application to the Lease, any Site Lease pursuant to which the Leased Property was leased to the Trustee or any Sublease and that none of the execution and delivery of the Lease by the Trustee and the State, any such Site Lease by the Institution or other Person and the Trustee or any Sublease by the State and a Sublessee or the exercise of any remedies by any party under the Lease, any Site Lease or any Sublease shall operate to terminate or extinguish the Lease, any Site Lease or any Sublease.

### **Severability**

In the event that any provision of the Lease, other than the obligation of the State to pay Rent under the Lease and the obligation of the Trustee to provide quiet enjoyment of the Leased Property and to convey the Leased Property to the State pursuant to Article VIII of the Lease, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Lease.

### **Applicable Law**

The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of the Lease. Any provision of the Lease, whether or not incorporated in the Lease 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 of the Lease or incorporated in the Lease by reference which purports to negate this section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this section will not invalidate the remainder of the Lease to the extent

that the Lease is capable of execution. At all times during the performance of the Lease, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

### **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.

## **SUBLEASE**

### **Demising Clause**

The State demises and leases the State's leasehold estate under the Lease in the land described in Exhibit C to the Sublease, as amended and restated (the "Land" for purposes of the Sublease) and the buildings, structures and improvements now or hereafter located on the Land (the "Leased Property" for purposes of the Sublease) to the Sublessee in accordance with the terms of the Sublease, subject only to Permitted Encumbrances, to have and to hold for the Sublease Term.

### **Enjoyment of Leased Property**

The State covenants that, during the Sublease Term and so long as no Event of Default under the Sublease shall have occurred, the Sublessee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the State, except as expressly required or permitted by the Sublease.

### **Sublease Term**

- (a) The Sublease Term shall be comprised of the Initial Term and successive one-year Renewal Terms, subject to subsection (b) of this section.
- (b) The Sublease Term shall expire upon the earliest of any of the following events:
  - (i) termination of the Lease in accordance with its terms;
  - (ii) June 30, 2019 in the case of an Event of Nonappropriation for the Initial Term, or June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation under the Sublease has occurred; or
  - (iii) termination of the Sublease following an Event of Default under the Sublease in accordance with Section 11.02(a) of the Sublease.

### **Effect of Termination of Sublease Term**

Upon termination of the Sublease Term:

- (a) all unaccrued obligations of the Sublessee under the Sublease shall terminate, but all obligations of the Sublessee that have accrued under the Sublease prior to such termination shall continue until they are discharged in full; and
- (b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default under the Sublease or because of the termination of the

Lease as a result of an Event of Nonappropriation or an Event of Default under the Lease, the Sublessee's right to possession of the Leased Property under the Sublease shall terminate and (i) the Sublessee shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Governing Body of the Sublessee has appropriated funds for payment of Rent payable during, or with respect to the Sublessee's use of the Leased Property during, the period between termination of the Sublease Term and the date the Leased Property is vacated pursuant to clause (i), the Sublessee shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto.

### **Base Rent**

(a) The Sublessee shall, subject only to the other Sections of Article V of the Sublease, pay Base Rent to the State during the Lease Term in immediately available funds in the amounts and on the Base Rent Payment Dates set forth in Exhibit B to the Sublease, as it may be modified from time-to-time. Notwithstanding any other provision hereof, if Exhibit B states that no Base Rent is payable pursuant to the Sublease, no Base Rent shall be payable pursuant to or under the Sublease and all references in the Sublease to Base Rent payable pursuant to or under the Sublease shall be null and void. ***It is not expected that the Sublessee will pay any Base Rent under the Sublease.***

(b) The State shall deposit Base Rent received by it, if any, into the National Western Center Trust Fund.

### **Additional Rent**

The Sublessee shall, subject only to Sections 6.01(b) and 7.02(b) of the Sublease and the other Sections of Article V of the Sublease, pay Additional Rent in immediately available funds in the amounts and on the dates on which it is due. The Sublessee shall pay all Additional Rent payable pursuant to Article VI, Section 7.02(a)(ii) and Section 9.05 of the Sublease and all other Additional Rent that specifically relates to the Leased Property subject to the Sublease directly to the Persons to which it is owed.

### **Unconditional Obligations**

The obligation of the Sublessee to pay Base Rent during the Sublease Term shall, subject only to the other Sections of Article of the Sublease, and the obligation of the Sublessee to pay Additional Rent during the Sublease Term shall, subject only to Sections 6.01(b) and 7.02(b) of the Sublease and the other Sections of Article V of the Sublease, including, without limitation, Sections 5.04 and 5.05 of the Sublease, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the Sublessee and the State or between the Sublessee or the State and any other Person relating to the Leased Property, the Sublessee shall, during the Sublease Term, pay all Rent when due; the Sublessee shall not withhold any Rent payable during the Sublease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the Sublessee of any rights, claims or defenses which the Sublessee may assert; and no action or inaction on the part of the State shall affect the Sublessee's obligation to pay Rent during the Sublease Term.

### **Event of Nonappropriation**

(a) The officer of the Sublessee who is responsible for formulating budget proposals with respect to payments of Rent is directed (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Governing Body of the Sublessee during the Sublease Term and (ii) to include in each annual budget proposal

submitted to the Governing Body of the Sublessee during the Sublease Term the entire amount of Base Rent scheduled to be paid and Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the Sublessee that any decision to continue or to terminate the Sublease shall be made solely by the Governing Body of the Sublessee, in its sole discretion, and not by any other department, agency or official of the Sublessee.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the Sublessee's right to cure pursuant to subsection (c) of this section:

(i) On June 30 of any Fiscal Year if the Governing Body of the Sublessee has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year; or

(ii) On June 30 of the Fiscal Year in which such event occurred or on June 30 of any subsequent Fiscal Year in which such insufficiency became apparent, as applicable, if:

(A) a Property Damage, Defect or Title Event has occurred,

(B) the Net Proceeds received as a consequence of such Property Damage, Defect or Title Event are not sufficient to repair, restore, modify, improve or replace the affected portion of the Leased Property in accordance with Section 7.07 of the Sublease, and

(C) the Governing Body of the Sublessee has not appropriated amounts sufficient to proceed under clause (i)(A) of Section 7.07(c) of the Sublease or the Sublessee has not substituted property pursuant to clause (i)(B) of Section 7.07(c) of the Sublease by June 30 of the Fiscal Year in which such Property Damage, Defect or Title Event occurred or by June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the affected portion of the Leased Property becomes apparent.

(c) Notwithstanding subsection (b) of this section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 1 of the next ensuing Fiscal Year, (i) the Governing Body of the Sublessee has appropriated amounts sufficient, or the Sublessee has substituted property in the manner required, to avoid an Event of Nonappropriation under subsection (b) of this section and (ii) the Sublessee has paid all Rent due during the period from June 30 through the date of such appropriation or substitution.

(d) If the Sublessee shall determine to exercise its annual right to terminate the Sublease effective on June 30 of any Fiscal Year, the Sublessee shall give written notice to such effect to the State (with a copy to the Trustee) not later than March 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the Sublessee from terminating the Sublease or (iii) result in any liability on the part of the Sublessee.

(e) The Sublessee shall furnish the State with copies of all appropriation measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Governing Body of the Sublessee, but not later than 20 days following the adoption thereof by the Governing Body of the Sublessee; provided however, that a failure to furnish copies of such measures shall

not (i) constitute an Event of Default, (ii) prevent the Sublessee from terminating the Sublease or (iii) result in any liability on the part of the Sublessee.

### **Limitations on Obligations of the Sublessee**

(a) Payment of Rent and all other payments by the Sublessee shall constitute currently appropriated expenditures of the Sublessee. All obligations of the Sublessee under the Sublease shall be subject to the action of the Governing Body of the Sublessee in annually making moneys available for payments under the Sublease. The obligations of the Sublessee to pay Rent and all other obligations of the Sublessee under the Sublease are subject to appropriation by the Governing Body of the Sublessee in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the Sublessee within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the Sublessee and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the Sublessee within the meaning Section 20(4) of Article X of the State Constitution. In the event the Sublessee does not renew the Sublease, the sole security available to the State, as sublessor under the Sublease, shall be the Leased Property.

(b) The Sublessee's obligations under the Lease shall be subject to the Sublessee's annual right to terminate the Sublease upon the occurrence of an Event of Nonappropriation.

(c) The Sublessee shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article VIII of the Sublease.

### **No Right To Compel Payment of Rent by State**

The Sublessee shall have no right to compel the State to pay any Rent under the Lease and the State shall have no liability to the Sublessee for a failure by the State to pay Rent payable under the Lease.

### **Taxes, Utilities and Insurance**

(a) The Sublessee shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property (including but not limited to, amounts paid to a Site Lessor for utilities provided by such Site Lessor pursuant to a Site Lease);

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the lesser of: (A) the principal amount of all Outstanding Certificates or (B) the full replacement value of the Leased Property;

(iv) public liability insurance with respect to the activities to be undertaken by the Sublessee in connection with the Leased Property, the Sublessee's Project and the Sublease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, § 24-10-101, et seq., C.R.S., or any successor statute, in an amount not less than the amounts for which the Sublessee may be

liable to third parties thereunder and (B) for all other activities, in an amount not less than \$1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the Sublessee shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the Sublessee shall first notify the Trustee and the State of the intention of the Sublessee to do so, the Sublessee may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee or the State shall notify the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the Sublessee, by nonpayment of any such item the interest of the Trustee or the State in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the Sublessee, the State will cooperate fully with the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least 10 days in advance of such cancellation or modification; (v) upon request each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any co-insurance penalty.

(d) In the Sublessee's discretion, the insurance required by this section be provided under blanket insurance policies which insure not only the risks required to be insured under the Sublease but also other similar risks or through a self-insurance program described in this subsection. If the Sublessee is covered by the State's risk management program under § 24-30-1501 et seq., C.R.S., the self-insurance program shall be the State's risk management program. If the Sublessee is not covered by the State's risk management program, the self-insurance program shall be the Sublessee's independent risk management program.

(e) At the request of the State or the Trustee, the Sublessee shall cause one or more insurance consultants to annually review the self-insurance program through which insurance is provided pursuant to this section and confirm that it is maintained on an actuarially sound basis.

## **Maintenance and Operation of Leased Property**

The Sublessee shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 7.05 and 7.07 of the Sublease.

## **Title to Leased Property**

Title to the Leased Property shall be held in the name of the Trustee, subject to the Lease and the Sublease, until the Leased Property is conveyed or otherwise disposed of as provided in the Sublease, and the Sublessee shall have no right, title or interest in the Leased Property except as expressly set forth in the Sublease.

## **Limitations on Disposition of and Encumbrances on Leased Property**

(a) Except as otherwise permitted in this Article or Article VIII or XI of the Sublease and except for Permitted Encumbrances, (i) neither the State nor the Sublessee shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the Sublessee shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this section, if the Sublessee shall first notify the Trustee and the State of the intention of the Sublessee to do so, the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee or the State has notified the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the Sublessee, by failing to discharge or satisfy such item the interest of the Trustee or the State in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the Sublessee of the right to continue to contest such item. At the request of the Sublessee, the State will cooperate fully with the Sublessee in any such contest.

## **Granting of Easements**

As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the State shall, at the request of the Sublessee and with the consent of the Trustee:

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



any security interest or other encumbrance created under the Sublease or thereunder, with or without consideration; and

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right-of-way or other grant or privilege under subsection (a) or (b) of this section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the Institution 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.

### **Subleasing and Other Grants of Use**

The Sublessee may sublease or otherwise grant the right to use such Leased Property to another Person, but only if:

(a) the sublease or grant of use by the Sublessee complies with the covenant in Section 9.04 of the Sublease; and

(b) the obligations of the Sublessee under the Sublease shall remain obligations of the Sublessee, and the Sublessee shall maintain its direct relationship with the State, notwithstanding any such sublease or grant of use.

### **Modification of Leased Property**

The Sublessee, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, its portion of the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and 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 cost of all remodeling, substitutions, additions, modifications and additions shall not exceed 10% of the Initial Value of the Leased Property without the written approval of the State; and (d) 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, the Sublease.

### **Substitution of Other Property for or Release of Leased Property**

The Sublessee, with the consent of the State, which may be granted or withheld at the sole discretion of the State, may at any time propose that other property be substituted for the Leased Property subject to the Sublease under both the Lease and the Sublease, or may request the release of a portion of the Leased Property under both the Lease and the Sublease in connection with the partial redemption of Certificates. In order to effect the substitution or release, the State must satisfy the provisions of Section 7.06 of the Lease, and any such proposal must be accompanied by the items listed below in form and substance satisfactory to the State. If the conditions in this section are met, the items listed below are delivered, the State consents to the substitution or release, and the Sublessee pays the costs of effecting the substitution or release, the State shall, and shall cooperate with the Sublessee to cause the Trustee to, execute and deliver any documents or instruments requested by the Sublessee to accomplish the substitution or release. The items are:

(a) A certificate by the Sublessee certifying that, following such substitution or release, either (i) the Fair Market Value of the substituted property, determined as of the date of

substitution, is equal to or greater than the Initial Value of the property for which it is to be substituted; or (ii) the Fair Market Value of the Leased Property will be at least equal to the principal amount of the Outstanding Certificates, both determined as of the date the substitution and/or release occurs.

(b) A title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would comply with Section 2.09(e) of the Master Indenture on the date the substitution occurs.

(c) A certificate by the Sublessee certifying that (i) the useful life of the substituted property or the Leased Property remaining after release of a portion thereof extends to or beyond the final maturity of the Certificates and (ii) the substituted property, if any, is at least as essential to the Sublessee as the property for which it was substituted.

(d) An agreement by the Sublessee to pay all costs incurred by the Sublessee, the State, the Trustee or any other Person in connection with the substitution, including but not limited to, the costs of the title insurance required by clause (b) of this section, the Trustee's fees and expenses, the State's third party costs and reasonable charges for the time of State employees and allocable overhead.

(e) An opinion of Bond Counsel to the effect that such substitution or release is permitted by Section 7.06 of the Lease, will not cause the Sublessee to violate its covenant set forth in Section 9.04 of the Sublease and will not cause the State to violate its covenant set forth in Section 9.04 of the Lease.

#### **Property Damage, Defect or Title Event**

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the Sublessee.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then:

(i) the Sublessee shall elect one of the following alternatives:

(A) to promptly to repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property, in which case the Net Proceeds shall be used to pay a portion of the costs thereof and the Sublessee shall, subject to Article V of the Sublease, pay the remainder of such costs as Additional Rent; or

(B) to substitute property for the affected portion of the Leased Property pursuant to Section 7.06 of the Sublease, in which case the Net Proceeds shall be delivered to the Sublessee.

(ii) If, by June 30 of the Fiscal Year in which a Property Damage, Defect or Title Event occurred (or June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the affected portion of the Leased Property becomes apparent), the Sublessee has not appropriated amounts sufficient to proceed under clause (i)(A) of this subsection or has not substituted property pursuant to clause (i)(B) of this subsection, an Event of Nonappropriation shall be deemed to have occurred.

(d) The Sublessee shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the State and the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the Sublessee to pay Rent under the Sublease.

### **Condemnation by Sublessee**

The Sublessee agrees that, but only to the extent permitted by law, (a) in the event it brings an eminent domain or condemnation proceeding with respect to all the Leased Property, the value of the Leased Property for purposes of such proceeding shall be not less than the Sublessee's Purchase Option Price; and (b) in the event it brings an eminent domain or condemnation proceeding with respect to a portion of the Leased Property, the value of such portion of the Leased Property for purposes of such proceeding shall be not less than a percentage of the Sublessee's Purchase Option Price determined by dividing the Fair Market Value of the condemned portion of the Leased Property by the Fair Market Value of all the Leased Property.

### **Personal Property of State or Sublessee**

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

### **Subordination of Project Agreements**

Any Project Agreement entered into by the Sublessee or any other party with one or more Developers, from time to time, with respect to the Leased Property, and all rights granted to the Developers thereunder, shall be expressly subordinated and subject to the lien, covenants, and provisions of the Sublease, the Lease and the Site Lease, and the pledges, transfers, hypothecations or assignments made by the Sublessee in the Site Lease and by any other party to the Sublease, the Lease and the Site Lease. The Sublessee covenants and agrees to take all necessary actions to effectuate the provisions of the prior sentence. For the purposes of this section, the term "Project Agreement" shall mean a project development agreement, a concession agreement, an operating agreement, a design-build agreement, or any other similar type of agreement or contract between the Sublessee or any other party and one or more Developers, pursuant to which agreement the Developer has agreed to design, build, finance, operate and maintain, or

any combination thereof, all or a portion of the Leased Property or any improvements thereon, and the term “Developer” shall mean an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature that enters into a Project Agreement with the Sublessee or any other party with respect to the Leased Property.

### **Sublessee’s Purchase Option**

(a) The Sublessee is granted the option to purchase all, but not less than all, of the Leased Property subject to the Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the Lease by paying to the Trustee the “Sublessee’s Purchase Option Price,” which is an amount equal to the principal amount of the Attributable Certificates (defined below in this subsection) and interest thereon through the closing date for the purchase of the Leased Property, and (b) to pay all Additional Rent payable through the date of conveyance of such Leased Property to the Sublessee, including, but not limited to, all fees and expenses of the Trustee and all expenses of the State relating to the conveyance of the Leased Property and the payment of the Attributable Certificates.

As used in this subsection, the term “*Attributable Certificates*” means (i) a principal amount of the Outstanding Certificates determined by multiplying the principal amount of all the Outstanding Certificates by a fraction, the numerator of which is the Initial Value of the Sublessee’s Leased Property subject to the Lease and the denominator of which is the Initial Value of all the Leased Property subject to the Lease; and (ii) which principal amount shall be allocated among the maturities of the Outstanding Certificates in proportion to the principal amount of each maturity of the Outstanding Certificates, rounded to the nearest \$5,000 in principal amount of each such maturity. The rounding pursuant to clause (ii) of the first sentence of this definition shall be accomplished in any reasonable manner selected by the State in its sole discretion.

(b) In order to exercise its option to purchase the Leased Property pursuant to Section 8.01 of the Sublease, the Sublessee must: (i) give written notice to the Trustee and the State within 15 Business Days after the Sublessee is notified by the Trustee that an Event of Default or an Event of Nonappropriation under the Lease has occurred (A) stating that the Sublessee intends to purchase the Leased Property pursuant to this section, (B) identifying the source of funds it will use to pay Sublessee’s Purchase Option Price and (C) specifying a closing date for such purpose which is no more than 90 days after the delivery of such notice; and (ii) pay the Sublessee’s Purchase Option Price to the Trustee in immediately available funds on the closing date.

### **Conveyance of Leased Property**

At the closing of any purchase of the Leased Property pursuant to Section 8.01 of the Sublease, the State shall execute and deliver, and shall cooperate with the Sublessee to cause the Trustee to execute and deliver, to the Sublessee or its designee all necessary documents assigning, transferring and conveying to the Sublessee or its designee the same ownership in the Leased Property that was conveyed by the Sublessee to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than the Sublease, the Lease, the Indenture and the Site Lease pursuant to which the Leased Property was leased to the Trustee; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee or the State as required or permitted by the Lease or the Sublease or arising as a result of any action taken or omitted to be taken by the Trustee or the State as required or permitted by the Sublease, the Lease, the Indenture and the Deed or Site Lease pursuant to which the Leased Property was deeded or leased to the Trustee the Lease; (iii) any lien or encumbrance created or suffered to exist by action of the Sublessee; and (iv) those liens and

encumbrances (if any) to which the Leased Property was subject when acquired by the Trustee and the State.

### **Conveyance to Sublessee Upon Conveyance to State**

If the Sublessee has complied with and performed all of its obligations under the Sublease, upon the conveyance of the Leased Property to the State pursuant to Section 8.04 of the Lease, the State shall, or shall cause the Trustee to, assign, transfer and convey the Leased Property to the Sublessee in the manner described in, and subject to the provisions of, Section 8.02 of the Sublease without any additional payment by the Sublessee, subject to the requirements of the Lease Purchase Act.

### **Events of Default Defined**

(a) Any of the following shall constitute an “Event of Default” under the Sublease:

(i) failure by the Sublessee to pay any specifically appropriated Base Rent to the Trustee on or before the applicable Base Rent Payment Date; provided, however, that a failure by the Sublessee to pay Base Rent on the applicable Base Rent Payment Date shall not constitute an Event of Default if such payment is received by the State within five days following such Base Rent Payment Date;

(ii) failure by the Sublessee to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the State, when nonpayment thereof has, or may have, a material adverse effect upon any of the Certificates, any of the Leased Property or the interest of the State in any of the Leased Property;

(iii) failure by the Sublessee to vacate the Leased Property within 90 days following an Event of Nonappropriation or Event of Default under the Sublease or a termination of the Lease as a result of an Event of Nonappropriation or Event of Default under the Lease;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the Sublessee in all or any portion of the Sublease or the Leased Property in violation of Section 12.01(a) of the Sublease or any succession to all or any portion of the interest of the Sublessee in the Leased Property in violation of Section 12.01(b) of the Sublease; or

(v) failure by the Sublessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Sublessee by the State, unless the State shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the State shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected.

(b) The provisions of subsection (a) of this section are subject to the following limitations:

(i) the Sublessee shall be obligated to pay Rent only during the Sublease Term, except as otherwise expressly provided in Section 3.02(b)(ii) of the Sublease; and

(ii) if, by reason of Force Majeure, the Sublessee shall be unable in whole or in part to carry out any agreement on its part contained in the Sublease, other than its obligation to pay Rent under the Sublease, the Sublessee shall not be deemed in default during the continuance of such inability; provided, however, that the Sublessee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Sublessee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Sublessee.

### **Remedies on Default**

Whenever any Event of Default shall have happened and be continuing, the State, with the consent of the Trustee, may take one or any combination of the following remedial steps:

(a) terminate the Sublease Term and give notice to the Sublessee to immediately vacate the Leased Property in the manner provided in Section 3.02(b) of the Sublease;

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

(c) recover any of the following from the Sublessee that is not recovered pursuant to subsection (b) of this section:

(i) the portion of Rent payable pursuant to Section 3.02(b)(ii) of the Sublease; and

(ii) the portion of Base Rent for the then current Fiscal Year that has been specifically appropriated by the Governing Body of the Sublessee, regardless of when the Sublessee vacates the Leased Property; and

(iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Sublessee's Governing Body, but only to the extent such Additional Rent is payable prior to the date, or are attributable to the use of the Leased Property prior to the date, the Sublessee vacates the Leased Property;

(d) enforce any provision of the Sublease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII of the Sublease by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Sublease, subject, however, to the limitations on the obligations of the Sublessee set forth in Sections 5.05 and 11.03 of the Sublease.

### **Limitations on Remedies**

A judgment requiring a payment of money may be entered against the Sublessee by reason of an Event of Default only as to the Sublessee's liabilities described in Section 11.02(c) of the Sublease. A judgment requiring a payment of money may be entered against the Sublessee by reason of an Event of

Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 11.02(c)(i) of the Sublease.

### **No Remedy Exclusive**

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

### **Waivers**

The State, with the consent of the Trustee, may waive any Event of Default under the Sublease and its consequences. In the event that any agreement contained in the Sublease 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 under the Sublease.

### **Transfer of the Sublessee's Interest in Sublease and Leased Property Prohibited**

Except as otherwise permitted by Section 7.04 of the Sublease with respect to subleasing or grants of use of the Leased Property, Section 7.06 with respect to substitutions of other property for Leased Property and subsection (b) of this section with respect to transfers of the Leased Property following termination of the Sublease or as otherwise required by law, the Sublessee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in the Sublease or the Leased Property to any Person, whether now in existence or organized hereafter.

## **MASTER INDENTURE**

### **Trust Estate**

The Trustee, in consideration of the premises, the purchase of the Certificates by the Owners and other good and valuable consideration, the receipt and sufficiency of which are acknowledged under the Master Indenture, in order to secure the payment of the principal of, premium, if any, and interest on the Certificates and all other amounts payable to the Owners with respect to the Certificates, to secure the performance and observance of all the covenants and conditions set forth in the Certificates and the Indenture, and to declare the terms and conditions upon and subject to which the Certificates are executed, delivered and secured, has executed and delivered the Master Indenture and has granted, assigned, pledged, bargained, sold, alienated, remised, released, conveyed, set over and confirmed, and by these presents does grant, assign, pledge, bargain, sell, alienate, remise, release, convey, set over and confirm, in trust upon the terms set forth in the Master Indenture all and singular the following described property, franchises and income, including any title or interest therein acquired after these presents, all and singular the following described property, franchises and income, including any title therein acquired after these presents: (a) the Leased Property and the tenements, hereditaments, appurtenances, rights, privileges and immunities thereto belonging or appertaining, subject to the terms of the Lease including, but not limited to, the terms of the Lease permitting the existence of Permitted Encumbrances; (b) all rights, title and interest of the Trustee in, to and under the Lease (other than the Trustee's rights to payment of its fees and expenses under the Lease and the rights of third parties to Additional Rent payable to them under the Lease); (c) all Base Rent payable pursuant to the Lease; (d) the State's Purchase Option Price paid pursuant to the Lease, if paid

(including any Net Proceeds used to pay the State's Purchase Option Price); (e) all money and securities from time to time held by the Trustee under the Indenture in the Certificate Fund and the Construction Fund (but not the Rebate Fund or any defeasance escrow account); and (f) any and all other property, revenues or funds from time to time hereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security under the Master Indenture, 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 of the Indenture.

### **Discharge of Indenture**

If the Master Indenture is discharged in accordance with Section 9.01 of the Master Indenture, the right, title and interest of the Trustee and the Owners in and to the Trust Estate shall terminate and be discharged; otherwise the Master Indenture is to be and remain in full force and effect.

### **Certificates Secured on a Parity Unless Otherwise Provided**

The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of all Outstanding Certificates, and any of them, without preference, priority or distinction as to lien or otherwise, except as expressly set forth in the Indenture.

### **Limited Obligations**

(a) Payment of Rent and all other payments by the State under the Lease shall constitute currently appropriated expenditures of the State and shall be paid solely from any moneys in the National Western Center Trust Fund. All obligations of the State under the Lease shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Lease are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating a liability or indebtedness of the Institution or an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning Section 20(4) of Article X of the State Constitution. In the event the State does not renew the Lease, the sole security available to the Trustee, as lessor under the Lease, shall be the Leased Property leased under the Lease, subject to the terms of the Lease.

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



(c) The provisions of this section are expressly incorporated into each Supplemental Indenture. The Certificates shall contain statements substantially in the form of subsections (a) and (b) of this section.

### **Certificates Constitute a Contract**

The Certificates shall constitute a contract between the Trustee and the Owners. In no event shall any decision by the Colorado General Assembly not to appropriate any amounts payable under the Lease be construed to constitute an action impairing such contract.

### **Authorization, Name and Amount**

No Certificates may be executed and delivered under the Master Indenture except in accordance with Article II of the Master Indenture. The Certificates shall be named State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, followed by a Series designation selected by the State. The aggregate principal amount of Certificates that may be executed and delivered is limited to \$250,000,000, plus reasonable and necessary administrative, monitoring, and closing costs and interest, including capitalized interest, as provided in the Lease Purchase Act.

### **Mutilated, Lost, Stolen or Destroyed Certificates**

In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like Series, date, maturity, interest rate and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received such evidence, information or indemnity from the Owner of the Certificate as the Trustee may reasonably require, and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee. In the event that any such Certificate shall have matured, instead of issuing a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the Owner of the Certificate with its reasonable fees and expenses in this connection and require payment of such fees and expenses as a condition precedent to the delivery of a new Certificate.

### **Registration of Certificate; Persons Treated as Owners; Transfer and Exchange of Certificates**

(a) Records for the registration and transfer of Certificates shall be kept by the Trustee which is appointed the registrar for the Certificates by the Master Indenture. The principal of, interest on, and any prior redemption premium on any Certificate shall be payable only to or upon the order of the Owner or his legal representative (except as otherwise provided in the Master Indenture with respect to Record Dates and Special Record Dates for the payment of interest). Upon surrender for transfer of any Certificate at the Principal Corporate Trust Office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Trustee shall enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees a new fully registered Certificate or Certificates of a like Series, aggregate principal amount, maturity and interest rate, bearing a number or numbers not previously assigned.

(b) Fully registered Certificates may be exchanged at the Principal Corporate Trust Office of the Trustee for an equal aggregate principal amount of fully registered Certificates of the same Series, maturity and interest rate of other Authorized Denominations. The Trustee shall execute and deliver Certificates which the Owner making the exchange is entitled to receive, bearing numbers not previously assigned.

(c) The Trustee may require the payment, by the Owner of any Certificate requesting exchange or transfer, of any reasonable charges as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such exchange or transfer.

(d) The Trustee shall not be required to transfer or exchange (i) all or any portion of any Certificate during the period beginning at the opening of business 15 days before the day of the mailing by the Trustee of notice calling any Certificates for prior redemption and ending at the close of business on the day of such mailing, or (ii) all or any portion of a Certificate after the mailing of notice calling such Certificate or any portion thereof for prior redemption.

(e) Except as otherwise provided in the Master Indenture with respect to Record Dates and Special Record Dates for the payment of interest, the person in whose name any Certificate shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest on any Certificate shall be made only to or upon the written order of the Owner thereof or his legal representative, but such registration may be changed as provided in the Master Indenture. All such payments shall be valid and effectual to satisfy and discharge such Certificate to the extent of the sum or sums paid.

(f) Notwithstanding any other provision of the Master Indenture, the Certificates shall be delivered only in book-entry form registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, acting as securities depository of the Certificates and principal of, premium, if any and interest on the Certificates shall be paid by wire transfer to DTC; provided, however, if at any time the State or the Trustee determines that DTC is no longer able to act as, or is no longer satisfactorily performing its duties as, securities depository for the Certificates, the State may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the Certificates in the names of the beneficial owners thereof provided to it by DTC. The Trustee shall have no liability to DTC, Cede & Co., any substitute securities depository, any Person in whose name the Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Certificates or any other Person for (A) any determination made by the State or the Trustee pursuant to the proviso at the end of the immediately preceding sentence or (B) any action taken to implement such determination and the procedures related thereto that is taken pursuant to any direction of or in reliance on any information provided by DTC, Cede & Co., any substitute securities depository or any Person in whose name the Certificates are reregistered.

### **Cancellation of Certificates**

Whenever any Outstanding Certificate shall be delivered to the Trustee for cancellation pursuant to the Indenture, upon payment thereof or for or after replacement pursuant to Section 2.05 or 2.06 of the Master Indenture, such Certificate shall be promptly cancelled by the Trustee.

### **Negotiability**

Subject to the registration provisions of the Master Indenture, the Certificates shall be fully negotiable and shall have all the qualities of negotiable paper, and the Owners thereof shall possess all rights enjoyed by the holders or owners of negotiable instruments under the provisions of the Uniform Commercial Code-Investment Securities. The principal of and interest on the Certificates shall be paid, and the Certificates shall be transferable, free from and without regard to any equities, set-offs or cross-claims between the Trustee and the original or any intermediate owner of any Certificates.

## **Certificate Fund**

(a) ***Creation of Certificate Fund.*** A special fund is created by the Master Indenture and established with the Trustee to be designated the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation Certificate Fund (the “Certificate Fund”), which shall be used to pay the principal of, premium, if any, and interest on the Certificates. Within the Certificate Fund there is created by the Master Indenture an Interest Account and a Principal Account, which shall be used as set forth in subsection (d) of this section. The Trustee may establish such additional accounts within the Certificate Fund or such subaccounts within any of the existing or any future accounts of the Certificate Fund as may be necessary or desirable or as may be established in a Supplemental Indenture.

(b) ***Deposits Into Interest Account of Certificate Fund.*** There shall be deposited into the Interest Account of the Certificate Fund (i) all accrued interest and capitalized interest, if any, received at the time of the execution and delivery of each Series of Certificates; (ii) that portion of each payment of Base Rent by the State which is designated and paid as the interest component thereof under the applicable Lease; and (iii) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Interest Account of the Certificate Fund.

(c) ***Deposits Into Principal Account of Certificate Fund.*** There shall be deposited into the Principal Account of the Certificate Fund (i) that portion of each payment of Base Rent by the State which is designated and paid as the principal component thereof under the applicable Lease; and (ii) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Principal Account of the Certificate Fund.

(d) ***Use of Moneys in Certificate Fund.*** Moneys in the Interest Account of the Certificate Fund shall be used solely for the payment of interest on the Certificates and moneys in the Principal Account of the Certificate Fund shall be used solely for the payment of the principal of and premium, if any, due on the Certificates; provided that (i) in the event that there are any remaining moneys in the Interest Account upon payment of the interest due on the Certificates, such moneys may be used for the payment of principal of and premium, if any, due on the Certificates; (ii) moneys representing accrued interest and capitalized interest received at the time of the execution and delivery of any Series of Certificates shall be used solely to pay the interest due on such Certificates; (iii) the State’s Purchase Option Price and any other moneys transferred to the Certificate Fund with specific instructions that such moneys be used to pay the principal of or interest on, the redemption price of or the costs of defeasing particular Certificates shall be used solely for such purpose; and (iv) all moneys in the Certificate Fund shall be available to pay the redemption price of Certificates in connection with a redemption of all the Certificates and to pay the principal of, premium, if any, and interest on any Certificates following an Event of Default or Event of Nonappropriation.

## **Construction Fund**

(a) ***Creation of Construction Fund.*** A special fund is created by the Master Indenture and established with the Trustee to be designated the State of Colorado National Western Center Lease Purchase Financing Program Construction Fund (the “Construction Fund”), and, within such fund, the Costs of Issuance Account and a separate Project Account for each Project that is being financed with proceeds of each Series of Certificates. The names of the Project Accounts for the Projects to be financed with proceeds of each Series of Certificates shall include the Series designation of such Series of Certificates. 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 or as may be established in a Supplemental Indenture.

(b) ***Deposits Into Accounts of Construction Fund.***

(i) *Proceeds of Certificates.* Proceeds from the sale of each Series of Certificates shall be deposited into the Costs of Issuance Account and the Project Accounts in the amounts designated by the State in connection with the execution and delivery of such Series of Certificates as set forth in a Supplemental Indenture.

(ii) *Earnings From Investment of Project Accounts.* Earnings from the investment of moneys in a Project Account when received shall be deposited in such Project Account unless otherwise provided in a Supplemental Indenture.

(iii) *Other Deposits to Accounts.* There shall also be deposited into the Costs of Issuance Account and any Project Account any moneys received by the Trustee that are accompanied by instructions to deposit the same into such account.

(iv) *Transfers Between Project Accounts at Direction of State.* Notwithstanding any other provision of the Master Indenture, the State may, at any time, direct the Trustee to transfer any moneys held in any Project Account to any other Project Account.

(c) ***Use of Moneys in Costs of Issuance Account.*** Moneys held in the Costs of Issuance Account shall be used to pay Costs of Issuance and, as may be provided in a Supplemental Indenture, items in the nature of those paid as Additional Rent, as directed in writing by the State. Moneys held in the Costs of Issuance Account shall be disbursed by the Trustee for such purpose upon receipt of a requisition in substantially the form attached to the Master Indenture as Appendix A, signed by the State Representative and the Institution Representative. The Trustee shall transfer any amounts held in the Costs of Issuance Account that are not required to pay Costs of Issuance or such other items to the Project Accounts, the Interest Account or the Principal Account as directed by the State Representative.

(d) ***Use of Moneys in Project Accounts.***

(i) Moneys held in each Project Account shall be disbursed to the State or the Institution to pay, or reimburse the State or the Institution for, Costs of the Project for which such Project Account was established upon receipt of a requisition in substantially the form attached to the Master Indenture as Appendix A, signed by the State Representative and the Institution Representative, and containing a certification by the State Representative that no Event of Default or Event of Nonappropriation has occurred and is continuing under the Lease. The Trustee may conclusively rely upon such requisition signed by the State Representative and the Institution Representative without a duty to examine or determine the Costs of the Project or any attachments thereto.

(ii) If an Event of Default or Event of Nonappropriation shall have occurred, the Trustee, as it deems appropriate in the best interests of the Owners, shall either disburse moneys held in the Project Accounts as provided in paragraph (i) above or apply such moneys as provided in Article VII of the Master Indenture.

(iii) Upon the receipt by the Trustee of a Completion Certificate, the remaining moneys held in such Project Account shall be transferred by the Trustee to the Principal Account or the Interest Account of the Certificate Fund as directed by the State Representative and the Institution Representative, unless the State Representative and Institution Representative shall, as provided in a Supplemental Indenture, direct otherwise.

## **Rebate Fund**

(a) ***Creation of Rebate Fund.*** A special fund is created by the Master Indenture and established with the Trustee to be designated the State of Colorado National Western Center Lease Purchase Financing Program Rebate Fund (the “Rebate Fund”). The Trustee shall create separate accounts within the Rebate Fund for each Series of Tax-Exempt Certificates (except that more than one Series may be combined for this purpose on the advice of Bond Counsel).

(b) ***Deposits Into Rebate Fund.*** There shall be deposited into the appropriate account of the Rebate Fund (i) all amounts paid by the State pursuant to subsection (e) of this section; and (ii) all other moneys received by the Trustee that are accompanied by instructions to deposit the same into the Rebate Fund.

(c) ***Use of Moneys in Rebate Fund.*** Not later than 60 days after the date designated in the tax compliance certificate or similar certificate executed and delivered by the State in connection with the execution and delivery of a Series of Tax-Exempt Certificates and every five years thereafter, the Trustee shall, at the direction of the State, pay to the United States of America 90% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates as of such payment date. No later than 60 days after the final retirement of each Series of Certificates, the Trustee shall, at the direction of the State, pay to the United States of America 100% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Tax-Exempt Certificates, which account shall remain in effect for such period of time as is necessary for such final payment to be made. Each payment required to be paid to the United States of America pursuant to this section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201. Each payment shall be accompanied by a copy of the Internal Revenue Form 8038-T executed by the State and a statement prepared by the State or its agent summarizing the determination of the amount to be paid to the United States of America. The Trustee acknowledges that the State has reserved the right, in all events, to pursue such remedies and procedures as are available to it in order to assert any claim of overpayment of any rebated amounts.

(d) ***Administration of Rebate Fund.*** The State, in the Lease, has agreed to make or cause to be made all rebate calculations required to provide the information required to transfer moneys to the Rebate Fund pursuant to subsection (b) of this section. The Trustee shall make deposits to and disbursements from accounts of the Rebate Fund in accordance with the written directions of the State given pursuant to the tax compliance certificates or similar certificates (including any investment instructions attached thereto) executed and delivered by the State in connection with the execution and delivery of each Series of Tax-Exempt Certificates. The Trustee shall, at the written direction of the State, invest moneys in each account of the Rebate Fund pursuant to the investment instructions attached to such tax compliance certificates and shall deposit income from said investments immediately upon receipt thereof in such account of the Rebate Fund, all as set forth in such certificates. The Trustee shall conclusively be deemed to have complied with such tax compliance certificates if it follows the written directions of the State, including supplying all necessary information requested by the State in the manner set forth in the tax compliance certificates, and shall not be required to take any actions thereunder in the absence

of written directions from the State. Such investment instructions may be superseded or amended by new instructions drafted by, and accompanied by an opinion of, Bond Counsel addressed to the Trustee to the effect that the use of such new instructions will not cause the interest on the related Series of Tax-Exempt Certificates to be includible in the gross income of the recipients thereof for purposes of federal income taxation. The State may employ, at its expense, a designated agent to calculate the amount of deposits to and disbursements from the Rebate Fund. If a withdrawal from the Rebate Fund is permitted as a result of the computation described in the investment instructions, the amount withdrawn shall be deposited in the Interest Account of the Certificate Fund.

(e) ***Payments by State.*** The State has agreed in the Lease, subject to the terms of the Lease, that, if, for any reason, the amount on deposit in the Rebate Fund is less than the amount required to be paid to the United States of America on any date, the State will pay to the Trustee as Additional Rent under the Lease the amount required to make such payment on such date.

### **Nonpresentment of Certificates**

In the event any Certificate shall not be presented for payment when due, if funds sufficient to pay such Certificate shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to such Certificate. Except as otherwise required by State escheat laws, funds so held but unclaimed by an Owner shall be transferred to the Principal Account of the Certificate Fund and shall be applied to the payment of the principal of other Certificates after the expiration of five years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be made available for such use on such earlier date, on any earlier date designated by the Trustee.

### **Moneys to be Held in Trust**

The Certificate Fund, the Construction Fund, and, except for the Rebate Fund and any defeasance escrow account established pursuant to Section 9.01 of the Master Indenture and the accounts and subaccounts thereof, any other fund or account created under the Master Indenture shall be held by the Trustee, for the benefit of the Owners as specified in the Indenture, subject to the terms of the Indenture and the Lease. The Rebate Fund and the accounts thereof shall be held by the Trustee for the purpose of making payments to the United States of America pursuant to Section 3.03(c) of the Master Indenture. Any escrow account established pursuant to Section 9.01 of the Master Indenture shall be held for the benefit of the Owners of the Certificates to be paid therefrom as provided in the applicable escrow agreement.

### **Repayment to the State from Trustee**

After payment in full of the principal of, premium, if any, and interest on the Certificates, all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts required to be paid under the Master Indenture, any remaining amounts held by the Trustee under the Master Indenture shall be paid to the State.

### **Investment of Moneys**

All moneys held as part of any fund, account or subaccount created under the Master Indenture shall, subject to Sections 5.02 and 6.04 of the Master Indenture, be invested and reinvested by the Trustee, at the written direction of the State, in Permitted Investments. The Trustee may conclusively presume that any investment so directed by the State is a Permitted Investment. Any and all such investments shall be held by or under the control of the Trustee. The Trustee may invest in Permitted Investments through its

own investment department, through the investment department of any Trust Bank or trust company under common control with the Trustee or through the Department of the Treasury, State Treasurer or Deputy Treasurer. The Trustee may sell or present for redemption any investments so purchased whenever it shall be necessary in order to provide moneys to meet any payment under the Master Indenture, and the Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation under the Master Indenture.

Except as otherwise provided below or by Article III of the Master Indenture, investments shall at all times be a part of the fund, account or subaccount from which the moneys used to acquire such investments shall have come, and all earnings on such investments shall be credited to, and losses thereon shall be charged against, such fund, account or subaccount. Notwithstanding the preceding sentence: (a) Earnings from investments of moneys held in the Rebate Fund shall be deposited as provided in Section 3.03 of the Master Indenture; and (b) Earnings from investments of moneys held in any defeasance escrow account established pursuant to Section 9.01 of the Master Indenture shall be deposited as provided in the defeasance escrow agreement governing such defeasance escrow account.

The Trustee shall sell and reduce to cash a sufficient amount of such investments in the respective funds, accounts and subaccounts whenever the cash balance in any Project Account is insufficient to pay a requisition when presented, whenever the cash balance in the Principal Account or Interest Account of the Certificate Fund is insufficient to pay the principal of or interest on the Certificates when due, or whenever the cash balance in any fund, account or subaccount is insufficient to satisfy the purposes of such fund, account or subaccount. In computing the amount in any fund, account or subaccount for any purpose under the Master Indenture, investments shall be valued at their Fair Market Value.

### **Tax Certification**

The Trustee certifies and covenants to and for the benefit of the Owners that so long as any of the Certificates remain Outstanding, moneys in any fund or account held by the Trustee under the Indenture, whether or not such moneys were derived from the proceeds of the sale of the Certificates or from any other source, will not be knowingly deposited or invested in a manner which will be a violation of Section 6.04 of the Master Indenture.

### **Duties of the Trustee**

The Trustee accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into the Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default or Event of Nonappropriation and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically assigned to it in the Lease and the Indenture. In case an Event of Default or Event of Nonappropriation has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Lease and the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise under the circumstances in the conduct of his or her own affairs.

(b) The Trustee may execute any of the trusts or powers of the Master Indenture and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to act upon an Opinion of Counsel concerning all matters of trust of the Master Indenture and the duties under the Master Indenture, and may in all cases pay such reasonable compensation

to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts of the Master Indenture. The Trustee may act upon an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital in the Master Indenture or any Certificate, Supplemental Indenture, Lease, Site Lease or Sublease or any offering document or other document related thereto, for collecting any insurance moneys, for the sufficiency of the security for the Certificates executed and delivered under the Master Indenture or intended to be secured by the Master Indenture, or for the value of or title to the Leased Property. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates, except for information about the Trustee furnished by the Trustee, if any.

(d) The Trustee shall not be accountable for the use of any Certificates delivered to the Initial Purchaser thereof. The Trustee may become the Owner of Certificates with the same rights which it would have if not Trustee.

(e) The Trustee shall be protected in acting, without inquiry, upon any notice, request, consent, certificate, order, affidavit, letter or other paper or document reasonably believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate shall be conclusive and binding upon any Certificates executed and delivered in place thereof.

(f) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default or Event of Nonappropriation under the Lease, except failure by the State to cause to be made any of the payments to the Trustee required to be made under the Lease, unless (i) an officer has actual knowledge thereof or (ii) the Trustee has been notified in writing thereof by the State or by the Owners of at least 10% in aggregate principal amount of Certificates then Outstanding.

(h) All moneys received by the Trustee shall, until used or applied or invested as provided in the Master Indenture, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Indenture or law.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything in the Indenture to the contrary, the Trustee shall have the right, but shall not be required, to demand in respect of the delivery of any Certificates, the withdrawal of any cash, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms of the Master Indenture required, as a condition of such action by the Trustee.



(k) Notwithstanding any other provision of the Master Indenture, the Trustee shall not be required to advance any of its own funds in the performance of its obligations under the Master Indenture unless it has received assurances from the Owners of the Certificates or indemnity from the Owners of the Certificates satisfactory to it that it will be repaid.

(l) Notwithstanding any other provision of the Master Indenture, the Trustee shall not be directly or indirectly obligated, in its individual capacity, to make any payment of principal, interest or premium in respect to the Certificates.

(k) Records of the deposits to, withdrawals from and investment earnings on moneys in the funds and accounts held by the Trustee under the Master Indenture shall be retained by the Trustee until four years after the later of the final retirement of the related Series of Certificates or any obligations issued to refund the related Series of Certificates.

### **Maintenance of Existence; Performance of Obligations**

The Trustee shall at all times maintain its existence and will use its best efforts to maintain, preserve and renew all the rights and powers provided to it under its articles of association and bylaws, action of its board of directors and applicable law; provided, however, that this covenant shall not prevent the assumption, by operation of law or otherwise, by any Person of the rights and obligations of the Trustee under the Indenture, but only if and to the extent such assumption does not materially impair the rights of the Owners of any Outstanding Certificates or the State.

The Trustee shall do and perform or cause to be done and performed all acts and things required to be done or performed in its capacity as Trustee under the provisions of the Indenture, the Lease, the Site Leases or the Deeds, and any other instrument or other arrangement to which it is a party.

### **Tax Covenant**

The Trustee shall not take any action or omit to take any action with respect to the Certificates, the proceeds of the Certificates, the Trust Estate or any other funds or property if the State has informed the Trustee in writing that such action or omission would cause interest on any of the Tax-Exempt Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining “adjusted current earnings” for the purpose of computing the alternative minimum tax imposed on such corporations). In furtherance of this covenant, the Trustee agrees, at the written direction of the State, to comply with the procedures set forth in the tax compliance certificate or similar certificate delivered by the State in connection with the execution and delivery of each Series of Tax-Exempt Certificates. The covenants set forth in this section shall remain in full force and effect notwithstanding the payment in full or defeasance of the Certificates until the date on which all obligations of the Trustee in fulfilling such covenants have been met. The covenants set forth in this section shall not, however, apply to any Series of Taxable Certificates.

### **Sale or Encumbrance of Leased Property**

As long as there are any Outstanding Certificates, and as except otherwise permitted by the Indenture and except as the Lease otherwise specifically requires, the Trustee shall not sell or otherwise dispose of any of the Leased Property unless it determines that such sale or other disposal will not materially adversely affect the rights of the Owners.

## **Rights of Trustee Under Lease, Deeds and Site Leases**

The Trustee covenants for the benefit of the Owners that the Trustee will observe and comply with its obligations under the Lease, the Deeds and the Site Leases. Wherever in the Lease, Deed or Site Lease it is stated that the Trustee shall be notified or wherever the Lease, Deed or Site Lease gives the Trustee some right or privilege, such part of the Lease, Deed or Site Lease shall be as if it were set forth in full in the Master Indenture.

## **Defense of Trust Estate**

The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect its interest in the Leased Property and the other property or property rights included in the Trust Estate and all the rights of the Owners under the Indenture against all claims and demands of all Persons whomsoever.

## **Compensation of Trustee**

During the Lease Term for the Lease, the Trustee shall be entitled to compensation in accordance with the Lease. In no event shall the Trustee be obligated to advance its own funds in order to take any action in its capacity as Trustee under the Master Indenture. The rights of the Trustee to payments pursuant to this section shall be superior to the rights of the Owners with respect to the Trust Estate.

## **Resignation or Replacement of Trustee**

(a) The present or any future Trustee may resign by giving written notice to the Owners of a majority in principal amount of the Certificates and the State not less than 60 days before such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor qualified as provided in subsection (d) of this section; provided, however, that if no successor is appointed within 90 days following the date designated in the notice for the Trustee's resignation to take effect, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor.

(b) The present or any future Trustee may be removed at any time (i) by the State, for any reason upon delivery to the Trustee of an instrument signed by the State Representative seeking such removal, provided that the State shall not be entitled to remove the Trustee pursuant to this clause if an Event of Default has occurred and is continuing or if any Event of Nonappropriation has occurred; (ii) if an Event of Default has occurred and is continuing or if an Event of Nonappropriation has occurred, by the Owners of a majority in principal amount of the Certificates Outstanding upon delivery to the Trustee of an instrument or concurrent instruments signed by such Owners or their attorneys in fact duly appointed; or (iii) by any Owner, upon delivery to the Trustee of an instrument signed by such Owner or his or her attorney in fact duly appointed following a determination by a court of competent jurisdiction that the Trustee is not duly performing its obligations under the Master Indenture or that such removal is in the best interests of the Owners.

(c) In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the State. The State, upon making such appointment, shall forthwith give notice thereof to each Owner, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. The Owners of a majority in principal amount of the Certificates Outstanding may thereupon act to appoint a successor trustee to such successor appointed by the State, by an instrument or concurrent instruments signed by such Owners, or their attorneys in fact duly appointed. Any successor so appointed by the State shall immediately and without further act be superseded by a successor

appointed in the manner above provided by the Owners of a majority in principal amount of the Certificates Outstanding.

(d) Every successor shall be a commercial bank with trust powers in good standing, located in or incorporated under the laws of the State or the United States, duly authorized to exercise trust powers and subject to examination by federal or state authority, qualified to act under the Master Indenture, having a capital and surplus of not less than \$50,000,000. Any successor trustee shall execute, acknowledge and deliver to the present or then trustee an instrument accepting appointment as successor trustee under the Master Indenture, lessor under the Lease, lessee under the Site Leases and grantee under the Deeds, and thereupon such successor shall, without any further act, deed or conveyance, (i) become vested with all the previous rights, title and interest in and to, and shall become responsible for the previous obligations with respect to, the Leased Property and the Trust Estate and (ii) become vested with the previous rights, title and interest in, to and under, and shall become responsible for the trustee's obligations under the Indenture, the Lease, the Site Leases and the Deeds, with like effect as if originally named as Trustee in the Master Indenture and therein. The previous trustee shall execute and deliver to the successor trustee (A) such transfer documents as are necessary to transfer the Trustee's interest in the Leased Property to the successor trustee, (B) an instrument in which the previous trustee resigns as trustee under the Master Indenture, as lessor under the Lease, as lessee under the Site Leases and as grantee under the Deeds and (C) at the request of the successor trustee, one or more instruments conveying and transferring to such successor, upon the trusts expressed in the Master Indenture, all the estates, properties, rights, powers and trusts of the previous trustee in the Leased Property, the Trust Estate, the Indenture, the Lease, the Site Leases and the Deeds in a manner sufficient, in the reasonable judgment of the successor trustee, to duly assign, transfer and deliver to the successor all properties and moneys held by the previous trustee in accordance with the laws of the State. Should any other instrument in writing from the previous trustee be required by any successor for more fully and certainly vesting in and confirming to it the rights, title and interest to be transferred pursuant to this section, the previous trustee shall, at the reasonable discretion and at the request of the successor trustee, make, execute, acknowledge and deliver the same to or at the direction of the successor trustee.

(e) The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor under the Master Indenture, together with all other instruments provided for in this section shall be filed and/or recorded by the successor trustee in each recording office, if any, where the Indenture, the Lease, the Site Leases and/or the Deeds shall have been filed and/or recorded.

### **Conversion, Consolidation or Merger of Trustee**

Any commercial bank with trust powers into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole or substantially as a whole shall be the successor of the Trustee under the Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties to the Master Indenture or thereto, anything in the Master Indenture or therein to the contrary notwithstanding. In case any of the Certificates shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case any of such Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of such successor Trustee.

### **Intervention by Trustee**

In any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners, the Trustee may intervene on behalf of Owners and shall do so if requested in writing by the Owners of at least 10% in principal amount of Certificates Outstanding.

### **Remedies of Trustee Upon the Occurrence of an Event of Default or Event of Nonappropriation**

Upon the occurrence of an Event of Default or Event of Nonappropriation, subject to the terms of the Subleases granting each Sublessee the option to purchase the Leased Property subject to its Sublease: (a) the Trustee shall be entitled to apply any moneys in any of the funds or accounts created under the Master Indenture (except the Rebate Fund and any defeasance escrow accounts established pursuant to Section 9.01 of the Master Indenture) to the payment of the principal of, premium, if any, and interest on the Certificates when due; (b) the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without any further demand or notice, exercise any of the remedies available to it under the Lease (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it); and (c) the Trustee may take any other action at law or in equity that may appear necessary or desirable to enforce the rights of the Owners.

### **Remedies of Trustee Upon Material Breach by Sublessee of Site Lease or Deed**

Upon a material breach by the Sublessee of a Site Lease or Deed, the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without further demand or notice, take any action at law or in equity that may appear necessary or desirable to enforce the rights of the Trustee and the Owners (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it).

### **Failure To Perform by Trustee**

Any of the following shall constitute a Failure to Perform: (a) default in the payment of the principal of, premium, if any, and interest on any Certificate when due to the extent such failure is not directly caused by an Event of Default or an Event of Nonappropriation and the Trustee is holding funds necessary to make such payments; (b) failure of the Trustee to enforce and diligently pursue any remedy available under Section 7.01 or 7.02 of the Master Indenture to the extent described therein; and (c) failure by the Trustee to comply with any other provision of the Indenture within 30 days after receiving notice of noncompliance.

### **Remedies of Owners Upon a Failure to Perform**

Subject to the other provisions of Article VII of the Master Indenture, upon the occurrence of any Failure to Perform, the Owner of any Certificate may: (a) commence proceedings in any court of competent jurisdiction to enforce the provisions of the Indenture against the Trustee; (b) subject to Section 6.09 of the Master Indenture, cause the Trustee to be removed and replaced by a successor trustee; and (c) subject to Section 7.05 of the Master Indenture, take any other action at law or in equity that may appear necessary or desirable to enforce the rights of such Owner.

## **Limitations Upon Rights and Remedies of Owners**

No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Lease, the Site Leases or the Deeds, unless (a) an Event of Default or Event of Nonappropriation or a breach by the Sublessee of a Site Lease or Deed has occurred of which the Trustee has been notified as provided in Section 6.02(g) of the Master Indenture, or of which by Section 6.02(g) of the Master Indenture it is deemed to have notice, (b) the Owners of not less than a majority in principal amount of Certificates then Outstanding shall have made written request to the Trustee to institute such suit, action or proceeding and shall have offered Trustee assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such suit, action or proceeding in a form reasonably satisfactory to the Trustee; and (c) the Trustee has not, after reasonable opportunity, instituted such action, suit or proceedings in its own name.

## **Majority of Owners May Control Proceedings**

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in principal amount of the Certificates then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Lease, the Site Leases, the Deeds or the Indenture, or for the appointment of a receiver, and any other proceedings under the Master Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the Master Indenture.

## **Trustee To File Proofs of Claim in Receivership, etc.**

In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the State or the Leased Property, the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due and payable on the Certificates under the Indenture, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

## **No Remedy Exclusive**

No right or remedy available under Article VII of the Master Indenture or otherwise is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or by statute.

## **Waivers**

The Trustee may in its discretion waive any Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease or Deed and its consequences, and, notwithstanding anything else to the contrary contained in the Indenture, shall do so upon the written request of the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding; provided, however, that an Event of Nonappropriation shall not be waived without the consent of the Owners of 100% of the Certificates then Outstanding as to which the Event of Nonappropriation exists, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be (including interest on all overdue installments at the highest rate due on the Certificates), and all expenses of the Trustee in connection with such Event of Nonappropriation shall have been paid or provided for. In

case of any such waiver, or in case any proceedings taken by the Trustee on account of any such Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease or Deed shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Trustee, the Owners and the State shall be restored to their former positions and rights under the Master Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease or Deed or impair any right consequent thereon.

#### **Delay or Omission No Waiver**

No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Deed or Failure to Perform shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Deed or Failure to Perform, or acquiescence therein; and every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

#### **No Waiver of Default or Breach To Affect Another**

No waiver of any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Deed or Failure to Perform by the Trustee shall extend to or affect any subsequent or any other then existing Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Deed or Failure to Perform or shall impair any rights or remedies consequent thereon.

#### **Position of Parties Restored Upon Discontinuance of Proceedings**

In case the Trustee or the Owners shall have proceeded to enforce any right under the Lease, the Site Leases, the Deeds or the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Person or Persons enforcing the same, then and in every such case the State, the Trustee and the Owners shall be restored to their former positions and rights under the Master Indenture with respect to the Trust Estate, and all rights, remedies and powers of the Trustee and the Owners shall continue as if no such proceedings had been taken.

#### **Purchase of Leased Property by Owner; Application of Certificates Toward Purchase Price**

Upon the occurrence of an Event of Default or Event of Nonappropriation and the sale or lease of the Leased Property by the Trustee pursuant to the Lease (but subject to the Sublessees' purchase options set forth in the Subleases), any Owner may bid for and purchase or lease the Leased Property; and, upon compliance with the terms of sale or lease, may hold, retain and possess and dispose of such property in his, her, its or their own absolute right without further accountability; and any purchaser or lessee at any such sale may, if permitted by law, after allowing for payment of the costs and expenses of the sale, compensation and other charges, in paying purchase or rent money, turn in Certificates then Outstanding in lieu of cash. Upon the happening of any such sale or lease, the Trustee may take any further lawful action with respect to the Leased Property which it shall deem to be in the best interest of the Owners, including but not limited to the enforcement of all rights and remedies set forth in the Lease and the Indenture and the taking of all other courses of action permitted in the Master Indenture or therein.

#### **Use of Moneys Received From Exercise of Remedies**

- (a) Moneys received by the Trustee resulting from the exercise of remedies following an Event of Default or Event of Nonappropriation shall be applied in the following order of priority:

(i) *First*, to pay the fees and expenses of the Trustee determined in accordance with Section 9.06 of the Lease; (ii) *Second*, to pay Additional Rent due to third parties other than the Trustee; (iii) *Third*, to make payments to the Owners of the Certificates in accordance with subsection (b) of this section; and (iv) *Fourth*, any remaining moneys shall be paid to the State.

(b) Moneys to be applied to make payment to the Owners of the Certificates pursuant to subsection (a)(iii) of this section shall be applied in the following amounts and in the following order of priority: (i) *First*, an amount equal to the interest component of Base Rent due under the Lease, plus interest on past due interest at the interest rate borne by the related Certificates, shall be paid to the Owners of the Certificates. If the amount available is not sufficient to pay all interest due to the Owners of the Certificates pursuant to the preceding sentence, the amount available shall be applied to pay such interest (including interest on past due interest) in the order in which the interest was originally due, with interest payable on the earliest Interest Payment Dates (plus interest on such interest) paid first. If the amount available is not sufficient to pay all such interest with respect to a particular Interest Payment Date, the amount available shall be paid to the Owners of the Certificates in proportion to the amount that would have been paid to them if the amount available had been sufficient; (ii) *Second*, an amount equal to the principal component of Base Rent due under the Lease shall be paid to the Owners of the Certificates. If the amount available is not sufficient to pay all principal due to the Owners of the Certificates pursuant to the preceding sentence, the amount available shall be applied to pay such principal to the Owners of the Certificates in proportion to the amount of principal due that would have been paid to them if the amount available had been sufficient. For purposes of this paragraph, the principal component of the redemption price of Certificates subject to mandatory sinking fund redemption shall be treated as principal; and (iii) *Third*, an amount equal to the premium, if any, that would have been paid to the Owners of Certificates if their Certificates had been redeemed prior to maturity on the date on which payments are made pursuant to this subsection shall be paid to the Owners of the Certificates on which a premium would have been paid had their Certificates been redeemed prior to maturity on such date. If the amount available is not sufficient to pay an amount equal to all such premiums, the amount available shall be paid to the Owners of the Certificates in proportion to the amount that would have been paid to them had the amount available been sufficient.

### **Supplemental Indentures Not Requiring Consent of Owners**

The Trustee may, without the consent of, or notice to, the Owners, execute and deliver a Supplemental Indenture for any one or more or all of the following purposes: (a) to amend, modify or restate the Glossary attached to the Master Indenture as Exhibit C in any manner directed by the State in writing, provided that the State has certified in writing that, after such amendment, modification or restatement, the Glossary is accurate and that such amendment, modification or restatement does not materially modify the substantive provisions of the Indenture, the Lease, the Deeds or the Site Leases; (b) to add to the covenants and agreements of the Trustee contained in the Indenture other covenants and agreements to be thereafter observed by the Trustee; (c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if the State certifies in writing that such provisions are necessary or desirable; (d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the provisions and requirements therefor contained in Section 7.06 of the Lease; (e) to subject to the Indenture additional revenues, properties or collateral; (f) to set forth the terms and conditions and other matters in connection with the execution and delivery of any Series of Certificates pursuant to Article II of the Master Indenture; (g) to effect any change in connection with the preservation of the exclusion from gross income for federal income tax purposes interest on the Tax-Exempt Certificates; or (h) to effect any other changes in the Indenture which do not materially adversely affect the rights of the Owners.

### **Supplemental Indentures Requiring Consent of Owners**

(a) Exclusive of Supplemental Indentures under Section 8.01 of the Master Indenture, the written consent of the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding shall be required for the execution and delivery by the Trustee of any Supplemental Indenture; provided, however, that without the consent of the Owners of all the Certificates Outstanding nothing in the Master Indenture contained shall permit, or be construed as permitting: (i) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, without the consent of the Owner of such Certificate; (ii) the deprivation as to the Owner of any Certificate Outstanding of the lien created by the Indenture (other than as specifically permitted by the Master Indenture); (iii) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, except as permitted in the Master Indenture; or (iv) a reduction in the percentage of the aggregate principal amount of the Certificates required for consent to any Supplemental Indenture.

(b) If at any time the Trustee shall propose to execute and deliver any Supplemental Indenture for any of the purposes of this section, the Trustee shall cause notice of the proposed execution and delivery of such Supplemental Indenture to be mailed to the Owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Corporate Trust Office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the State following the mailing of such notice, the Owners of not less than a majority, or, with respect to the matters specified in paragraphs (i) through (iv) of subsection (a) of this section, 100%, in aggregate principal amount of the Certificates Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Master Indenture, no Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions of the Master Indenture.

### **Amendments of Lease, Site Leases or Deeds not Requiring Consent of Owners**

The Trustee shall, at the direction of the State without the consent of or notice to the Owners, amend, change or modify the Lease, Site Lease or Deed as, as determined by the State, may be required: (a) by the provisions of the Lease, the Indenture, the Site Leases or the Deeds; (b) for the purpose of curing any ambiguity or formal defect or omission in the Lease, the Indenture, the Site Leases or the Deeds; (c) in order more precisely to identify the Leased Property; or (d) to add additional Leased Property, or to release, substitute or modify Leased Property in accordance with the Lease, the Site Leases or the Deeds, or to amend the description of Leased Property in accordance with the Lease, the Site Leases or the Deeds; (e) in connection with the execution and delivery of any Series of Certificates; (f) in connection with the redemption of any Certificates; (g) in connection with any Supplemental Indenture permitted by Article VIII of the Master Indenture; (h) to effect any change in connection with the preservation of the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Certificates; (i) to effect any change that (i) does not reduce the revenues available to the Trustee from the Lease below the amount required to make all the payments and transfers required by Article II of the Master Indenture, (ii) does not reduce the Fair Market Value of the Leased Property and (iii) does not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Certificates; (j) to effect any change to any Project permitted by the Lease Purchase Act; or (k) to effect any other change in the Lease, Site Lease or Deed which does not materially adversely affect the rights of the Owners.



## **Amendments of Lease, Site Leases or Deeds Requiring Consent of Owners**

Except for the amendments, changes or modifications permitted by Section 8.04 of the Master Indenture, the Trustee shall not consent to any other amendment, change or modification of the Lease, Site Lease or Deed without notice to and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding given and procured as provided in Section 8.02 of the Master Indenture. If at any time the State shall request the consent of the Trustee to any such proposed amendment, change or modification of the Lease, Site Lease or Deed, the Trustee shall, upon receipt of amounts necessary to pay expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 8.02 of the Master Indenture. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the office of the Trustee designated therein for inspection by all Owners.

## **Discharge of Indenture**

(a) If, when the Certificates secured by the Master Indenture shall become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid, or provision shall have been made for the payment of the same, together with all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts payable under the Master Indenture, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Trustee to the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall transfer and convey to (or to the order of) the State all property then held in trust by the Trustee pursuant to the Indenture, and the Trustee shall execute such documents as may be reasonably required by the State and shall turn over to (or to the order of) the State any surplus in any fund, account or subaccount created under the Indenture, except any escrow accounts theretofore established pursuant to this section.

(b) All or any portion of the Outstanding Certificates shall prior to the maturity or redemption date thereof be deemed to have been paid ("defeased") within the meaning and with the effect expressed in subsection (a) of this section if (i) in case such Certificates are to be redeemed on any date prior to their maturity, the Trustee shall have given notice of redemption of such Certificates on said redemption date, such notice to be given on a date and otherwise in accordance with the provisions of Article IV of the Master Indenture, and (ii) there shall have been deposited in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the redemption date or maturity date thereof, as the case may be. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this section or principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Certificates. At such time as any Certificates shall be deemed paid as aforesaid, such Certificates shall no longer be secured by or entitled to the benefits of the Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

(c) Prior to any discharge of the Indenture pursuant to this section or the defeasance of any Certificates pursuant to this section becoming effective, there shall have been delivered to the Trustee (i) a verification report from a certified public accountant verifying the deposit described in subsection (b)(ii) of this section; and (ii) an opinion of Bond Counsel, addressed to the Trustee, to the effect that all requirements of the Indenture for such defeasance have been complied with and that such discharge or defeasance will not constitute a violation by the Trustee of its tax covenant in Section 6.04 of the Master Indenture.

(d) In the event that there is a defeasance of only part of the Certificates of any maturity, the Trustee, at the expense of the State, may institute a system to preserve the identity of the individual Certificates or portions thereof so defeased, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates.

## **2020 SUPPLEMENTAL INDENTURE**

### **Projects Financed With Proceeds of the Series 2020 Certificates**

The Projects to be financed with the proceeds of the Series 2020 Certificates are described in the 2020 Supplemental Indenture. Amounts deposited in the Series 2020A Project Account and in the Series 2020B Project Account, respectively, shall be used solely for the purposes set forth in the 2020 Supplemental Indenture.

### **TMI Project Development Agreement**

The Trustee, in its capacity as Trustee under the Indenture and in its capacities under the Site Lease and the Lease, agrees to be bound by the terms and conditions (including all financial terms) of the Project Development Agreement, dated February 16, 2018, as amended, by and between the State of Colorado acting by and through the Board of Governors of the Colorado State University System and Colorado Nova Campus Developers, LLC.

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

**\$68,670,000**  
**State of Colorado**  
**National Western Center**  
**Lease Purchase Financing Program**  
**Certificates of Participation**  
**Series 2020A (Tax-Exempt)**

**\$44,225,000**  
**State of Colorado**  
**National Western Center**  
**Lease Purchase Financing Program**  
**Certificates of Participation**  
**Series 2020B (Federally Taxable)**

### CONTINUING DISCLOSURE UNDERTAKING

October 14, 2020

**THIS CONTINUING DISCLOSURE UNDERTAKING** (this “Disclosure Undertaking”) is executed and delivered by **THE STATE OF COLORADO** (the “State”), acting by and through the Department of the Treasury, in connection with the issuance of the above-referenced Certificates of Participation (the “Certificates”) evidencing proportionate and undivided interests in the right to receive certain revenues payable under a State of Colorado National Western Center Lease Purchase Financing Program Lease Purchase Agreement dated as of March 1, 2018, as amended by the State of Colorado National Western Center Lease Purchase Financing Program 2020 Amendment to Lease Purchase Agreement, dated as of October 1, 2020 (together, the “Lease”) by and between the State and Zions Bancorporation, National Association (formerly known as ZB, National Association dba Zions Bank), solely in its capacity as Trustee (the “Trustee”) under the State of Colorado National Western Center Lease Purchase Financing Program Master Trust Indenture, dated as of March 1, 2018 (the “Master Indenture”) as supplemented by State of Colorado National Western Center Lease Purchase Financing Program Series 2020 Supplemental Trust Indenture dated as of October 1, 2020 (the “2020 Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), by the Trustee.

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 Certificates and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

**Section 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure 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 of Colorado, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such financial information and operating data under “APPENDIX E—THE STATE GENERAL FUND,” and “APPENDIX H—STATE PENSION SYSTEM.”

*“Audited Financial Statements”* means the annual financial statements for the State of Colorado, prepared in accordance with generally accepted accounting principles as in effect from time to time, audited by a firm of certified public accountants or 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 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“*Official Statement*” means the final Official Statement delivered in connection with the original issue and sale of the Certificates.

“*Owner of the Certificates*” means the registered owner of the Certificates, and so long as the Certificates are subject to the book-entry system, any Beneficial Owner as such term is defined in the Indenture.

“*Rule 15c2-12*” has the meaning 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, 2020, and annually while the Certificates remain outstanding, the State shall provide to the MSRB 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. 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) This Section 4 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Certificates:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancement relating to the Certificates reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events or events affecting the tax status of the Certificates.
7. Modifications to the rights of the security holders, if material.
8. Certificate calls (other than mandatory sinking fund redemption), if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person<sup>1</sup>.
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.<sup>2</sup>
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties<sup>2</sup>.

(b) At any time when the Certificates are Outstanding and the State obtains knowledge of the occurrence of an Event, the State shall determine if any Event under paragraphs 2, 7, 8 (with

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<sup>1</sup> For the purposes of the event identified in the subparagraph (b)(5)(i)(C)(12) of Rule 15c2-12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

<sup>2</sup> The State intends to comply with Events 15 and 16, and the definition of "Financial Obligation", with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885, dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

respect to calls, but not tender offers), 10, 13, 14 or 15 of subsection 4(a) would constitute material information for Owners of Certificates.

(c) At any time the Certificates are outstanding, the State shall provide, in a timely manner, 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 Certificates and shall extend to the earliest of (a) the date all principal and interest on the Certificates shall have been deemed paid pursuant to the terms of the Indenture; (b) the date that the State shall no longer constitute an “obligated person” with respect to the Certificates within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates, which determination may be made in any manner deemed appropriate by the State, including by an opinion of any attorney or firm of attorneys experienced in federal securities laws selected by the State. The State shall file a notice of any such termination with the MSRB.

**Section 7. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure 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 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 of the State’s failure (giving reasonable details of such failure), following which notice the State shall have 30 days to comply and; provided further, that only the owners of no less than a majority in aggregate principal amount of the Certificates may take action to seek specific

performance in connection with a challenge to the adequacy of the information provided by the State in accordance with this Disclosure 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 of Colorado. A DEFAULT UNDER THIS DISCLOSURE UNDERTAKING SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE 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.** This Disclosure Undertaking shall inure solely to the benefit of the State, the Participating Underwriters and owners from time to time of the Certificates, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the State, acting by and through the Department of the Treasury, has caused this Disclosure Undertaking to be executed effective as of the day and year first above written.

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

By \_\_\_\_\_  
David L. Young, Treasurer

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## APPENDIX D

### FORM OF OPINION OF BOND COUNSEL

[Closing Date]

State of Colorado, acting by  
and through the Department of the Treasury

Zions Bancorporation, National Association  
(formerly known as ZB, National Association  
dba Zions Bank), as Trustee

Wells Fargo Bank, National Association, as Underwriter

**\$68,670,000**  
**State of Colorado**  
**National Western Center**  
**Lease Purchase Financing Program**  
**Certificates of Participation**  
**Series 2020A (Tax-Exempt)**

**\$44,225,000**  
**State of Colorado**  
**National Western Center**  
**Lease Purchase Financing Program**  
**Certificates of Participation**  
**Series 2020B (Federally Taxable)**

We have acted as bond counsel to the State of Colorado, acting by and through the Department of the Treasury (the “State”), in connection with the execution and delivery of the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, Series 2020A (Tax-Exempt) (the “Series 2020A Certificates”) and the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation, Series 2020B (Federally Taxable) (the “Series 2020B Certificates” and together with the Series 2020A Certificates, the “Series 2020 Certificates”). The Series 2020 Certificates are being executed and delivered pursuant to the State of Colorado National Western Center Lease Purchase Financing Program Master Trust Indenture dated as of March 1, 2018 (the “Master Indenture”) and the State of Colorado National Western Center Lease Purchase Financing Program Series 2020 Supplemental Trust Indenture, dated as of October 1, 2020 (the “Series 2020 Supplemental Indenture” and, together with the Master Indenture, the “Indenture”) by Zions Bancorporation, National Association (formerly known as ZB, National Association dba Zions Bank), as trustee thereunder (the “Trustee”), and evidence undivided interests in the right to certain payments by the State under the State of Colorado National Western Center Lease Purchase Financing Program Lease Purchase Agreement dated as of March 1, 2018, as amended by the State of Colorado National Western Center Lease Purchase Financing Program 2020 Amendment to Lease Purchase Agreement, dated as of October 1, 2020 (together, the “Lease”), by and between the Trustee, as lessor, and the State, acting by and through the Department of the Treasury, as lessee. Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached to the Master Indenture, as such Glossary is amended by the Series 2020 Supplemental Indenture.

We have examined the Constitution and the laws of the State; the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations, rulings and judicial decisions relevant to the opinion set forth in paragraph 4 below; the Indenture, the Lease, the State of Colorado National Western Center Lease Purchase Financing Program Sublease, dated as of March 1, 2018, as amended by the State of Colorado National Western Center Lease Purchase Financing Program 2020 Amendment to Sublease, dated as of

October 1, 2020, by and between the State, as sublessor and the Board of Governors of the Colorado State University System (the “Institution”), as sublessee, the State of Colorado National Western Center Lease Purchase Financing Program Site Lease, dated as of March 1, 2018, as amended by the State of Colorado National Western Center Lease Purchase Financing Program 2020 Amendment to Site Lease, dated as of October 1, 2020, by and between the Institution, as lessor, and the Trustee, as lessee, the Tax Compliance Certificate executed and delivered in connection with the execution and delivery of the Series 2020 Certificates and the other documents, certificates, opinions and papers included in the transcript relating to the execution and delivery of the Series 2020 Certificates; and such other items as we deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon certifications of public officials and others included in the items examined without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery of the Lease, the Indenture and the Series 2020 Certificates by the Trustee, and have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion, dated the date hereof, of the Attorney General of the State with respect to the authorization, execution and delivery of the Lease and other matters (other than the enforceability of the Lease).

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing laws, regulations, rulings and judicial decisions, that:

1. The State has the power to enter into and perform its obligations under the Lease.
2. The Lease has been duly authorized, executed and delivered and is a legal, valid and binding obligation of the State enforceable against the State in accordance with its terms.
3. The Series 2020 Certificates evidence legal, valid and binding undivided interests in the right to certain payments, as provided in the Series 2020 Certificates and the Indenture, from Base Rent payable by the State under the Lease, which payments include portions designated and paid as interest and principal, as provided in the Lease.
4. The portion of Base Rent which is designated and paid as interest on the Series 2020A Certificates is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and continuing compliance by the State and others with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2020A Certificates. Failure to comply with such requirements could cause the portion of Base Rent which is designated and paid as interest on the Series 2020A Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020A Certificates. We express no opinion regarding other federal tax consequences arising with respect to the Series 2020A Certificates; and we express no opinion as to the effect of any termination of the State’s obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2020A Certificates subsequent to such termination.
5. The portion of Base Rent which is designated and paid as interest on the Series 2020B Certificates is included in gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2020B Certificates.
6. The portion of Base Rent which is designated and paid as interest on the Series 2020 Certificates is exempt from State of Colorado tax. We express no opinion regarding other tax consequences arising with respect to the Series 2020 Certificates under the laws of the State or any other state or jurisdiction; and we express no opinion as to the effect of any termination of the State’s obligations under

the Lease, under certain circumstances as provided in the Lease, upon the treatment for State income tax purposes of any moneys received by the Owners of the Series 2020 Certificates subsequent to such termination.

The rights of the Owners of the Series 2020 Certificates and the enforceability of the Series 2020 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 by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

This opinion is limited to the matters specifically set forth above 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 Lease, the Indenture or the Series 2020 Certificates against the Trustee; legal title to the Leased Property; the creditworthiness or financial condition of the State or the Trustee; the accuracy or completeness of the statements made in connection with the offer and sale of the Series 2020 Certificates; or the ability of the State to use moneys from any particular source for the purpose of making payments under the Lease.

This opinion is based solely on the Constitution and laws of the State, the provisions of the Code and the regulations, rulings and judicial decisions relevant to the opinion set forth in paragraph 4 above, the other items described in the second paragraph hereof and the assumptions set forth herein; and we have no obligation to update or supplement this opinion based on or with respect to changes in any of such items or based on or with respect to other events or circumstances that occur after the date hereof.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the Series 2020 Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

Respectfully submitted

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## **APPENDIX E**

### **THE STATE GENERAL FUND**

#### **General**

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special State fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 CAFR and subsequent CAFRs includes a large number of statutorily created special State funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2018-19 CAFR as the General Purpose Revenue Fund.

#### **General Fund Revenue Sources**

The major revenue sources to the General Fund are individual and corporate income taxes and sales and use taxes. The State also imposes excise taxes on the sale of cigarettes, tobacco products and liquor, and receives revenues from a diverse group of other sources such as insurance taxes, pari-mutuel taxes, interest income, court receipts and gaming taxes. The following table sets forth the State's receipts from major revenue sources for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2019-20 and 2020-21. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX F—OSPB SEPTEMBER 2020 REVENUE FORECAST," as well as "USE OF INFORMATION IN THIS OFFICIAL STATEMENT—CAUTIONARY STATEMENT REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT" at the beginning of this Official Statement. Unless otherwise noted, historical financial, economic and demographic data contained herein does not reflect the impact of COVID-19

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**State of Colorado**  
**General Fund Revenue Sources**  
(Accrual basis; dollar amounts expressed in millions)

Revenue Source	Actual										OSP September 2020 Revenue Forecast			
	Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20		Fiscal Year 2020-21	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
<b>Excise Taxes:</b>														
Sales Tax <sup>1</sup>	\$2,619.2	8.0%	\$2,652.6	1.3%	\$2,826.1	6.5%	\$3,094.2	9.5%	\$3,246.6	4.9%	\$3,196.0	4.7%	\$3,404.2	6.5%
Use Tax	260.3	7.8	241.2	(7.3)	259.5	7.6	309.9	19.4	345.5	11.5	210.5	(39.1)	191.7	(8.9)
Retail Marijuana Sales – Special Sales Tax <sup>1</sup>	—	—	—	—	—	—	— <sup>2</sup>	— <sup>2</sup>	— <sup>2</sup>	— <sup>2</sup>	245.5	27.4	265.1	8.0
Cigarette Tax	37.9	3.6	37.2	(1.8)	36.6	(1.7)	34.6	(5.5)	32.6	(5.8)	32.5	(0.1)	31.8	(2.4)
Tobacco Products	17.8	5.3	21.1	18.5	21.2	0.6	16.4	(22.7)	22.3	35.8	24.4	9.5	30.3	24.4
Liquor Tax	41.5	2.8	43.6	5.0	45.0	3.0	46.5	3.3	48.3	3.9	50.1	3.7	51.7	3.2
Total Excise Taxes	\$2,976.7	7.8%	\$2,995.7	0.6%	\$3,188.4	6.4%	\$3,501.6	9.8%	\$3,695.3	5.5%	\$3,759.0	1.7%	\$3,974.8	5.7%
<b>Income Taxes:</b>														
Net Individual Income Tax	\$6,350.1	11.5%	\$6,526.5	2.8%	\$6,760.9	3.6%	\$7,577.2	12.1%	\$8,247.0	8.8%	\$8,645.5	4.8%	\$7,942.4	(8.1)%
Net Corporate Income Tax	692.9	(3.9)	652.3	(5.8)	509.3	(21.9)	781.9	53.5	919.8	17.6	728.3	(20.8)	655.1	(10.0)
Total Income Taxes	\$7,043.0	9.8%	\$7,178.8	1.9%	\$7,270.2	1.3%	\$8,359.1	15.0%	\$9,166.8	9.7%	\$9,373.8	2.3%	\$8,597.5	(8.3)%
Less State Education Fund Diversion <sup>3</sup>	(519.8)	8.6	(522.6)	0.5	(540.0)	(3.3)	(617.0)	(14.3)	(692.8)	(12.3)	(646.7)	(6.7)	(699.4)	8.2
Total Income Taxes to the General Fund	\$6,523.1	9.9%	\$6,656.2	2.0%	\$6,730.2	1.1%	\$7,742.1	15.0%	\$8,474.0	9.5%	\$8,727.1	3.0%	\$7,898.1	(9.5)%
<b>Other Revenues:</b>														
Insurance	\$256.7	7.4%	\$280.3	9.2%	\$290.5	3.6%	\$303.6	4.5%	\$314.7	3.6%	\$337.4	7.2%	\$330.7	(2.0)%
Interest Income	8.9	(41.7)	12.4	40.3	14.7	18.6	19.5	32.4	26.5	35.8	31.1	17.2	29.4	(5.5)
Pari-Mutuel	0.6	0.2	0.6	0.5	0.6	(6.6)	0.5	(10.7)	0.5	(1.7)	0.4	(23.7)	0.4	(2.0)
Court Receipts	2.6	0.3	3.5	34.5	4.1	17.5	4.4	7.6	4.2	(5.3)	3.9	(6.7)	3.9	(0.5)
Other Income <sup>4</sup>	34.0	59.3	22.6	(33.7)	47.3	109.7	152.2	221.7	48.9	(67.9)	9.7	(80.2)	25.2	160.1
Total Other	\$302.7	8.4%	\$319.4	5.5%	\$357.2	11.8%	\$480.2	34.4%	\$394.7	(17.8)%	\$382.5	(3.1)%	\$389.5	1.8%
<b>Gross General Fund</b>	<b>\$9,802.6</b>	<b>9.2%</b>	<b>\$9,971.4</b>	<b>1.7%</b>	<b>\$10,275.8</b>	<b>3.1%</b>	<b>\$11,723.9</b>	<b>14.1%</b>	<b>\$12,564.0</b>	<b>7.2%</b>	<b>\$12,868.5</b>	<b>2.4%</b>	<b>\$12,262.4</b>	<b>(4.7)%</b>

<sup>1</sup> State voters approved Proposition AA in November of 2013, which included the imposition by the State of a sales tax of 10% on sales of retail marijuana and retail marijuana products effective January 2014. Per S.B. 17-267, this tax is increased to 15% effective July 1, 2017. The revenue derived from this sales tax is shared by the State and local governments where such sales occur. Through Fiscal Years 2016-17, the entire State share of this revenue is first credited to the General Fund and then transferred to the Marijuana Tax Cash Fund. Per S.B. 17-267, for Fiscal Year 2019-20, 28.15% of the State share of this revenue, less \$30 million, is to be retained in the General Fund, 71.85% is to be transferred to the Marijuana Tax Cash Fund and \$30 million is to be credited to the Public School Fund and distributed to rural school districts. Proposition AA also approved the imposition by the State of an excise tax of 15% on certain sales of unprocessed retail marijuana effective January 2014 that does not flow through the General Fund but is mostly credited directly to a cash fund for public school capital construction projects. See “STATE FINANCIAL INFORMATION—Taxpayers’ Bill of Rights—Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA.”.

<sup>2</sup> Reported under Sales Tax.

<sup>3</sup> All individual and corporate income tax revenues are deposited to the General Fund and then a portion of the amount is diverted by law to the State Education Fund.

<sup>4</sup> Other income in Fiscal Year 2017-18 includes receipt of a one-time settlement payment under the Tobacco Master Settlement Agreement.

Source: Office of State Planning and Budgeting

## **General Fund Overview**

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for the past five Fiscal Years, as well as the current OSPB estimates for Fiscal Years 2019-20 and 2020-21 from the OSPB September 2020 Revenue Forecast. The overview incorporates the budget for Fiscal Year 2020-21 adopted by the General Assembly in June 2020 and signed by the Governor in June 2020. Any new budget information will be incorporated in subsequent OSPB revenue forecasts. The format of the following table is used by the State in developing its annual budget, as discussed in “STATE FINANCIAL INFORMATION—Budget Process and Other Considerations.” See also “Revenue Estimation; OSPB Revenue and Economic Forecasts” in this Appendix and “APPENDIX F—OSPB SEPTEMBER 2020 REVENUE FORECAST,” as well as “CERTAIN RISK FACTORS—Potential Impact of COVID-19 Pandemic” and “USE OF INFORMATION IN THIS OFFICIAL STATEMENT—CAUTIONARY STATEMENT REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT” in the forepart of this Official Statement.

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**State of Colorado**  
**General Fund Overview**  
**Fiscal Years 2014-15 through 2020-21**  
(dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited) <sup>1</sup>					OSPB September 2020 Revenue Forecast	
	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
<b>Revenue:</b>							
Beginning Reserve	\$ 435.9	\$ 689.6	\$ 512.7	\$ 614.5	\$ 1,366.0	\$ 1,262.5	\$ 1,664.1
Gross General Fund Revenue	9,802.6	9,971.4	10,275.8	11,723.9	12,564.0	12,868.5	12,262.4
Transfers to the General Fund	64.9	24.1	44.8	98.6	17.2	248.7	323.5
<b>Total General Fund Revenue Available for Expenditure</b>	10,303.4	10,685.1	10,833.4	12,436.9	13,947.2	14,379.8	14,250.1
<b>Expenditures:</b>							
Appropriation Subject to Limit <sup>2</sup>	8,869.0	9,335.6	9,784.5	10,430.9	11,258.7	11,805.2	10,658.5
Dollar Change From Prior Year	650.3	466.6	448.9	646.4	827.8	546.4	(1,146.7)
Percent Change From Prior Year	7.9%	5.3%	4.8%	6.6%	7.9%	4.9%	(9.7)%
Spending Outside Limit	785.7	895.1	640.1	784.5	1,596.3	910.5	657.7
TABOR Refund under Subsection (7)(d) <sup>3</sup>	169.7	—	—	39.8	428.5	—	—
TABOR Refund under Subsection (3)(c) <sup>4</sup>	58.0	(58.0)	—	—	—	—	—
Homestead Exemption (Net of TABOR Refund) <sup>5</sup>	—	—	—	132.3	106.4	—	164.2
Other Rebates and Expenditures <sup>5</sup>	257.4	281.3	285.0	158.5	159.7	145.7	142.5
Transfer for Capital Construction <sup>6</sup>	248.5	271.1	84.5	112.1	180.5	213.6	23.0
Transfers for Transportation <sup>6</sup>	—	199.2	79.0	79.0	495.0	300.0	—
Transfers to State Education Fund	25.3	25.3	25.3	25.3	25.0	40.3	113.0
Transfers to Other Funds <sup>7</sup>	42.2	176.2	164.8	208.6	201.1	210.9	214.9
Other Expenditures Exempt from General Fund Appropriations Limit <sup>8</sup>	0.5	—	1.5	29.0	—	—	—
<b>Total General Fund Obligations</b>	9,654.7	10,230.7	10,424.6	11,215.5	12,855.0	12,715.6	11,316.1
Percent Change from Prior Year	10.2%	5.7%	1.9%	7.6%	14.6%	(1.1)%	(11.0)%
Reversions and Accounting Adjustments <sup>9</sup>	(60.6)	(58.3)	(205.7)	(123.3)	(170.3)	—	—
<b>Reserves:</b>							
Year-End General Fund Balance	709.2	512.7	614.5	1,344.8	1,262.5	1,664.1	2,933.9
Year-End General Fund as a % of Appropriations	8.0%	5.5%	6.3%	12.9%	11.2%	14.1%	27.5%
General Fund Statutory Reserve Amount <sup>10</sup>	576.5	463.9	584.3	674.9	814.2	362.4	304.8
Unappropriated Reserve Percentage <sup>10</sup>	6.5%	5.6%	6.0%	6.5%	—	—	—
Amount Above (Below) Statutory Reserve	132.7	48.8	30.2	669.9	448.3	1,301.7	2,629.1

<sup>1</sup> This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs which are audited for the applicable Fiscal Years.

<sup>2</sup> Total State appropriations during this period have been limited to such moneys as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus an amount equal to 5.0% of Colorado personal income.

<sup>3</sup> Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. TABOR refunds are not projected for Fiscal Years 2019-20 and 2020-21. See "STATE FINANCIAL INFORMATION—Taxpayers' Bill of Rights—Fiscal Year Revenue and Spending Limits; Referendum C" in the forepart of this Official Statement, and "APPENDIX F—OSPb SEPTEMBER 2020 REVENUE FORECAST—TABOR Outlook."

<sup>4</sup> The amount shown in Fiscal Year 2014-15 reflects the amount that was set aside by H.B. 15-1367 in a special account to cover a potential TABOR refund relating to Proposition AA. H.B. 15-1367 also submitted to the State's voters at the November 3, 2015, general election the question of authorizing the State to retain and expend such amount. The question, designated Proposition BB, was approved by the voters and permitted the State to use the money for the uses specified in H.B. 15-1367. Consequently, a reversal of the \$58 million set aside is shown in Fiscal Year 2015-16. See "STATE FINANCIAL INFORMATION—Taxpayers' Bill of Rights" in the forepart of this Official Statement, as well as Note 3 to this table and Note 2 to the table in "General Fund Revenue Sources" above.

<sup>5</sup> Other Rebates and Expenditures generally includes the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; the Old Age Pension program, which provides assistance to low income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and, prior to Fiscal Year 2017-18, the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. Commencing with Fiscal Year 2017-18, the Homestead Property Tax Exemption has been shown as a separate category as the result of S.B. 17-267, which added as the first TABOR refund mechanism amounts reimbursed to county treasurers in the year of the TABOR refund for local property tax revenue losses attributable to the Homestead Property Tax Exemption as discussed in "STATE FINANCIAL



INFORMATION—Taxpayers’ Bill of Rights—Fiscal Year Revenue and Spending Limits; Referendum C” in the forepart of this Official Statement.

- <sup>6</sup> Amounts in this line generally include the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; and the Old Age Pension program, which provides assistance to low income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and, prior to Fiscal Year 2017-18, the Homestead Property Tax Exemption.
- <sup>7</sup> Section 24-75-219, C.R.S., requires certain transfers from the General Fund to the Highway Users Tax Fund and the Capital Construction Fund, commonly referred to as “228” transfers based on S.B. 09-228 which originally provided for the transfers. The amounts of the 228 transfers were revised per H.B. 16-1416 and S.B. 17-262. The amount of the capital construction transfers in Fiscal Years 2015-16, 2016-17 and 2017-18 also included transfers of General Fund money in addition to the required 228 transfers. In addition, S.B. 18-001 commits General Fund revenue for transportation projects in Fiscal Years 2018-19 and 2019-20. However, such transfers may be modified by the State Legislature.
- <sup>8</sup> State law requires transfers of General Fund money to various State cash funds. This line item includes transfers of amounts credited to the General Fund from the retail marijuana sales tax to a cash fund. See Note 1 to the table in “General Fund Revenue Sources” above. However, for Fiscal Year 2015-16 only, \$40.0 million of the transfer to other funds amount is a transfer to public school capital construction related to the passage of Proposition BB. The Fiscal Year 2015-16 and Fiscal Year 2016-17 amounts also include a diversion of income tax revenue out of the General Fund to a separate severance tax fund pursuant to S.B. 16-218. However, due to the risk of lower than expected severance tax revenues in Fiscal Year 2017-18 and thereafter, H.B. 18-1338 requires General Fund transfers to various severance tax cash funds to protect program funding, and also requires an equivalent amount of future severance tax revenue to be diverted to the General Fund to repay these transfers
- <sup>9</sup> Spending by the Medicaid program above the appropriated amount, called “Medicaid Overexpenditures,” is usually the largest amount in this line.
- <sup>10</sup> The Unappropriated Reserve requirement, codified as Section 24-75-201.1(1)(d), C.R.S., is a percentage of the amount appropriated for expenditure from the General Fund in the applicable Fiscal Year. For Fiscal Year 2015-16 only, the percentage is of the amount subject to the appropriations limit minus the amount of income tax revenue required by to be diverted to a reserve fund to fund severance tax refunds as discussed above. In Fiscal Years 2015-16 through 2017-18, General Fund appropriations for lease purchase agreement payments made in connection with certificates of participation sold to fund certain capital projects were made exempt from the reserve calculation requirement. These appropriations were \$37.8 million in Fiscal Year 2015-16, \$46.0 million in Fiscal Year 2016-17 and \$48.1 million in Fiscal Year 2017-18. S.B. 18-276 repealed the exemption of the lease purchase agreement payments from the calculation of the reserve requirement. See “STATE FINANCIAL INFORMATION—Budget Process and Other Considerations—Revenues and Unappropriated Amounts” and “DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS—The State, State Departments and Agencies” in the forepart of this Official Statement.

Source: Office of State Planning and Budgeting

## Revenue Estimation; OSPB Revenue and Economic Forecasts

**Revenue Estimating Process.** The State relies on revenue estimation as the basis for establishing aggregate funds available for expenditure for its appropriation process. By statute, the OSPB is responsible for developing a General Fund revenue estimate. No later than June 20<sup>th</sup> prior to the beginning of each Fiscal Year, and no later than September 20<sup>th</sup>, December 20<sup>th</sup> and March 20<sup>th</sup> within each Fiscal Year, the Governor, with the assistance of the State Controller and the OSPB, is required to make an estimate of General Fund revenues for the current and certain future years. Due to the rapidly evolving impact of COVID-19 on the State’s economy, the OSPB prepared an interim report (the OSPB May 2020 Revenue Forecast) to supplement the information provided in the March 2020 Forecast. The revenue estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow.

The most recent OSPB revenue forecast was issued on September 18, 2020, and is included in this Official Statement as “APPENDIX F—OSPB SEPTEMBER 2020 REVENUE FORECAST.” The OSPB September 2020 Revenue Forecast projects revenues for Fiscal Years 2019-20 through 2022-23. The

amounts forecast for Fiscal Years 2019-20 and 2020-21 are summarized in “General Fund Revenue Sources” and “General Fund Overview” above in this Appendix.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast for the OSPB September 2020 Revenue Forecast was provided by Moody’s Economy.com. The OSPB forecasts the State economy using a model originally developed partly in-house and partly by consultants to the State.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Moody’s Economy.com’s forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic data estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts and sales tax collections, the model forecasts only the aggregate amount for these revenues. For many of the smaller tax revenue categories, simple trend analyses are generally utilized to derive a forecast.

***Revenue Shortfalls.*** The State’s Fiscal Year budgets are prepared and surplus revenues are determined using the modified accrual basis of accounting in accordance with the standards promulgated by GASB, with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon the current forecast, there is anticipated to be an Unappropriated Reserve. The State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State’s Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid. Also, prior forecasts of General Fund revenue may have overestimated the amount the State would receive for the Fiscal Year.

Whenever the Governor’s revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures.

The next OSPB revenue forecast will be released in December 2020. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB

September 2020 Revenue Forecast if economic conditions change markedly. If a revenue shortfall were projected for future forecasted years, which would result in a budgetary shortfall, budget cuts and/or actions to increase the amount of money in the General Fund would be necessary to ensure a balanced budget. See “CERTAIN RISK FACTORS—State Budgets and Revenue Forecasts.”

## Investment of the State Pool

**General.** The investment of public funds by the State Treasurer is subject to the general limitations discussed in “STATE FINANCIAL INFORMATION—Investment and Deposit of State Funds.” The State Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitrated against must be closely matched in both dollar amount and term.

**Fiscal Years 2018-19 and 2019-20 Investments of the State Pool.** The following tables set forth the investment by category of the moneys in the State Pool as of the end of each month in Fiscal Years 2018-19 and 2019-20 for which information is available.

### State of Colorado State Pool Portfolio Mix Fiscal Year 2018-19 (amounts expressed in millions)\*

	July 2018	Aug 2018	Sept 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019
Agency CMOs	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Commercial Paper	832.4	887.9	968.7	1,331.0	1,329.1	1,310.8	2,028.1	2,241.8	2,065.0	2,321.4	1,872.2	1,598.0
U.S. Treasury Notes	1,294.8	1,159.0	1,279.0	1,224.4	1,156.0	1,055.4	981.7	862.0	1,042.3	934.9	841.3	821.2
Federal Agencies	1,356.6	1,249.7	1,219.8	677.6	553.3	570.5	722.1	727.1	501.7	873.3	1,417.1	1,091.5
Asset-Backed												
Securities	851.8	935.8	947.6	955.5	946.5	978.0	1,024.3	995.0	973.4	991.1	982.4	920.9
Money Market	350.0	255.0	540.0	450.0	470.0	350.0	480.0	440.0	380.0	625.0	345.0	515.0
Corporates	3,481.7	3,396.2	3,577.1	3,670.1	3,522.5	3,599.8	3,587.8	3,344.7	3,828.5	4,352.8	4,593.6	4,034.6
Certificates of Deposit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	<u>\$8,167.7</u>	<u>\$7,884.1</u>	<u>\$8,532.7</u>	<u>\$8,309.0</u>	<u>\$7,977.8</u>	<u>\$7,864.9</u>	<u>\$8,824.3</u>	<u>\$8,610.9</u>	<u>\$8,791.2</u>	<u>\$10,098.5</u>	<u>\$10,051.9</u>	<u>\$8,981.5</u>

\* This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.  
Source: State Treasurer’s Office

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**State of Colorado**  
**State Pool Portfolio Mix**  
**Fiscal Year 2019-20**  
(amounts expressed in millions)\*

	<b>July 2019</b>	<b>Aug 2019</b>	<b>Sept 2019</b>	<b>Oct 2019</b>	<b>Nov 2019</b>	<b>Dec 2019</b>	<b>Jan 2020</b>	<b>Feb 2020</b>	<b>Mar 2020</b>	<b>Apr 2020</b>	<b>May 2020</b>	<b>June 2020</b>
Agency CMOs	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 41.6	\$ 41.6	\$ 41.6	\$ 41.6	\$ 41.6	\$ 41.6	\$ 41.5	\$ 103.6
Commercial Paper	2,190.9	1,854.6	1,477.4	1,814.2	1,993.5	2,074.0	2,610.7	2,149.7	1,109.1	1,219.9	1,155.4	385.0
U.S. Treasury Notes	757.1	702.8	809.2	895.1	931.6	939.8	897.8	1,173.5	1,105.9	1,128.5	1,506.3	1,212.7
Federal Agencies	804.6	913.2	806.9	600.2	520.7	379.7	694.7	714.5	880.5	929.6	844.7	371.3
Asset-Backed												
Securities	901.0	863.9	930.1	915.8	875.6	804.8	683.8	683.9	674.8	666.8	666.3	634.5
Money Market	430.0	235.0	460.0	515.0	560.0	604.0	410.0	445.0	925.0	3,017.0	2,327.0	2,942.0
Corporates	4,458.6	4,704.7	4,717.2	4,369.6	3,955.6	3,938.5	4,214.9	3,991.7	4,709.3	3,918.7	3,686.2	3,693.1
Certificates of Deposit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00
Totals	<u>\$9,542.4</u>	<u>\$9,274.4</u>	<u>\$9,201.0</u>	<u>\$9,110.1</u>	<u>\$8,878.6</u>	<u>\$8,782.4</u>	<u>\$9,553.5</u>	<u>\$9,199.9</u>	<u>\$9,446.1</u>	<u>\$10,992.1</u>	<u>\$10,227.4</u>	<u>\$9,342.2</u>

\* This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.  
Source: State Treasurer's Office

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## **APPENDIX F**

### **OSPB SEPTEMBER 2020 REVENUE FORECAST**

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September 18, 2020

# STATE OF COLORADO

Governor's Office of State Planning and Budgeting

## COLORADO ECONOMIC AND FISCAL OUTLOOK



**COLORADO**  
Governor Jared Polis

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For additional information about the Governor’s Office of State Planning and Budgeting, to access this publication electronically, or to sign up to be notified by email when the quarterly forecast is released, please visit [www.colorado.gov/ospb](http://www.colorado.gov/ospb).



## Forecast in Brief

### **NATIONAL ECONOMIC OUTLOOK**

The U.S. economy continues to recover from the depths of the pandemic recession in April, but activity remains well below normal levels and the rate of improvement is slowing. While the unemployment rate remains above 8 percent, personal incomes and savings rates are above pre-pandemic levels due to major federal relief measures such as expanded unemployment insurance benefits. While higher incomes and savings are positive signs for the economic outlook, the recovery remains highly dependent on the course of the virus.

### **COLORADO ECONOMIC OUTLOOK**

Colorado's economic activity remains far below normal levels despite significant improvement since April. The unemployment rate rose from 2.5 percent in February to 12.2 percent in April before falling to 6.7 percent by August. Colorado's economy continues to perform better than the national average as the state has a high percentage of the workforce that can work remotely and as virus caseloads have remained comparatively low.

### **GENERAL FUND REVENUE**

General Fund revenue is projected to decrease by 4.7 percent in FY 2020-21 before growing by 4.7 percent in FY 2021-22. It is expected to further increase by 5.5 percent in FY 2022-23. The GF revenue forecast was revised upwards by a total of 10% between FY 2019-20 and FY 2021-22. This upward revision is due to higher than anticipated revenue collections in July as well as improved expectations for economic recovery.

### **CASH FUND REVENUE**

Total cash fund revenue subject to TABOR was \$2.2 billion in FY 2019-20, a decrease of 8.3 percent from the prior fiscal year. In FY 2020-21 cash fund revenue is projected to decline a further 4.3 percent to \$2.1 billion before growing 5.0 percent in FY 2021-22.

### **TABOR**

Revenue subject to TABOR is not expected to exceed the Referendum C cap during this forecast period.

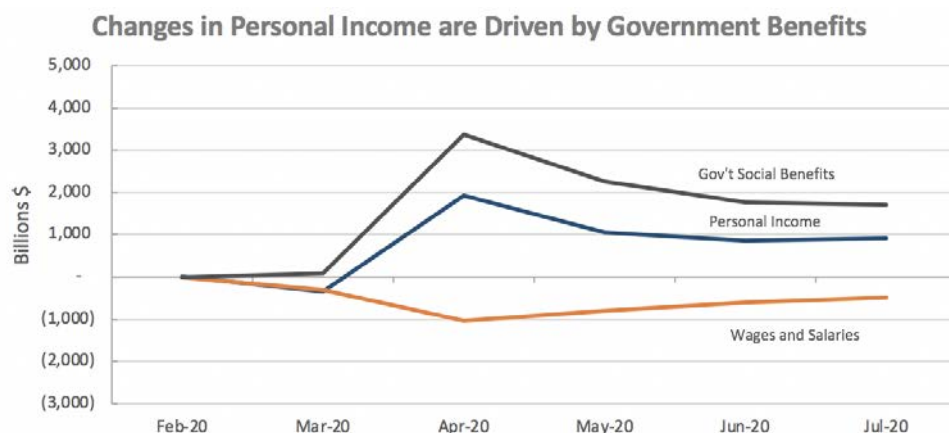
# Economic Outlook

The pandemic recession that began in March significantly reduced Colorado’s economic activity. Despite significant improvement from the depths of the recession in April, Colorado’s economic activity remains well below normal levels. The state has recovered more than half of the jobs that were lost earlier this year, but the unemployment rate remains elevated at 6.7 percent and nearly 250,000 Coloradans are receiving unemployment benefits. Colorado’s economy continues to outperform the national average.

The U.S. economy improved over the last quarter, but the rate of improvement appears to be slowing. While the unemployment rate remains above 8 percent, personal incomes and savings rates are above pre-pandemic levels due to major federal relief measures such as expanded unemployment insurance benefits. While higher incomes and savings are positive signs for the economic outlook, the recovery remains highly dependent on the course of the virus.

## Personal Income and Expenditures

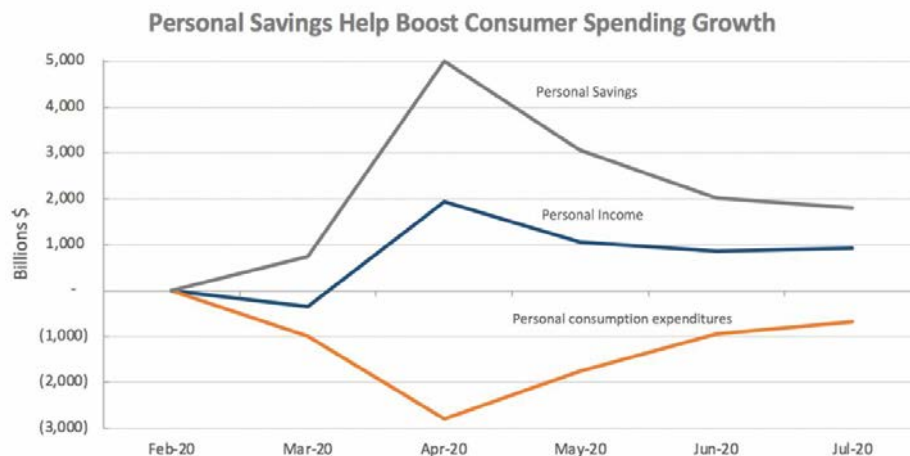
The pandemic caused large changes in the financial picture for American consumers. On a national level, wages and salaries dropped by about \$1 trillion (on an annualized basis) between February and April. However, the federal government took swift action to provide financial assistance, including expanded unemployment benefits and stimulus checks. This federal aid was more than enough to offset the drop in wages and salaries, and personal income was 10 percent higher in April than in February despite the decline in wage income.



Source: Bureau of Economic Analysis

The economy has begun to recover, as evidenced by wage and salary data. Wages and salaries have followed an upward trajectory since April, rising about \$500 billion (annualized) from that low point and regaining about half of the ground lost this past spring. Total personal income remains about \$1 trillion higher than in February, despite declining about \$1 trillion from its peak in April when stimulus checks were distributed. Government aid has been critical in sustaining personal incomes in the midst of a severe recession and in preventing job losses and reduced wages from creating further negative impacts throughout the economy.

The economic recovery can also be seen in consumer spending data. Personal consumption expenditures dropped by almost \$3 trillion in March and April but have since recovered, as spending in July was only about \$700 billion below pre-pandemic levels. Strong growth in personal consumption expenditures reflects the continued re-opening of local businesses and consumers that are eager to spend money again.

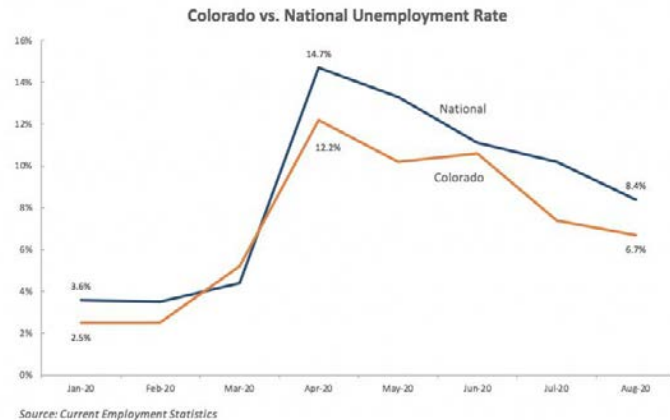


Source: Bureau of Economic Analysis

The trajectory of consumer spending remains unclear. On one hand, consumers may tap into the high level of personal savings and continue to boost personal consumption expenditures, even if wages and salaries recover slowly. On the other hand, the epidemiological course of the pandemic continues to pose downside risks to the economy. Concern about virus transmission may hamper the growth of consumer spending.

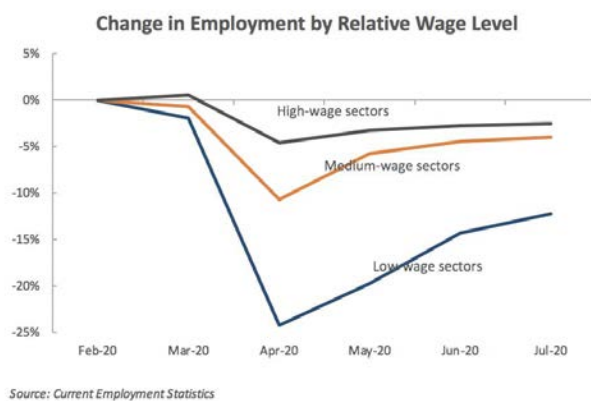
## Employment

The unemployment rate in Colorado has declined since its peak of 12.2 percent in April. The August unemployment rate was 8.4 percent for the U.S. and 6.7 percent in Colorado. Although the situation has improved over the past few months, Colorado's unemployment rate is still well above the pre-pandemic rate of 2.5 percent.



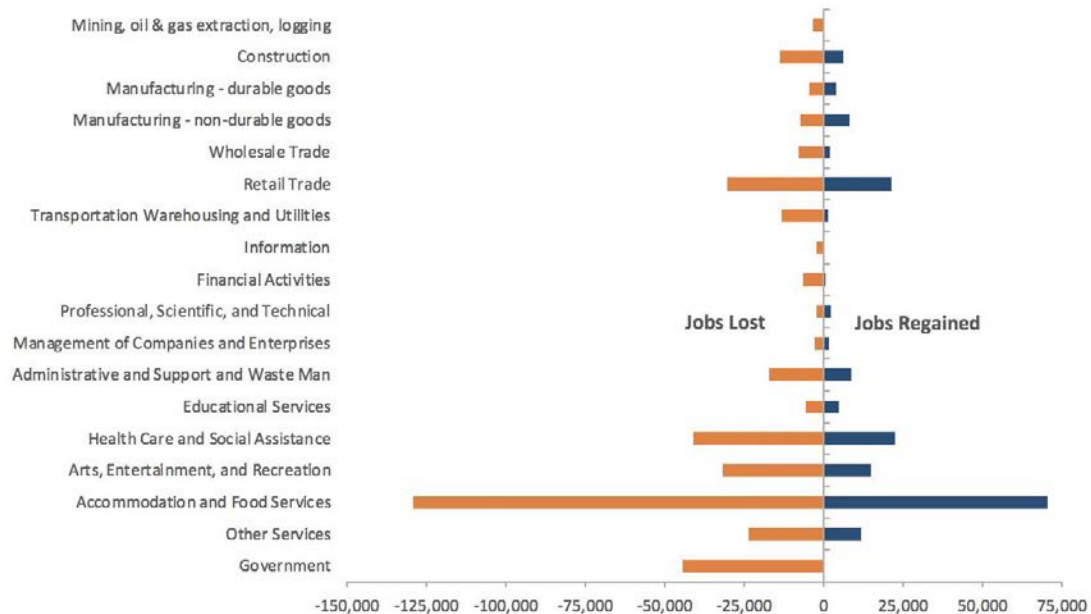
The employment picture in Colorado varies widely by economic sector, and the pandemic hit low-wage sectors the hardest. The number of jobs in Colorado's low-wage sectors dropped by nearly 25 percent between February and April. Low-wage sectors in this analysis include leisure and hospitality; trade, transportation, and utilities; and other services. Leisure and hospitality jobs fared particularly poorly; this sector lost 47 percent of its jobs between February and April.

In contrast, Colorado's medium-wage sectors, including construction, manufacturing, and educational and health services, experienced only a 10 percent decline between February and April. These sectors often include essential workers. The job decline was only 5 percent in high-wage sectors, including professional and business services and financial activities. These sectors have a higher proportion of workers who were able to work remotely and were therefore less impacted by stay-at-home orders. There are some notable exceptions, however, as the mining, oil & gas, and logging sector experienced a 10 percent drop in employment.



The number of jobs lost and regained has varied dramatically across economic sectors. The graphic below shows the number of jobs lost since February and the number of those jobs regained as of July 2020. Five economic sectors lost more than 25,000 jobs and the extent to which they have regained jobs has varied dramatically. These five sectors include accommodation and food services, which regained 54 percent of lost jobs; government (zero percent regained); health care and social assistance (55 percent regained); arts, entertainment, and recreation (47 percent regained); and retail trade (70 percent regained). Only four sectors have regained more than 80 percent of lost jobs: manufacturing of non-durable goods; manufacturing of durable goods; professional, scientific, and technical services; and educational services.

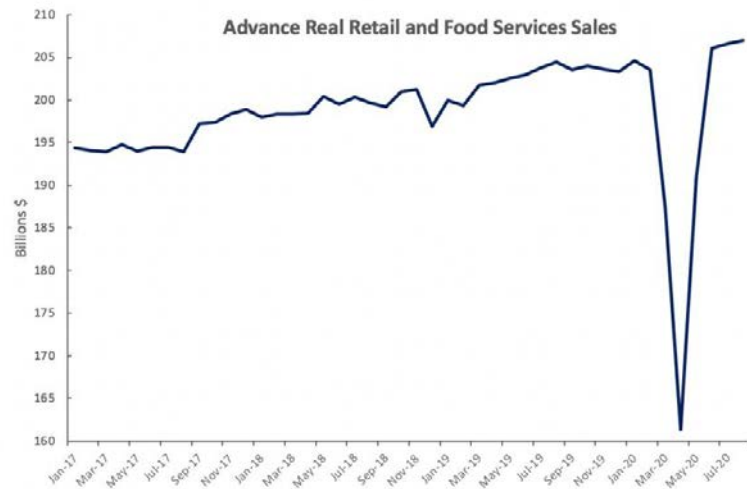
Number of Jobs Lost and Regained by Industry (as of July 2020)



Source: Current Employment Statistics

## Retail Sales

Retail spending fell sharply in March and April as businesses closed and consumers stayed home in order to slow the spread of the virus but has since fully recovered and is now at record heights, with June and July retail sales surpassing pre-pandemic levels. The graph to the right displays how abruptly trends in consumer spending fell as virus-related impacts led to a brief economic standstill. This abrupt decrease in consumer spending is displayed by the “V-shaped” decline followed by an immediate bounce-back as the economy gradually reopened. This rapid recovery can partially be attributed to the large growth in personal income fueled by federal financial

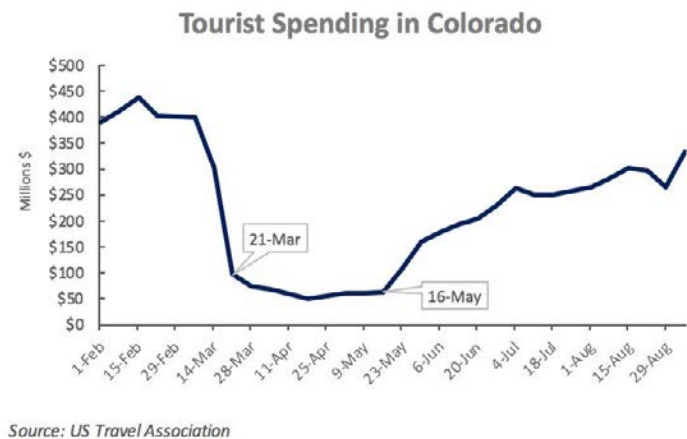


Source: Federal Reserve Economic Data (FRED)

assistance, especially enhanced unemployment benefits. Retail sales have been bolstered further by an increased level of online purchases, as online sales in August were approximately 17% above 2019 levels.<sup>1</sup>

## Tourism

The tourism industry has experienced a partial recovery after suffering an 89 percent decline in tourist spending between February and mid-April. Traveler visits and spending have increased since mid-May, and, as of late August, spending was down 40 percent over the prior year.<sup>2</sup> While this is a significant improvement from April levels, it also demonstrates that tourists remain hesitant to travel at pre-pandemic levels.



This decline is reflected in employment figures. Traveler accommodation and recreation and amusement industries are often among the top ten industries for new unemployment claims.<sup>3</sup> However, the tourism industry has recovered a portion of the jobs lost in the early stages of the pandemic. Nationwide, Tourism Economics estimates that one quarter of workers in the leisure and hospitality industry remain unemployed, despite gains since April.<sup>4</sup>

The recovery has been uneven across Colorado, as different types of travel return at different rates. Many travelers have expressed interest in taking regional trips in 2020 and flight activity remains depressed, suggesting more travelers are driving to their destinations.<sup>5</sup> Statewide, hotel occupancy in July was 37 percent lower than one year prior. Mountain communities, including Glenwood Springs (82 percent of year-ago levels), Durango (84 percent), and Estes Park (72 percent), are seeing stronger recoveries than areas along the Front Range including Denver (43 percent), Longmont (44 percent), Fort Collins (50 percent), and Greeley (52 percent).<sup>6</sup>

<sup>1</sup> Earnest Research

<sup>2</sup> US Travel Association

<sup>3</sup> Colorado Department of Labor and Employment

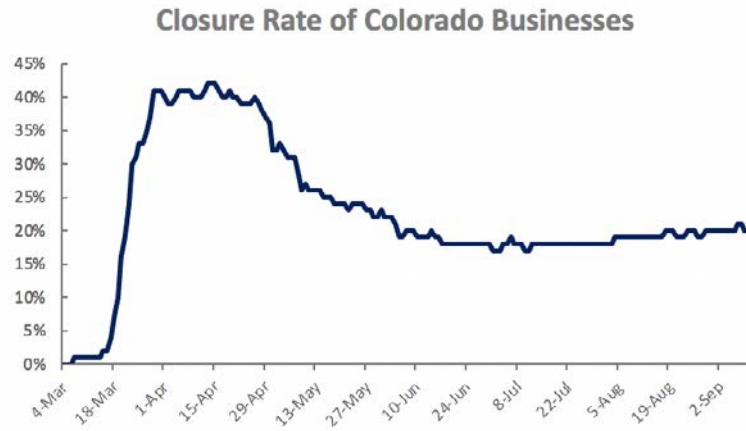
<sup>4</sup> Tourism Economics

<sup>5</sup> Destination Analysts and TSA

<sup>6</sup> Rocky Mountain Lodging Report and the Colorado Tourism Office

## Small Business

Similar to national trends, Colorado small businesses seem to be avoiding the surge in business closures that had been feared, partly due to the \$10.4 billion in Paycheck Protection Program (PPP) loans they have received since April. Since early June, the closure rate of Colorado small businesses has remained relatively flat. According to an August survey,<sup>7</sup> 80 percent of small businesses indicate that they will be



Source: Womply Small Business Data

able to operate for at least seven more months under current economic conditions, with 61 percent able to operate for more than a year under current conditions.

Despite these better-than-expected developments, many small businesses are struggling. Department of Revenue data from January to June shows that retail sales at small bars and restaurants (defined as those with less than \$20,000 in reported state sales tax in 2019) are down 25% compared to the same period in 2019. A July survey conducted by the Colorado Restaurant Association showed that, of restaurants that had reopened, sales were down 40 percent on average compared to July 2019. A recent poll also shows that minority-owned small businesses report more signs of financial distress than other small businesses.<sup>8</sup> Additionally, the small business retail sector has seen a disproportionately high share of closures, while home, local, professional services, and auto services businesses have seen relatively low closure rates.<sup>9</sup>

## Housing

The surge in unemployment to 12.2 percent in April led to early concerns about a potential wave of evictions and foreclosures during the pandemic. To date, no such wave has materialized, as most unemployed workers were sustained by an extra \$600 per week in unemployment benefits through July. The Colorado Apartment Association reported that payment rates have remained

<sup>7</sup> National Federation of Independent Businesses

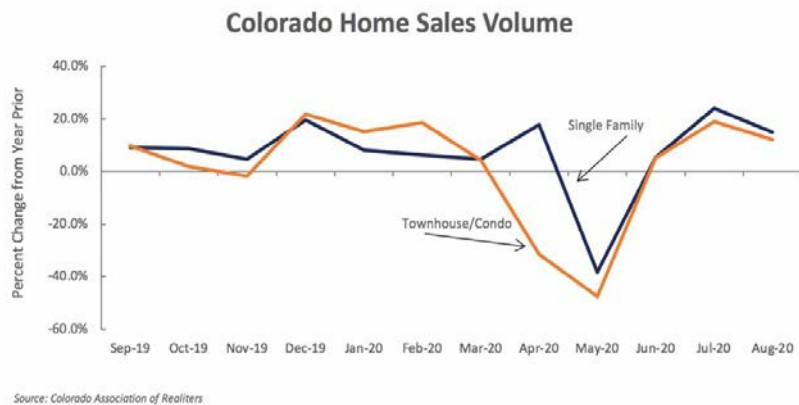
<sup>8</sup> US Chamber of Commerce

<sup>9</sup> Yelp Quarter 3 Economic Impact Report



high through the pandemic, ranging from 93 percent to 95 percent between April and August.<sup>10</sup> In response to on-time payments and eviction moratoriums, eviction rates remained lower than usual in the second quarter, as reported by the Apartment Association of Metro Denver.<sup>11</sup> Similarly, foreclosures fell 80 percent in the second quarter as compared to 2019, supported by closures of public trustees' offices, legal protections, and voluntary forbearance by many lenders.<sup>12</sup> Further, the CDC announced on September 1st that evictions would be halted until January 2021.

However, more Coloradans are expected to have trouble paying their rent or mortgage beginning in September, unless additional unemployment benefits or stimulus funds are provided. As of late August, 10 percent of Coloradans surveyed by the US Census Bureau indicated they did not pay their rent on time.<sup>13</sup> This housing insecurity was disproportionately reported by Hispanic and Black Coloradans, as well as low-income Coloradans. Meanwhile, home sales and median home prices across Colorado hit records in July and remained strong in August as a surge of homebuyers entered the market. Single family home sales increased 18 percent between June and July, hitting a statewide record, while median home prices increased 4.1 percent over June prices and 8.6 percent over the year prior.<sup>14</sup> August sales prices increased another 1.7 percent over July. While home sales are booming, rental rates across metro-Denver dropped for the first time in a decade, decreasing 2.1 percent on an inflation-adjusted basis from the year before.<sup>15</sup>



## Forecast Risks

The economic forecast is highly dependent upon the course of the COVID-19 pandemic. This forecast assumes that intermittent periods of rising caseloads will continue to occur until a vaccine is developed and made widely available. The possibility that caseloads will significantly exceed levels experienced previously represents a downside risk to this forecast. Additionally, while the immediate economic impacts of the pandemic are visible and well-known, the second-order effects are more difficult to anticipate. Finally, while this forecast does not assume further

<sup>10</sup> Colorado Apartment Association

<sup>11</sup> Apartment Association of Metro Denver

<sup>12</sup> Colorado Department of Local Affairs

<sup>13</sup> US Census Household Pulse Survey

<sup>14</sup> Colorado Association of Realtors

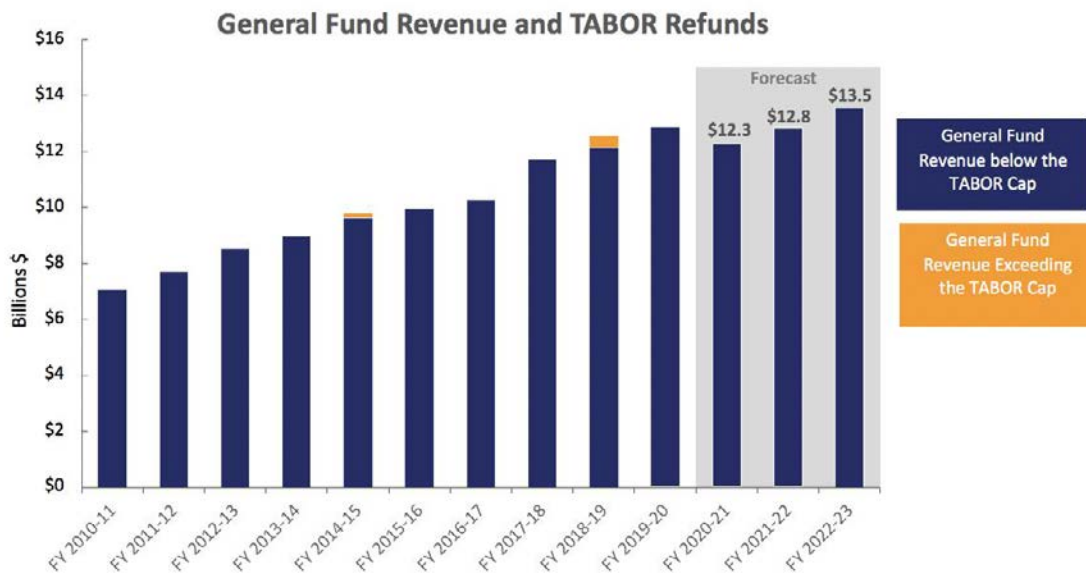
<sup>15</sup> Apartment Association of Metro Denver



federal fiscal relief, the consequences of reduced federal fiscal support are difficult to foresee and could result in weaker economic conditions if additional federal relief to individuals, businesses, and state and local governments is not provided.

## Revenue Outlook – General Fund

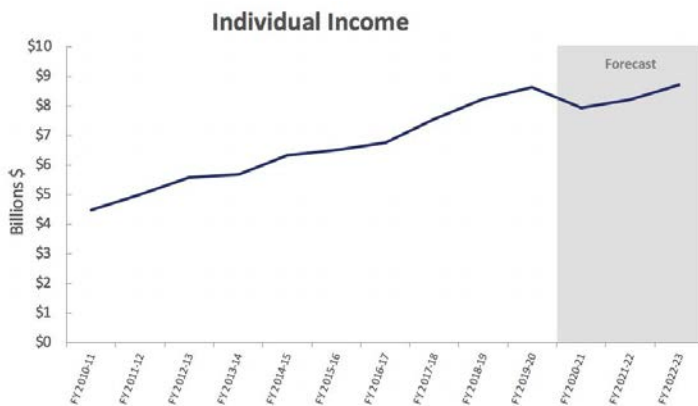
General Fund revenue is projected to decrease by 4.7 percent in FY 2020-21 before growing by 4.7 percent in FY 2021-22. It is expected to further increase by 5.5% in FY 2022-23. The GF revenue forecast was revised upwards by a total of 10% between FY 2019-20 and FY 2021-22. This upward revision is due to higher than anticipated revenue collections in July as well as improved expectations for economic recovery.



Three major revenue sources together make up about 95 percent of total General Fund revenue: individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the other remaining General Fund sources, such as interest earnings, taxes paid by insurers on premiums, and excise taxes on tobacco products and liquor, make up the remaining 4 percent.

### Individual Income Tax

Individual income tax revenue increased by a preliminary 4.8 percent in FY 2019-20 and is expected to decline 8.1 percent in FY 2020-21. Relative to June projections, the forecast was revised upward by \$700.7 million in FY 2019-20 and \$1,147.5 million in FY 2020-21.

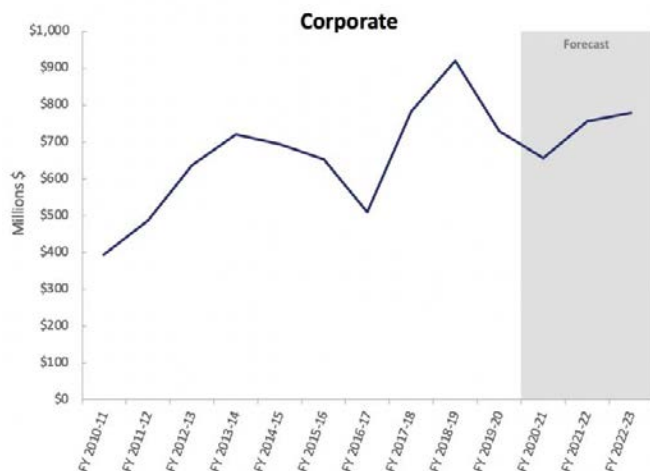


Individual income tax collections are extremely volatile during periods of economic change. Annual growth remained positive in FY 2019-20 despite the recession during the last few months of the fiscal year. Although Colorado experienced historically high unemployment rates, individual income tax withholdings remained strong as low-income earners were disproportionately

impacted. Receipts are expected to decline in FY 2020-21 before resuming an upward trajectory, albeit at a slower rate than immediately before the pandemic.

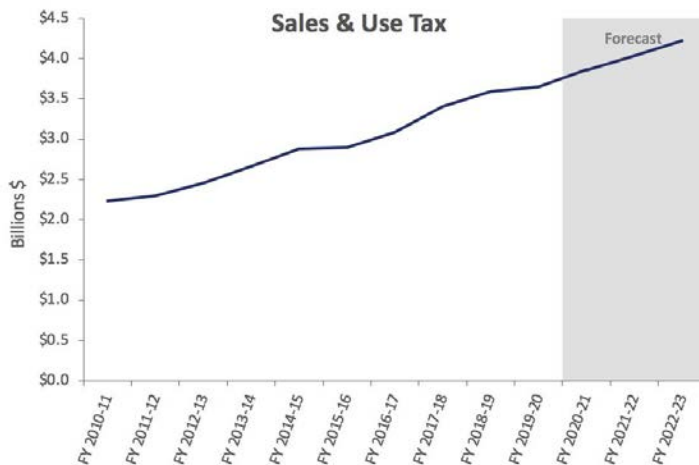
## Corporate Income Tax

Corporate income tax collections fell to \$728.3 million in FY 2019-20, which is a 20.8 percent decline from FY 2018-19. Some of this decline was anticipated because FY 2018-19 corporate income tax receipts were unusually high due to a large settlement agreement with a delinquent taxpayer. Corporate income tax receipts are expected to decline another 10.0 percent in FY 2020-21 before resuming growth in FY 2021-22. These estimates have been revised upwards from the June forecast. Corporate income tax collections are more volatile than most other sources of revenue as firms frequently make accounting adjustments to alter the timing and size of their tax liability.



## Sales and Use Taxes

Sales tax revenue grew 4.7 percent in FY 2019-20 and is expected to grow by 6.5 percent in FY 2020-21 before slowing to 4.7 percent growth again in FY 2021-22. Relative to the June forecast, projections were revised upwards by \$112.3 million, \$494.8 million and \$471.9 million in those years respectively. These upward revisions are due to stronger than expected collections in recent months as well as the rapid recovery in retail sales.



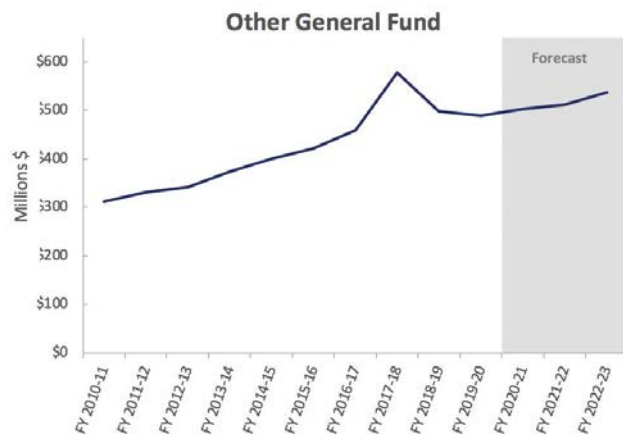
Sales tax collections declined sharply in April as businesses closed and consumers stayed home in order to stop the spread of the virus. Retail sales rebounded quickly, however, as businesses reopened and consumers turned to online retailers. Sales tax collections are expected to remain strong in coming months as pent up demand and high savings encourage consumer activity.

Use tax declined by 39.1 percent in FY 2019-20 and is projected to decline by a further 8.9 percent in FY 2020-21 and 2.7 percent in FY 2021-22. Use tax is a companion to sales tax and is paid by Colorado residents and businesses on purchases that did not collect the state 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 tax on transactions involving out-of-state sellers, in addition to individuals paying taxes on online purchases where the retailer did not collect taxes. Use tax collections are expected to continue to decline as more retailers remit sales taxes directly to the State, resulting in fewer use taxes due.

The 15 percent special sales tax on marijuana retail sales is projected to increase by 8.0 percent to \$265.1 million in FY 2020-21. Growth will continue at 8.0 percent in FY2021-22. This reflects a slower growth compared to prior years. Further analysis of marijuana tax collections can be found in the Revenue Outlook – Cash Funds section of this report.

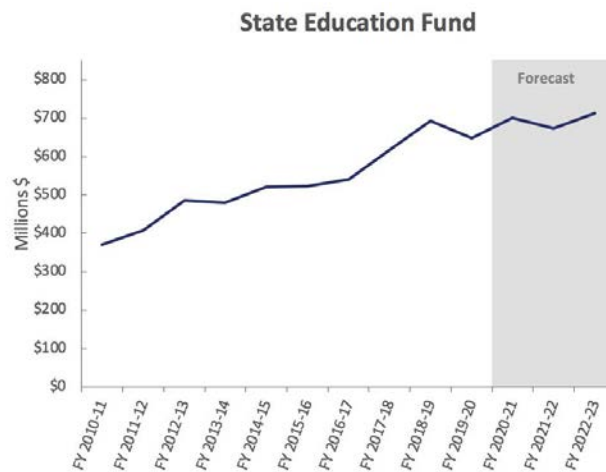
## Other General Fund Revenue

Other General Fund revenue fell by 1.7 percent in FY 2019-20 and is expected to increase 2.8 percent in FY 2020-21, followed by growth of another 1.8 percent in FY 2021-22. Major components of this revenue category include excise taxes on cigarettes, tobacco, and liquor, as well as insurance revenue and interest income.



## State Education Fund

Revenue to the State Education Fund from income taxes fell by 6.7 percent in FY 2019-20 but is expected to increase 8.2 percent in FY 2020-21 and decrease 3.9 percent in FY 2021-22. This does not include transfers from other funds. The forecast for State Education Fund revenue was revised from the June forecast in conjunction with the revisions to the forecasts for individual and corporate income tax collections.



The Colorado Constitution requires that 1/3 of 1 percent of Colorado taxable income be credited to the State Education Fund. As the State Education Fund revenue is derived from taxable income, it generally follows the trends in individual income and corporate income tax revenue collections. However, the State Education Fund deviates from income tax trends in FY 2020-21 due to the impact of a delayed transfer incurred from FY 2019-20 revenue collections.

## Revenue Outlook – Cash Funds

Cash funds are taxes, fees, fines, and interest collected by various State programs to fund services and operations. These revenue sources are designated by statute for a particular program and as such are distinct from General Fund revenue, which is available for general purpose expenditures. The following discussion highlights those cash fund revenues that are subject to TABOR.

Total cash fund revenue subject to TABOR was \$2.2 billion in FY 2019-20, a decrease of 8.3 percent from the prior fiscal year. In FY 2020-21 cash fund revenue is projected to decline a further 4.3 percent to \$2.1 billion before growing 5.0 percent in FY 2021-22.

### Transportation

Transportation-related cash fund revenue fell by 6.1 percent in FY 2019-20, but is expected to grow by 1.2 percent in FY 2020-21. These forecasts have been revised downward since June, by \$11.6 million in FY 2019-20 and by \$14.2 million, or 1.2 percent, in FY 2020-21.

Transportation Revenue	Preliminary FY 19-20	Forecast FY 20-21	Forecast FY 21-22	Forecast FY 22-23
<b>Highway Users Tax Fund (HUTF)</b>				
Motor and Special Fuel Taxes	\$618.5	\$629.6	\$653.2	\$665.4
Change	-5.6%	1.8%	3.7%	1.9%
Total Registrations	\$258.7	\$264.3	\$270.1	\$276.0
Change	-2.6%	2.2%	2.2%	2.2%
Other HUTF Receipts	\$192.1	\$189.9	\$197.7	\$202.0
Change	2.1%	-1.2%	4.1%	2.2%
<b>Total HUTF</b>	<b>\$1,069.3</b>	<b>\$1,083.8</b>	<b>\$1,121.0</b>	<b>\$1,143.4</b>
Change	-3.6%	1.4%	3.4%	2.0%
<b>State Highway Fund</b>	<b>\$27.5</b>	<b>\$23.1</b>	<b>\$25.2</b>	<b>\$27.5</b>
Change	-30.9%	-16.1%	9.0%	9.2%
<b>Other Transportation Funds</b>	<b>\$101.4</b>	<b>\$105.4</b>	<b>\$117.5</b>	<b>\$118.5</b>
Change	-20.1%	4.0%	11.5%	0.9%
<b>Total Transportation Funds</b>	<b>\$1,198.2</b>	<b>\$1,212.3</b>	<b>\$1,263.6</b>	<b>\$1,289.4</b>
Change	-6.1%	1.2%	4.2%	2.0%

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a number of smaller cash funds. The primary revenue sources for the largest portion of transportation cash funds is the HUTF, which is comprised of motor fuel taxes and registration fees.

The COVID-19 crisis prompted the closure of businesses and increased the number of employees working remotely while also creating a decline in tourist travel. The continued COVID containment efforts have reduced the number of daily commuters and vehicle miles traveled throughout the state.

## Limited Gaming

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Limited gaming revenue totaled \$82.3 million in FY 2019-20, a modest increase over the June forecast. This represents a 34 percent reduction from FY 2018-19 gaming revenue due to casino closures from mid-March to mid-June. Gaming activity is expected to remain depressed even with casinos reopened, due to social distancing measures and public concerns about the safety of engaging in activities in crowded public spaces. Revenue in FY 2020-21 is expected to partially recover to \$93.1 million, followed by \$111.1 million in FY 2021-22.

The distribution of gaming revenue to limited gaming recipients and extended limited gaming recipients was modified by HB 20-1399 and HB 20-1400. These bills suspended for two years the distributions of the State's share of revenue to program recipients and temporarily modified the distribution between limited gaming and extended limited gaming recipients, respectively. These modified distributions are shown in the table below.

In FY 2019-20, \$69 million was classified as "base limited gaming revenue." Most of this revenue will be distributed to base revenue recipients, while \$15.4 million will be distributed to extended limited gaming recipients, or Amendment 50 recipients. In FY 2020-21, base limited gaming revenue is expected to grow to \$73.8 million, and in FY 2021-22 to \$91.3 million. Revenue is not forecasted to reach FY 2018-19 levels until FY 2022-23.

In November 2019, Colorado voters approved Proposition DD, which legalized sports betting and authorized a tax on sports betting proceeds to fund water projects. Revenue from the tax on sports betting proceeds is not subject to TABOR, while revenue from licensing fees of sports betting operators is. Revenue from the tax on proceeds and operator licensing fees will be accounted for separately from the gaming funds reported here. Revenue collection associated with sports betting licenses began in December 2019 and sports betting began in May 2020.

Distribution of Limited Gaming Revenues	Preliminary FY 19-20	Forecast FY 20-21	Forecast FY 21-22	Forecast FY 22-23
<b>A. Total Limited Gaming Revenues</b>	<b>\$82.3</b>	<b>\$93.1</b>	<b>\$111.1</b>	<b>\$127.2</b>
Annual Percent Change	-34.2%	13.1%	19.4%	14.4%
<b>B. Base Limited Gaming Revenues</b>	<b>\$69.0</b>	<b>\$73.8</b>	<b>\$91.3</b>	<b>\$106.8</b>
Annual Percent Change	-34.2%	6.9%	23.8%	17.0%
<b>C. Gaming Revenue Subject to TABOR</b>	<b>\$70.7</b>	<b>\$75.4</b>	<b>\$93.0</b>	<b>\$108.5</b>
Annual Percent Change	-33.9%	6.6%	23.3%	16.7%
<b>D. Total Amount to Base Revenue Recipients</b>	<b>\$52.0</b>	<b>\$62.1</b>	<b>\$79.2</b>	<b>\$94.4</b>
Amount to State Historical Society (28%)	\$14.6	\$17.4	\$22.2	\$26.4
Amount to Counties (12%)	\$6.2	\$7.5	\$9.5	\$11.3
Amount to Cities (10%)	\$5.2	\$6.2	\$7.9	\$9.4
Amount to Distribute to Remaining Programs (State Share) (50%)	\$26.0	\$31.1	\$39.6	\$47.2
Amount to Local Government Impact Fund	\$0.0	\$0.0	\$5.4	\$6.4
Colorado Tourism Promotion Fund	\$0.0	\$0.0	\$15.0	\$15.0
Creative Industries Cash Fund	\$0.0	\$0.0	\$2.0	\$2.0
Film, Television, and Media Operational Account	\$0.0	\$0.0	\$0.5	\$0.5
Advanced Industries Acceleration Fund	\$0.0	\$0.0	\$5.5	\$5.5
Innovative Higher Education Research Fund	\$0.0	\$0.0	\$2.1	\$2.1
Transfer to the General Fund	\$26.0	\$31.1	\$9.1	\$15.7
<b>E. Total Amount to Amendment 50 Revenue Recipients</b>	<b>\$15.4</b>	<b>\$15.9</b>	<b>\$16.9</b>	<b>\$17.8</b>
Community Colleges, Mesa and Adams State (78%)	\$12.0	\$12.4	\$13.2	\$13.9
Counties (12%)	\$1.8	\$1.9	\$2.0	\$2.1
Cities (10%)	\$1.5	\$1.6	\$1.7	\$1.8

## Severance

Severance tax revenue fell to \$131.7 million in FY 2019-20 and is expected to decline further to \$20.0 million in FY 2020-21 as production values remain low and producers claim ad valorem credits. Collection levels are expected to see a moderate rebound in FY 2021-22 and FY 2022-23, with projected revenue increasing to \$39.9 million in FY 2021-22 and \$61 million in FY 2022-23. As the economy recovers, oil prices are anticipated to increase modestly, resulting in increased production activity.

## Marijuana

Marijuana taxes grew 32.4 percent in FY 2019-20, totaling \$347.3 million. This is an 11.8 percent increase from the June 2020 forecast due to strong collections throughout the pandemic recession. Medical and recreational marijuana sales exceeded expectations and continued to grow, reaching record sales numbers in May, June, and July. As a result, forecasted revenue in FY 2020-21 is expected to continue growing at a strong rate to \$361.4 million and to \$388.8 million in FY 2021-22.

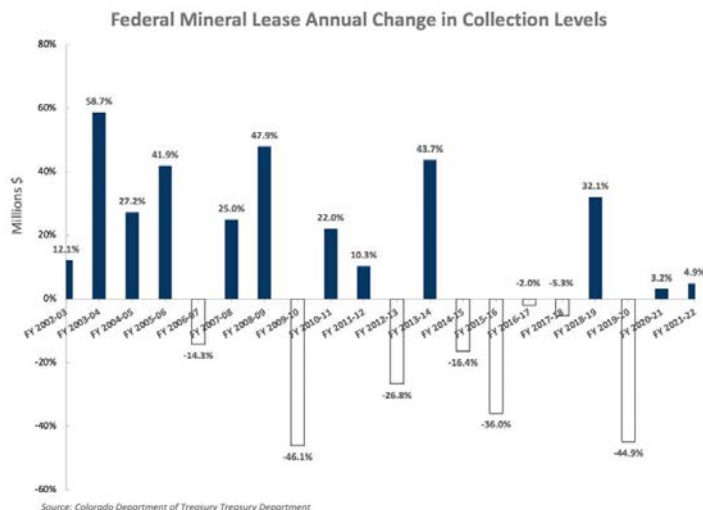


Tax Revenue from the Marijuana Industry	Preliminary FY 19-20	Forecast FY 20-21	Forecast FY 21-22	Forecast FY 22-23
<b>Proposition AA Taxes</b>				
Retail Marijuana 15% Special Sales Tax	\$245.5	\$265.1	\$286.3	\$306.3
Retail Marijuana 15% Excise Tax	\$88.5	\$84.1	\$90.4	\$93.1
<b>Total Proposition AA Taxes</b>	<b>\$334.0</b>	<b>\$349.2</b>	<b>\$376.7</b>	<b>\$399.4</b>
<b>2.9% Sales Tax &amp; Interest (Subject to TABOR)</b>				
Medical Marijuana 2.9% State Sales Tax	\$11.7	\$10.7	\$10.5	\$10.3
Retail Marijuana 2.9% State Sales Tax	\$1.3	\$1.3	\$1.3	\$1.3
Interest Earnings	\$0.3	\$0.3	\$0.3	\$0.4
<b>Total 2.9% Sales Taxes &amp; Interest</b>	<b>\$13.3</b>	<b>\$12.3</b>	<b>\$12.1</b>	<b>\$11.9</b>
<b>Total Marijuana Taxes</b>	<b>\$347.3</b>	<b>\$361.4</b>	<b>\$388.8</b>	<b>\$411.4</b>

The revenue from the 15 percent special sales tax goes to the General Fund, the Marijuana Tax Cash Fund, local governments, and the Public School Fund. Proposition AA also included an excise tax of 15 percent on retail marijuana sales that is credited to public school cash funds. The forecasted distribution of marijuana tax revenue is shown in the table below.

Fiscal Year	Total Marijuana Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Permanent Fund	Public School Fund	Marijuana Tax Cash Fund
FY 2019-20 Preliminary	\$347.3	\$24.5	\$34.4	\$88.5	\$0.0	\$27.8	\$172.1
FY 2020-21 Projected	\$361.4	\$26.5	\$37.1	\$40.0	\$0.0	\$74.1	\$183.7
FY 2021-22 Projected	\$388.8	\$28.6	\$40.1	\$90.4	\$0.0	\$32.4	\$197.2
FY 2022-23 Projected	\$411.4	\$30.6	\$42.9	\$93.1	\$0.0	\$34.7	\$210.0

## Federal Mineral Lease



Federal Mineral Lease (FML) revenue decreased by 44.9 percent to \$62.7 million in FY 2019-20 due largely to the effects of lower natural gas prices. FML revenue is expected to increase by 3.2 percent in FY 2020-21 and 4.9 percent in FY 2021-22 as prices stabilize.

Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	% Change
FY 2019-20 Final	\$0.8	\$61.9	\$62.7	-44.9%
FY 2020-21 Projected	\$1.9	\$62.8	\$64.7	3.2%
FY 2021-22 Projected	\$2.0	\$65.9	\$67.9	4.9%
FY 2022-23 Projected	\$0.8	\$82.0	\$82.8	21.9%

Oil and gas prices on average are anticipated to remain below producer breakeven points throughout the first quarter of FY 2020-21 before improving to levels that incentivize increased production activity by energy firms. This trend is expected to continue throughout the next two fiscal years, as oil and gas prices recover along with the national economy. While FML revenue is exempt from TABOR, it is included here because a portion of the money is distributed to the Public School Fund, where it is used for the State's share of K-12 school finance.

## Other Cash Funds

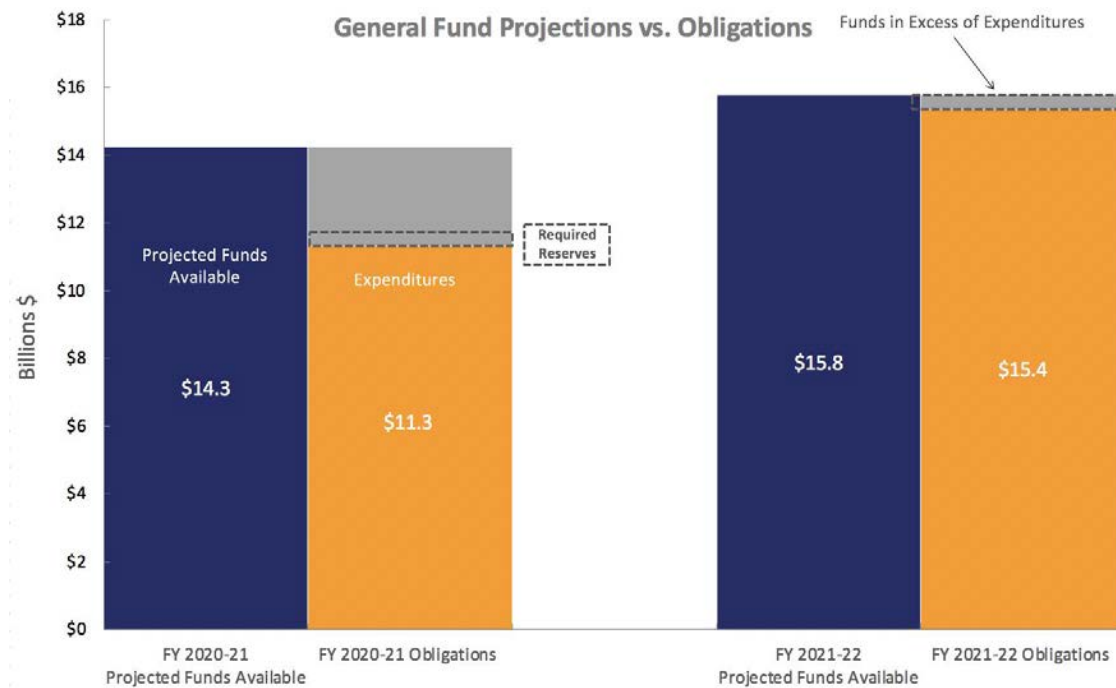
The State receives revenue from a variety of other cash funds as well. This includes cash fund revenue to the Department of Regulatory Agencies (DORA), which is projected to increase approximately 1.3 percent to \$82.8 million. Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance and has been adjusted upward on expectations of a slight increase in the workers' compensation insurance industry. The forecasted revenue is \$20.8 million in FY 2020-21, with a 2.2 percent increase in FY 2021-22 to \$21.3 million.

Finally, the "Other Miscellaneous Cash Funds" category includes revenue from over 300 cash fund programs which collect revenue from fines, fees, and interest earnings. This broad category is less sensitive to general economic conditions than revenue sources like income and severance taxes. The miscellaneous cash fund forecast has been revised downward to \$726.9 million in FY 2019-20, which is 6.7 percent lower than the June 2020 forecast. Revenue in FY 2020-21 is projected to be \$717.8 million.

# Budget Outlook

## General Fund

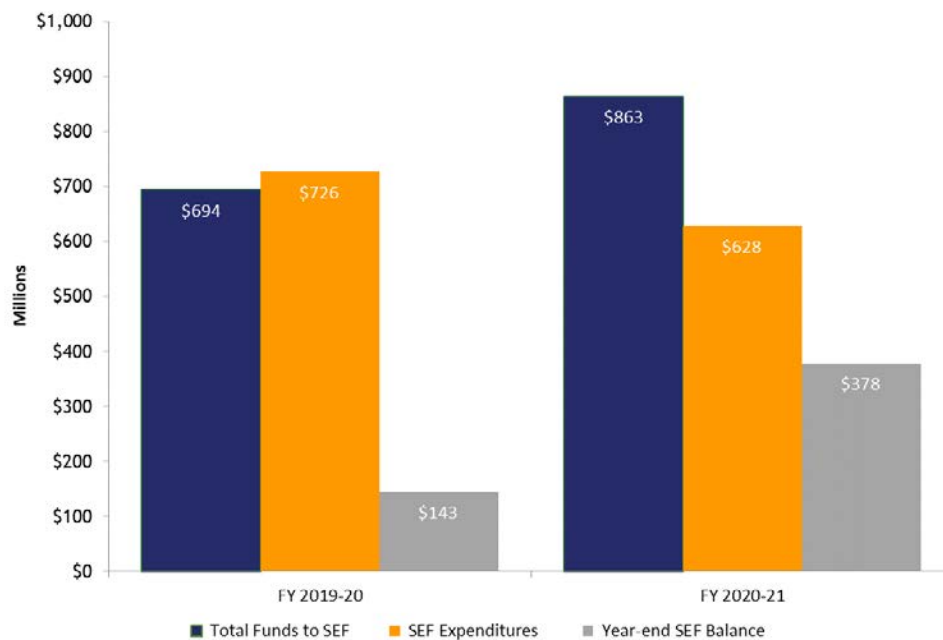
General Fund revenue increased 2.4 percent in FY 2019-20 and is projected to decrease 4.6 percent in FY 2020-21 before growing 4.7 percent in FY 2021-22 and 5.5 percent in FY 2022-23. General Fund revenue for FY 2019-20 is \$895.6 million, or 7.6 percent higher than was estimated in June, largely because of higher than anticipated tax collections in July 2020 after the deferral of income tax filing deadlines from April into July. The forecast for FY 2021-22 is \$1,532.8 million, or 14.6 percent higher than estimated in June.



The General Fund reserve was above the required statutory reserve amount of 3.1 percent of appropriations in FY 2019-20. The General Assembly modified the statutory reserve requirement in HB 20-1383. Under that law, the statutory reserve requirement is 3.07 percent of appropriations in FY 2019-20, 2.86 percent of appropriations in FY 2020-21 and FY 2021-22, and 7.25 percent of appropriations in FY 2022-23. Under this forecast, the General Fund reserve is projected to also be above the statutory reserve amount in FY 2020-21. The chart above summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2020-21 and FY 2021-22.

## State Education Fund

The State Education Fund's year-end balance was \$143.3 million in FY 2019-20 and is projected to increase to \$378.1 million in FY 2020-21, including transfers. The figure below summarizes total State Education Fund revenue, expenditures, and ending balances for FY 2019-20 and FY 2020-21.



## Forecast Risks

This budget outlook is based on OSPB's economic forecast as detailed in Tables 1 and 2 of the Reference Tables at the end of this document. This economic forecast is subject to elevated risks associated with the COVID-19 pandemic and recession.

The forecast reflects the latest projections of the impacts that COVID-19 may have on State revenues and expenditures, yet the epidemiological course of COVID-19 and the economic recovery are highly uncertain. Although economic conditions could be more negative than described in this forecast, the risks to the budget outlook are balanced to the upside.

## Supplemental Materials

An overview of General Fund and State Education Fund revenue, expenditures, and end-of-year reserves is provided in the Reference Tables at the end of this document. A more detailed discussion of the information presented in the Reference Tables can be found at the Office of State Planning and Budgeting's website: [www.colorado.gov/governor/economics](http://www.colorado.gov/governor/economics).

## TABOR Outlook

Under Article X, Section 20 of the State Constitution, the Taxpayer's Bill of Rights (TABOR), revenue received from certain sources is subject to an annual limit determined by the prior year's limit after adjustments for inflation and population growth. Any TABOR revenue received above the cap is to be refunded to taxpayers in the subsequent fiscal year. Revenue subject to TABOR exceeded the revenue cap by \$428.3 million in FY 2018-19 but did not exceed the cap in FY 2019-20 and is not projected to be above the cap for the duration of the forecast period.

Current law specifies three mechanisms by which revenue in excess of the cap is to be refunded to taxpayers: the senior homestead and disabled veterans property tax exemptions, a temporary income tax rate reduction (from 4.63 percent to 4.50 percent), and a sales tax refund. The size of the refund determines which refund mechanisms are utilized.

An estimated \$270.5 million of the \$428.5 million refund obligation from FY 2018-19 is being distributed as an income tax rate reduction, while \$151.2 million is being refunded via the senior homestead and disabled veterans property tax exemption expenditures in FY 2019-20. Any difference between estimated refunds and actual refunds will be corrected in the next fiscal year in which a refund is owed.

No refunds are projected for FY 2020-21 or the duration of the forecast period.

## Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

Line No.		Actual						September 2020 Forecast		
		2014	2015	2016	2017	2018	2019	2020	2021	2022
	<b>Income</b>									
1	Personal Income (Billions) /A	\$271.3	\$284.2	\$289.6	\$310.8	\$332.9	\$353.1	\$371.1	\$370.7	\$385.6
2	Change	8.8%	4.8%	1.9%	7.3%	7.1%	6.1%	5.1%	-0.1%	4.0%
3	Wage and Salary Income (Billions) /A	\$138.6	\$146.5	\$151.0	\$160.7	\$170.1	\$182.1	\$178.1	\$187.9	\$195.0
4	Change	7.0%	5.7%	3.1%	6.4%	5.8%	7.1%	-2.2%	5.5%	3.8%
5	Per-Capita Income (\$/person) /A	\$50,711	\$52,147	\$52,278	\$55,374	\$58,500	\$61,314	\$63,834	\$63,322	\$65,236
6	Change	7.2%	2.8%	0.3%	5.9%	5.6%	4.8%	4.1%	-0.8%	3.0%
	<b>Population &amp; Employment</b>									
7	Population (Thousands)	5,350.1	5,450.6	5,539.2	5,611.9	5,691.3	5,758.7	5,813.4	5,854.6	5,910.1
8	Change	1.5%	1.9%	1.6%	1.3%	1.4%	1.2%	1.0%	0.7%	0.9%
9	Net Migration (Thousands)	48.4	69.7	58.4	44.8	53.2	41.9	30.0	20.0	35.0
10	Unemployment Rate	5.0%	3.9%	3.3%	2.8%	3.2%	2.8%	7.1%	6.3%	5.4%
11	Total Nonagricultural Employment (Thousands)	2,463.7	2,541.0	2,601.8	2,660.3	2,727.3	2,785.6	2,651.9	2,712.9	2,764.4
12	Change	3.5%	3.1%	2.4%	2.2%	2.5%	2.1%	-4.8%	2.3%	1.9%
	<b>Construction Variables</b>									
13	Total Housing Permits Issued (Thousands)	28.7	31.9	39.0	40.7	42.6	38.6	34.6	37.9	40.3
14	Change	4.3%	11.1%	22.3%	4.4%	4.8%	-9.4%	-10.4%	9.5%	6.3%
15	Nonresidential Construction Value (Millions) /B	\$4,350.9	\$4,990.8	\$5,989.0	\$6,159.6	\$8,140.4	\$5,038.3	\$4,675.5	\$5,063.6	\$5,347.2
16	Change	20.1%	14.7%	20.0%	2.8%	32.2%	-38.1%	-7.2%	8.3%	5.6%
	<b>Prices</b>									
17	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100) /C	237.2	240.0	246.6	255.0	262.0	267.0	273.7	280.0	286.1
18	Change	2.8%	1.2%	2.8%	3.4%	2.7%	1.9%	2.5%	2.3%	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 Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, and medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/C In 2018 the geography and data frequency of this series were revised. 2017 and prior years represent Denver-Boulder-Greeley regional prices.

Table 2: National Economic Variables – History and Forecast

Line No.		Actual						September 2020 Forecast		
		2014	2015	2016	2017	2018	2019	2020	2021	2022
	<b>Inflation-Adjusted &amp; Current Dollar Income Accounts</b>									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	\$16,912.0	\$17,432.2	\$17,730.5	\$18,144.1	\$18,687.8	\$19,091.7	\$18,156.2	\$18,827.9	\$19,486.9
2	Change	2.5%	3.1%	1.7%	2.3%	3.0%	2.2%	-4.9%	3.7%	3.5%
3	Personal Income (Billions) /B	\$14,991.7	\$15,724.2	\$16,160.7	\$16,948.6	\$17,851.8	\$18,551.5	\$19,571.8	\$19,454.4	\$20,135.3
4	Change	5.7%	4.9%	2.8%	4.9%	5.3%	3.9%	5.5%	-0.6%	3.5%
5	Per-Capita Income (\$/person)	\$47,099	\$49,041	\$50,042	\$52,152	\$54,645	\$56,518	\$59,330	\$58,681	\$60,432
6	Change	5.0%	4.1%	2.0%	4.2%	4.8%	3.4%	5.0%	-1.1%	3.0%
7	Wage and Salary Income (Billions) /B	\$7,475.2	\$7,859.5	\$8,089.1	\$8,471.5	\$8,894.2	\$9,309.3	\$9,085.9	\$9,567.5	\$9,892.8
8	Change	5.1%	5.1%	2.9%	4.7%	5.0%	4.7%	-2.4%	5.3%	3.4%
	<b>Population &amp; Employment</b>									
9	Population (Millions)	318.3	320.6	322.9	325.0	326.7	328.2	329.9	331.5	333.2
10	Change	0.7%	0.7%	0.7%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
11	Unemployment Rate	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.4%	7.4%	6.5%
12	Total Nonagricultural Employment (Millions)	138.9	141.8	144.3	146.6	148.9	150.9	142.2	145.5	147.9
13	Change	1.9%	2.1%	1.8%	1.6%	1.6%	1.4%	-5.8%	2.3%	1.7%
	<b>Other Key Indicators</b>									
14	Consumer Price Index (1982-84=100)	236.7	237.0	240.0	245.1	251.1	255.7	259.0	264.4	269.7
15	Change	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.3%	2.1%	2.0%
16	Pre-Tax Corporate Profits (Billions)	\$2,120.2	\$2,060.5	\$2,023.7	\$2,114.5	\$2,243.0	\$2,250.5	\$2,012.0	\$2,396.2	\$2,611.9
17	Change	5.4%	-2.8%	-1.8%	4.5%	6.1%	0.8%	-10.6%	19.1%	9.0%
18	Housing Permits (Millions)	1.052	1.183	1.207	1.282	1.329	1.386	1.278	1.447	1.547
19	Change	6.2%	12.4%	2.0%	6.3%	3.6%	4.3%	-7.8%	13.2%	6.9%
20	Retail Trade (Billions)	\$5,215.7	\$5,349.5	\$5,510.2	\$5,744.8	\$6,001.6	\$6,218.0	\$6,019.0	\$6,536.7	\$6,798.1
21	Change	4.3%	2.6%	3.0%	4.3%	4.5%	3.6%	-3.2%	8.6%	4.0%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts. Inflation-adjusted, in 2009 dollars.

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.



Table 3: General Fund Revenue Estimates by Tax Category /A

Line No.	Category	Preliminary		September 2020 Estimate by Fiscal Year					
		FY 2019-20	% Chg	FY 2020-21	% Chg	FY 2021-22	% Chg	FY 2022-23	% Chg
	<b>Excise Taxes:</b>								
1	Sales	\$3,196.0	4.7%	\$3,404.2	6.5%	\$3,562.9	4.7%	\$3,724.9	4.5%
2	Use	\$210.5	-39.1%	\$191.7	-8.9%	\$186.5	-2.7%	\$190.3	2.0%
3	Retail Marijuana Sales - Special Sales Tax	\$245.5	27.4%	\$265.1	8.0%	\$286.3	8.0%	\$306.3	7.0%
4	Cigarette	\$32.5	-0.1%	\$31.8	-2.4%	\$30.9	-2.8%	\$30.1	-2.6%
5	Tobacco Products	\$24.4	9.5%	\$30.3	24.4%	\$26.2	-13.5%	\$26.9	2.3%
6	Liquor	\$50.1	3.7%	\$51.7	3.2%	\$52.8	2.2%	\$54.0	2.2%
7	<b>Total Excise</b>	<b>\$3,759.0</b>	<b>1.7%</b>	<b>\$3,974.8</b>	<b>5.7%</b>	<b>\$4,145.7</b>	<b>4.3%</b>	<b>\$4,332.4</b>	<b>4.5%</b>
	<b>Income Taxes:</b>								
8	Net Individual Income	\$8,645.5	4.8%	\$7,942.4	-8.1%	\$8,208.8	3.4%	\$8,724.7	6.3%
9	Net Corporate Income	\$728.3	-20.8%	\$655.1	-10.0%	\$755.9	15.4%	\$778.4	3.0%
10	<b>Total Income</b>	<b>\$9,373.8</b>	<b>2.3%</b>	<b>\$8,597.5</b>	<b>-8.3%</b>	<b>\$8,964.6</b>	<b>4.3%</b>	<b>\$9,503.1</b>	<b>6.0%</b>
11	<i>Less: State Education Fund Diversion</i>	\$646.7	-6.7%	\$699.4	8.2%	\$672.3	-3.9%	\$712.7	6.0%
12	<b>Total Income to General Fund</b>	<b>\$8,727.1</b>	<b>3.0%</b>	<b>\$7,898.1</b>	<b>-9.5%</b>	<b>\$8,292.3</b>	<b>5.0%</b>	<b>\$8,790.4</b>	<b>6.0%</b>
	<b>Other Revenue:</b>								
13	Insurance	\$337.4	7.2%	\$330.7	-2.0%	\$347.6	5.1%	\$368.9	6.1%
14	Interest Income	\$31.1	17.2%	\$29.4	-5.5%	\$27.5	-6.4%	\$29.1	5.8%
15	Pari-Mutuel	\$0.4	-23.7%	\$0.4	-2.0%	\$0.4	-2.0%	\$0.4	-2.0%
16	Court Receipts	\$3.9	-6.7%	\$3.9	-0.5%	\$3.9	0.0%	\$3.9	0.0%
17	Other Income	\$9.7	-80.2%	\$25.2	160.1%	\$22.9	-9.0%	\$24.1	5.2%
18	<b>Total Other</b>	<b>\$382.5</b>	<b>-3.1%</b>	<b>\$389.5</b>	<b>1.8%</b>	<b>\$402.3</b>	<b>3.3%</b>	<b>\$426.3</b>	<b>6.0%</b>
19	<b>GROSS GENERAL FUND</b>	<b>\$12,868.5</b>	<b>2.4%</b>	<b>\$12,262.4</b>	<b>-4.7%</b>	<b>\$12,840.3</b>	<b>4.7%</b>	<b>\$13,549.1</b>	<b>5.5%</b>

/A Dollars in millions.

Table 4: General Fund Overview /A

Line No.		Preliminary FY 2019-20	September 2020 Estimate by Fiscal Year		
			FY 2020-21	FY 2021-22	FY 2022-23
<b>Revenue</b>					
1	<b>Beginning Reserve</b>	\$1,262.6	\$1,664.1	\$2,933.9	\$421.7
2	<b>Gross General Fund Revenue</b>	\$12,868.5	\$12,262.4	\$12,840.3	\$13,549.1
3	<i>Transfers to the General Fund</i>	\$248.7	\$323.5	\$12.2	\$16.4
4	<b>TOTAL GENERAL FUND AVAILABLE</b>	\$14,379.8	\$14,250.1	\$15,786.4	\$13,987.2
<b>Expenditures</b>					
5	<b>Appropriation Subject to Limit</b>	\$11,805.2	\$10,658.5	\$14,743.4	\$12,370.1
6	<i>Dollar Change (from prior year)</i>	\$546.4	-\$1,146.7	\$4,085.0	-\$2,373.3
7	<i>Percent Change (from prior year)</i>	4.9%	-9.7%	38.3%	-16.1%
8	<b>Spending Outside Limit</b>	\$910.5	\$657.7	\$621.3	\$720.3
9	<i>TABOR Refund under Art. X, Section 20, (7) (d)</i>	\$0.0	\$0.0	\$0.0	\$0.0
10	<i>Homestead Exemption (Net of TABOR Refund)</i>	\$0.0	\$164.2	\$174.9	\$189.0
11	<i>Other Rebates and Expenditures</i>	\$145.7	\$142.5	\$149.7	\$152.8
12	<i>Transfers for Capital Construction</i>	\$213.6	\$23.0	\$20.0	\$50.0
13	<i>Transfers for Transportation</i>	\$300.0	\$0.0	\$0.0	\$50.0
14	<i>Transfers to State Education Fund</i>	\$40.3	\$113.0	\$23.0	\$0.0
15	<i>Transfers to Other Funds</i>	\$210.9	\$214.9	\$253.6	\$278.4
16	<i>Other Expenditures Exempt from General Fund Appropriations Limit</i>	\$0.0	\$0.0	\$0.0	\$0.0
17	<b>TOTAL GENERAL FUND OBLIGATIONS</b>	\$12,715.6	\$11,316.1	\$15,364.7	\$13,090.4
18	<i>Percent Change (from prior year)</i>	-1.1%	-11.0%	35.8%	-14.8%
19	<i>Reversions and Accounting Adjustments</i>	\$0.0	\$0.0	\$0.0	\$0.0
<b>Reserves</b>					
20	<b>Year-End General Fund Balance</b>	\$1,664.1	\$2,933.9	\$421.7	\$896.8
21	<i>Year-End General Fund as a % of Appropriations</i>	14.1%	27.5%	2.9%	7.2%
22	<i>General Fund Statutory Reserve</i>	\$362.4	\$304.8	\$421.7	\$896.8
23	<i>Above/Below Statutory Reserve</i>	\$1,301.7	\$2,629.1	\$0.0	\$0.0

/A FY 2020-21 expenditures based on preliminary analysis of legislation passed by the General Assembly in 2020. FY 2021-22 expenditures will be adopted in future budget legislation. Therefore, FY 2021-22 expenditures and fund balance projections shown are illustrative only. Dollars in millions.

Table 5: General Fund and State Education Fund Overview /A

Line No.		Preliminary FY 2019-20	September 2020 Estimate by Fiscal Year		
		FY 2020-21	FY 2021-22	FY 2022-23	
<b>Revenue</b>					
1	<b>Beginning Reserves</b>	\$1,438.6	\$1,807.5	\$3,312.0	\$621.7
2	State Education Fund	\$176.0	\$143.3	\$378.1	\$200.0
3	General Fund	\$1,262.6	\$1,664.1	\$2,933.9	\$421.7
4	<b>Gross State Education Fund Revenue</b>	<b>\$693.7</b>	<b>\$862.6</b>	<b>\$702.3</b>	<b>\$718.9</b>
5	<b>Gross General Fund Revenue /B</b>	<b>\$13,117.2</b>	<b>\$12,585.9</b>	<b>\$12,852.4</b>	<b>\$13,565.6</b>
6	<b>TOTAL FUNDS AVAILABLE FOR EXPENDITURE</b>	<b>\$15,249.5</b>	<b>\$15,256.1</b>	<b>\$16,866.8</b>	<b>\$14,906.2</b>
<b>Expenditures</b>					
7	General Fund Expenditures /C	\$12,715.6	\$11,316.1	\$15,364.7	\$13,090.4
8	State Education Fund Expenditures	\$726.4	\$627.9	\$880.4	\$718.9
9	<b>TOTAL OBLIGATIONS</b>	<b>\$13,442.0</b>	<b>\$11,944.0</b>	<b>\$16,245.1</b>	<b>\$13,809.3</b>
10	<i>Percent Change (from prior year)</i>	0.0%	-11.1%	36.0%	-15.0%
11	<i>Reversions and Accounting Adjustments</i>	\$0.0	\$0.0	\$0.0	\$0.0
<b>Reserves</b>					
12	<b>Year-End Balance</b>	<b>\$1,807.5</b>	<b>\$3,312.0</b>	<b>\$621.7</b>	<b>\$1,096.8</b>
13	State Education Fund	\$143.3	\$378.1	\$200.0	\$200.0
14	General Fund	\$1,664.1	\$2,933.9	\$421.7	\$896.8
15	<i>General Fund Above/Below Statutory Reserve</i>	\$1,301.7	\$2,629.1	\$0.0	\$0.0

/A FY 2020-21 expenditures based on preliminary analysis of legislation passed by the General Assembly in 2020. FY 2021-22 expenditures will be adopted in future budget legislation. Therefore, FY 2021-22 expenditures and fund balance projections shown are illustrative only. Dollars in millions.

/B This amount includes transfers to the General Fund.

/C General Fund expenditures include appropriations subject to the limit of 5.0 percent of Colorado personal income as well as all spending outside the limit.

Table 6: Cash Fund Revenue Subject to TABOR /A

Line No.	Category	Actual FY 2019-20	September 2020 Estimate by Fiscal Year		
			FY 2020-21	FY 2021-22	FY 2022-23
1	<b>Transportation-Related /A</b>	<b>\$1,198.2</b>	<b>\$1,212.3</b>	<b>\$1,263.6</b>	<b>\$1,289.4</b>
2	Change	-6.1%	1.2%	4.2%	2.0%
3	<b>Limited Gaming Fund /B</b>	<b>\$69.1</b>	<b>\$75.4</b>	<b>\$93.0</b>	<b>\$108.5</b>
4	Change	-35.4%	9.0%	23.3%	16.7%
5	<b>Capital Construction - Interest</b>	<b>\$6.3</b>	<b>\$6.1</b>	<b>\$6.2</b>	<b>\$6.3</b>
6	Change	33.6%	-3.2%	1.6%	0.8%
7	<b>Regulatory Agencies</b>	<b>\$81.1</b>	<b>\$89.2</b>	<b>\$91.1</b>	<b>\$91.4</b>
8	Change	2.9%	10.0%	2.2%	0.3%
9	<b>Insurance-Related</b>	<b>\$24.9</b>	<b>\$20.8</b>	<b>\$21.3</b>	<b>\$23.1</b>
10	Change	10.5%	-16.5%	2.2%	8.5%
11	<b>Severance Tax</b>	<b>\$131.7</b>	<b>\$20.0</b>	<b>\$39.9</b>	<b>\$61.0</b>
12	Change	-48.4%	-84.8%	99.5%	52.9%
13	<b>Other Miscellaneous Cash Funds</b>	<b>\$725.3</b>	<b>\$717.8</b>	<b>\$733.1</b>	<b>\$749.3</b>
14	Change	4.5%	-1.0%	2.1%	2.2%
15	<b>TOTAL CASH FUND REVENUE</b>	<b>\$2,236.8</b>	<b>\$2,141.6</b>	<b>\$2,248.3</b>	<b>\$2,328.9</b>
16	Change	-8.3%	-4.3%	5.0%	3.6%

/A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40 percent of FASTER-related revenue is directed to State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table. Dollars in millions.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in House Bill 09-1272.\



Table 7: TABOR and the Referendum C Revenue Limit/A

Line No.		Actual FY 2019-20	September 2020 Estimate by Fiscal Year		
			FY 2020-21	FY 2021-22	FY 2022-23
	TABOR Revenues:				
1	General Fund /A	\$12,629.5	\$11,997.3	\$12,554.0	\$13,242.8
	Percent Change from Prior Year	2.3%	-5.0%	4.6%	5.5%
2	Cash Funds /A	\$2,236.8	\$2,141.6	\$2,248.3	\$2,328.9
	Percent Change from Prior Year	-8.3%	-4.3%	5.0%	3.6%
3	Total TABOR Revenues	\$14,866.3	\$14,138.9	\$14,802.2	\$15,571.7
	Percent Change from Prior Year	0.5%	-4.9%	4.7%	5.2%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.4%	1.2%	1.0%	0.7%
5	Previous calendar year inflation	2.7%	1.9%	2.5%	2.3%
6	Allowable TABOR Growth Rate	4.1%	3.1%	3.5%	3.0%
7	TABOR Limit /B	\$12,241.5	\$12,621.0	\$13,062.7	\$13,454.6
8	General Fund Exempt Revenue Under Ref. C /C	\$2,624.8	\$1,517.9	\$1,739.5	\$2,117.1
9	Revenue Cap Under Ref. C /B /D	\$14,948.8	\$15,412.3	\$15,951.7	\$16,430.2
10	Amount Above/Below Cap	-\$82.5	-\$1,273.4	-\$1,149.5	-\$858.6
11	Revenue to be Refunded including Adjustments from Prior Years /E	\$0.0	\$0.0	\$0.0	\$0.0
12	TABOR Reserve Requirement	\$446.0	\$424.2	\$444.1	\$467.2

/A Amounts differ from the revenue totals reported in Table 3 and Table 6 due to accounting adjustments, and because some General Fund revenue is exempt from TABOR. Dollars in millions.

/B The TABOR limit and Referendum C cap are adjusted to account for changes in the enterprise status of various state entities.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenue" or the "Revenue Cap under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue

total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period. SB 17-267 reduced the Referendum C cap by \$200 million in FY 2017-18. The lower cap then grows by inflation and population growth in subsequent years.

/E These adjustments are the result of: (a) changes that were made to State accounting records for years in which TABOR refunds occurred that resulted in changes in required refunds to taxpayers, and (b) the refund to taxpayers in previous years was different than the actual amount required. Such adjustments are held by the State until a future year in which a TABOR refund occurs when they adjust the total refund amount distributed to taxpayers.

## APPENDIX G

### CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information was prepared and provided by Development Research Partners, Inc., to give prospective investors general information concerning selected economic and demographic conditions existing in Colorado as of the dates indicated. The statistics have been obtained from the referenced sources and represent the most current information available as of May 2020 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. As a direct result of the COVID-19 pandemic, the information in this Appendix E, such as employment figures, has changed materially since the date of such information.* See “RISKS AND OTHER INVESTMENT CONSIDERATIONS—Potential Impacts of COVID-19 Pandemic.” See also “APPENDIX F—OSPB SEPTEMBER 2020 REVENUE FORECAST.”

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

#### Overview

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open and largely devoted to agriculture. The Front Range lies along the eastern base of the Rocky Mountains and contains most of the State’s metropolitan areas. The western half of the State—which includes the Rocky Mountains and the Western Slope—includes many acres of national park and forest land and significant reserves of minerals, natural gas and other resources.

The State’s population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley and Pueblo. Denver, the State’s capital, is the economic center of the State and the Rocky Mountain region. About 56% of the State’s population and 62% of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communication, financial activities and professional and business services. The aerospace, bioscience and energy industries are also key contributors to economic activity in the Denver/Boulder metropolitan area and the State as a whole.

The State’s economic performance depends heavily on economic performance at the national level. See also “APPENDIX F—OSPB SEPTEMBER 2020 REVENUE FORECAST.”

## 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
2010	5.1	1.5%	309.3	0.9%
2011	5.1	1.5	311.6	0.7
2012	5.2	1.4	313.8	0.7
2013	5.3	1.5	316.0	0.7
2014	5.4	1.5	318.3	0.7
2015	5.5	1.9	320.6	0.7
2016	5.5	1.6	322.9	0.7
2017	5.6	1.3	325.0	0.6
2018	5.7	1.4	326.7	0.5
2019	5.8	1.3	328.2	0.5

Note: Figures for 2010 through 2018 are estimates. The U.S. 2019 count is an estimate, and the 2019 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 As of July 1,

	Colorado, 2019		United States, 2019	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.26	21.9%	73.04	22.3%
18 to 24	0.56	9.7	30.22	9.2
25 to 44	1.66	28.8	87.60	26.7
45 to 64	1.44	24.9	83.32	25.4
65+	<u>0.84</u>	<u>14.6</u>	<u>54.06</u>	<u>16.5</u>
Total	5.77	100.0	328.24	100.0

Median Age <sup>1</sup>	37.2	38.2
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<sup>1</sup> U.S. median age is for 2018

Note: Totals may not add due to rounding. The U.S. 2019 count is an estimate, and the Colorado 2019 count is a forecast.

Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program



## Income

The following table provides annual per capita personal income figures for Colorado, the Rocky Mountain Region and the United States.

### Per Capita Personal Income in Current Dollars<sup>1</sup>

	Colorado		Rocky Mountain Region <sup>2</sup>		United States	
	Income	% Change	Income	% Change	Income	% Change
2015	\$52,147	2.8%	\$47,029	3.8%	\$48,994	4.1%
2016	52,278	0.3	47,472	0.9	49,890	1.8
2017	55,374	5.9	49,744	4.8	51,910	4.0
2018	58,500	5.6	52,458	5.5	54,526	5.0
2019	61,348	4.9	54,769	4.4	56,663	3.9

<sup>1</sup> Per capita personal income is total personal income divided by the July 1 population estimate.

<sup>2</sup> The Rocky Mountain Region includes Colorado, Idaho, Montana, Utah, and Wyoming.

Source: U.S. Bureau of Economic Analysis

## Employment

The following table provides labor force, total employment, and unemployment statistics for the State.

### Civilian Labor Force, Total Employment, and Unemployment Rates (Not Seasonally Adjusted)

	Colorado Civilian Labor Force		Colorado Total Employment		Annual Average Unemployment Rate	
	(thousands)	% Change	(thousands) <sup>1</sup>	% Change	Colorado	United States
2015	2,825.1	—%	2,714.8	—%	3.9	5.3
2016	2,891.7	2.4	2,797.0	3.0	3.3	4.9
2017	2,986.5	3.3	2,902.7	3.8	2.8	4.4
2018	3,080.7	3.2	2,983.5	2.8	3.2	3.9
2019	3,148.8	2.2	3,062.1	2.6	2.8	3.7

Year-to-date averages through April:

2019	3,110.9	—%	3,011.7	—%	3.2%	3.9%
2020	3,131.6	0.7	2,952.5	-2.0	5.7	6.6

<sup>1</sup> Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.

Sources: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics; Labor Force Statistics from the Current Population Survey

The following table shows Colorado employment by industry for the past five years. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

**Average Annual Number of Employees by Industry**

Industry	2015	2016	2017	2018	2019	Most Recent Quarter		% Change
						2019Q3	2019Q4	
Private Sector:								
Agriculture, Forestry, Fishing, and Hunting	15,624	16,469	17,598	18,131	19,743	21,487	19,928	-7.3%
Mining	30,565	23,573	25,578	28,200	28,635	28,879	27,442	-5.0
Utilities	8,202	8,239	8,079	8,030	8,168	8,236	8,197	-0.5
Construction	148,638	155,139	163,452	173,063	178,867	184,398	181,044	-1.8
Manufacturing	140,831	142,381	144,064	147,270	150,109	151,009	150,486	-0.3
Wholesale Trade	103,253	104,882	106,726	108,257	110,218	110,913	111,582	0.6
Retail Trade	263,104	269,032	270,783	272,644	272,176	271,230	277,157	2.2
Transportation and Warehousing	67,287	68,327	72,554	77,469	83,417	83,358	88,601	6.3
Information	70,599	71,730	71,643	74,992	76,296	76,174	77,245	1.4
Finance and Insurance	106,344	108,970	111,293	112,624	112,761	112,775	113,068	0.3
Real Estate and Rental and Leasing	46,944	48,707	50,566	52,152	54,474	55,072	55,567	0.9
Professional and Technical Services	204,586	210,093	215,783	224,620	235,424	237,358	240,765	1.4
Management of Companies and Enterprises	36,488	36,833	39,018	40,839	42,317	72,756	42,897	0.3
Administrative and Waste Services	157,385	158,535	158,041	158,512	161,846	168,827	163,982	-2.9
Educational Services	33,847	34,992	35,375	36,694	37,674	37,062	38,489	3.9
Health Care and Social Assistance	275,183	287,168	291,299	298,559	303,803	304,452	306,898	0.8
Arts, Entertainment, and Recreation	50,707	52,625	55,407	56,848	58,975	60,941	57,072	-6.3
Accommodation and Food Services	261,704	270,673	277,613	282,491	285,929	295,571	283,722	-4.0
Other Services	75,157	78,231	82,201	82,029	84,557	86,145	85,292	-1.0
Unclassified	1,478	759	180	1,886	2,636	679	1,202	77.0
Government	<u>396,853</u>	<u>405,690</u>	<u>412,002</u>	<u>418,297</u>	<u>427,979</u>	<u>424,026</u>	<u>432,960</u>	<u>2.1</u>
Total*	2,494,777	2,553,045	2,609,255	2,673,605	2,736,002	2,761,346	2,763,595	0.1

\* 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 2020. 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**

<b>Employer</b>	<b>Type of Business</b>	<b>Estimated Employees<sup>1</sup></b>
Wal-Mart	General Merchandise	27,500
UCHealth	Healthcare	23,500
The Kroger Co. (King Soopers/City Market)	Supermarkets	20,900
Centura Health	Healthcare	14,500
HealthONE Corporation	Healthcare	12,400
Lockheed Martin Corporation	Aerospace & Defense Related Systems	10,500
SCL Health System	Healthcare	10,000
Comcast	Telecommunications	9,000
Amazon	Warehousing & Distribution Services	8,100
Home Depot	Building Materials Retailer	8,000
Children's Hospital Colorado	Healthcare	7,800
CenturyLink	Telecommunications	7,800
Target Corporation	General Merchandise	7,600
Safeway Inc.	Supermarkets	7,300
United Airlines	Airline	7,000
Kaiser Permanente	Health Maintenance Organization	6,700
JBS Swift & Company	Beef Processing/Corporate Office	6,000
Vail Resorts	Leisure & Hospitality	5,600
United Parcel Service	Delivery Services	5,400
Banner Health	Healthcare	5,200
Wells Fargo	Banking/Financial Services	5,100
FedEx Corp.	Transportation, E-commerce	4,500
Southwest Airlines	Airline	4,500
Ball Corporation	Aerospace, Containers	4,400
Oracle	Software & Network Computer Systems	4,400

<sup>1</sup> Includes both full- and part-time employees.

Source: Compiled by Development Research Partners from various sources, May 2020

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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 2020:

**Estimated Largest Public Sector Employers in Colorado**

<b>Employer</b>	<b>Estimated Employees<sup>1</sup></b>
State of Colorado	57,300
Federal Government (except USPS)	42,800
University of Colorado System	24,300
Denver Public Schools	15,400
City & County of Denver	12,300
Jefferson County Public Schools	11,300
U.S. Postal Service	9,000
Douglas County School District RE-1	8,700
Cherry Creek School District No 5	7,800
Colorado State University	7,700
Denver Health	7,600
Aurora Public Schools	5,400
Adams 12 Five Star Schools	5,000
Boulder Valley School District RE-2	4,300
Poudre School District R-1	4,200
St. Vrain Valley School District RE-1J	4,100
City of Aurora	4,000
Colorado Springs School District 11	3,900
Academy Schools District No 20	3,600
Jefferson County	3,400
U.S. Department of Veteran Affairs	3,200
Mesa County Valley School District 51	3,000
El Paso County	2,800
Regional Transportation District (RTD)	2,800
School District 49	2,700

<sup>1</sup> Includes both full- and part-time employees.

Source: Compiled by Development Research Partners from various sources, May 2020

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## Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes:

### Colorado Sales and Use Tax Net Collections Fiscal Years 2015 to 2019

	Sales Tax		Consumer Use Tax		Retailer Use Tax	
	Amount (thousands)	% Change	Amount (thousands)	% Change	Amount (thousands)	% Change
2015	\$2,561,913	8.0%	\$123,175	5.9%	\$132,685	6.0%
2016	2,596,355	1.3	111,227	(9.7)	132,591	(0.1)
2017	2,719,778	4.8	109,037	(2.0)	149,567	12.8
2018	2,906,717	6.9	121,158	11.1	184,034	23.0
2019	3,031,974	4.3	124,947	3.1	218,136	18.5

Source: Colorado Department of Revenue

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The following table provides retail sales totals by industry for the State for the most recent five years and year-to-date. Retail sales data is only available through February 2016 as the Colorado Department of Revenue is currently experiencing a system problem that prevents the Retail Sales Reports from being produced.

Colorado Retail Sales by Industry (millions) and Percentage Change From Prior Year											Year-to-Date Totals Through February		
Industry	2015	% Change	2016	% Change	2017	% Change	2018	% Change	2019	% Change	2019	2020	% Change
Agriculture/Forestry/Fishing	\$ 500.6	13.6%	\$ 599.5	11.8%	\$ 417.9	-25.3%	\$ 587.2	40.5%	\$ 521.1	-11.3%	\$ 24.8	\$ 36.6	47.6%
Mining	3,743.4	-32.8	2,485.9	-33.6	3,665.9	47.5	4,411.7	20.3	3,938.3	-10.7	549.0	519.4	-5.4
Utilities	7,612.1	-4.0	7,301.0	-4.1	7,570.4	3.7	7,665.8	1.3	8,031.0	4.8	1,502.1	1,364.0	-9.2
Construction	4,685.8	12.4	4,740.5	1.2	5,133.6	8.3	5,758.0	12.2	6,124.0	6.4	744.7	804.4	8.0
Manufacturing	15,864.8	-19.8	14,679.1	-7.5	16,217.9	10.5	17,360.8	7.0	15,992.7	-7.9	2,134.7	2,313.0	8.4
Wholesale Trade	14,427.2	-4.8	14,874.5	3.1	14,530.3	-2.3	15,407.4	6.0	18,109.6	17.5	2,153.3	2,708.3	25.8
Retail Trade:													
Motor Vehicle and Auto Parts	18,995.4	8.9	19,692.9	3.7	20,614.6	4.7	21,190.4	2.8	21,986.4	3.8	3,000.0	3,383.5	12.8
Furniture and Furnishings	2,868.8	8.1	3,019.6	5.3	3,126.0	3.5	3,265.9	4.5	3,371.4	3.2	469.3	494.2	5.3
Electronics and Appliances	2,387.6	5.7	2,534.3	6.1	2,617.2	3.3	2,830.3	8.1	2,956.9	4.5	412.9	436.6	5.7
Bolding Materials/Nurseries	6,373.2	7.5	6,800.1	6.7	7,283.2	7.1	7,465.8	2.5	7,413.9	-0.7	941.3	1,017.0	8.0
Food/Beverage Stores	16,619.2	4.1	16,798.7	1.1	17,655.4	5.1	18,794.5	6.5	18,927.9	0.7	2,122.2	2,962.4	39.6
Health and Personal Care	4,384.1	17.5	5,064.2	15.5	5,355.2	5.7	5,672.5	5.9	6,015.3	6.0	813.1	894.9	10.1
Gas Stations	4,815.3	-15.6	4,307.1	-10.6	4,528.5	5.1	4,863.8	7.4	4,556.7	-6.3	619.2	689.2	11.3
Clothing and Accessories	3,810.6	2.0	3,843.5	0.9	3,848.5	0.1	3,999.7	3.9	4,413.8	10.4	513.6	582.0	13.3
Sporting/Hobby/Books/Music	3,009.1	3.0	3,021.7	0.4	2,879.5	-4.7	2,960.5	2.8	3,075.7	3.9	436.3	488.5	12.0
General Merchandise/Warehouse	13,073.8	1.7	13,152.7	0.6	13,758.0	4.6	14,387.6	4.6	14,788.7	2.8	1,999.9	2,197.2	9.9
Misc. Store Retailers	5,256.5	10.4	5,767.0	9.7	6,529.4	13.2	6,645.2	1.8	7,214.1	8.6	864.0	933.1	8.0
Non-Store Retailers	<u>1,742.1</u>	<u>2.7</u>	<u>2,286.3</u>	<u>31.2</u>	<u>2,921.3</u>	<u>27.8</u>	<u>3,279.3</u>	<u>12.3</u>	<u>5,054.7</u>	<u>54.1</u>	<u>639.6</u>	<u>1,347.5</u>	<u>110.7</u>
Total Retail Trade	83,335.5	4.6	86,288.1	3.5	91,117.0	5.6	95,355.7	4.7	99,775.5	4.6	12,831.2	15,426.1	20.2
Transportation/Warehouse	931.3	-4.8	864.8	-7.1	944.6	9.2	1,292.4	36.8	1,096.3	-15.2	135.7	170.9	26.0
Information	5,413.0	-0.7	5,238.6	3.2	5,382.5	2.7	4,971.1	-7.6	5,819.5	17.1	821.4	600.4	-26.9
Finance/Insurance	2,668.7	57.9	2,691.8	0.9	2,107.9	-21.7	2,469.4	17.2	2,761.9	11.8	397.4	488.2	22.9
Real Estate/Rental/Lease	4,389.0	5.2	4,573.3	4.2	4,875.5	6.6	5,423.2	11.2	5,907.9	8.9	906.5	952.4	5.1
Professional/Scientific/Technical	6,929.3	-0.5	6,644.4	-4.1	6,794.1	2.3	7,753.2	14.1	7,859.6	1.4	793.6	939.3	18.4
Admin/Support/Waste/Remediation	2,245.9	8.5	2,263.2	0.8	2,357.8	4.2	2,384.4	1.1	2,813.2	18.0	294.6	385.4	30.8
Education	490.5	1.9	493.9	0.7	486.3	-1.5	500.3	2.9	434.8	-13.1	54.4	43.9	-19.2
Health Care/Social Assistance	6,896.1	-4.8	6,890.5	-0.1	7,136.0	3.6	7,044.5	-1.3	16,093.3	128.5	2,514.6	2,737.7	8.9
Arts/Entertainment/Recreation	1,337.8	14.4	1,457.8	9.0	1,564.5	7.3	1,650.0	5.5	1,781.7	8.0	249.5	284.0	13.8
Accommodation	4,043.4	7.9	4,338.5	7.3	4,773.3	10.0	5,147.4	7.8	5,771.3	12.1	850.7	1,017.8	19.7
Food/Drinking Services	11,615.6	7.0	12,280.3	5.7	13,020.4	6.0	13,798.6	6.0	14,511.8	5.2	2,197.2	2,311.6	5.2
Other Services	5,441.9	10.5	5,730.4	5.3	6,182.5	7.9	6,751.4	9.2	6,924.2	2.6	939.6	963.4	2.5
Government	<u>273.4</u>	<u>7.3</u>	<u>307.2</u>	<u>12.4</u>	<u>363.7</u>	<u>18.4</u>	<u>388.6</u>	<u>6.8</u>	<u>351.2</u>	<u>-9.6</u>	<u>40.7</u>	<u>41.4</u>	<u>1.7</u>
Total All Industries	<u>182,845.3</u>	<u>0.1</u>	<u>184,703.4</u>	<u>1.0</u>	<u>194,642.0</u>	<u>5.4</u>	<u>206,121.0</u>	<u>5.9</u>	<u>224,618.9</u>	<u>9.0</u>	<u>30,135.6</u>	<u>34,108.2</u>	<u>13.2</u>

Note: Reporting for 2019 and future years reflect new sourcing rules that may cause variations in the data reported from previous years.  
Source: Colorado Department of Revenue

## Tourism

The following table provides visitor counts for the State's national parks and major recreation areas, Denver area convention attendance figures, and visitor counts for Colorado ski areas:

### Colorado Tourism Statistics Conventions<sup>1</sup>

	National Parks Visits <sup>2</sup>		Conventions		Delegates		Spending		Skier Visits <sup>3</sup>	
	Number (millions)	% Change	Number	% Change	Number (thousands)	% Change	Amount (millions)	% Change	Number (millions)	% Change
2015	7.08	—%	73	—%	236.8	—%	\$546.6	—%	12.55	—%
2016	7.46	5.4	66	-9.96	242.7	2.5	543.4	-0.6	13.39	6.7
2017	7.62	2.1	84	27.3	235.6	-2.9	518.6	-4.6	13.12	-2.0
2018	7.57	-0.7	67	-20.2	269.4	14.4	560.6	8.1	12.81	-2.4
2019	7.76	2.6	80	19.4	254.1	-5.7	555.3	-0.9	13.80	7.7

<sup>1</sup> Includes only those conventions booked by VISIT DENVER and held at the Colorado Convention Center.

<sup>2</sup> Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.

<sup>3</sup> Count of skier visits for the season ending in the referenced year.

Sources: National Parks Service; VISIT DENVER, The Convention and Visitor's Bureau; Colorado Ski Country USA; Vail Resorts, Inc.

## Residential Housing Starts

The following table provides a five-year history of the State's residential building permit issuance:

### New Privately Owned Housing Units Authorized in Colorado

	1 Unit	2 Units	3 & 4 Units	5+ Units	Total Building Permits	% Change
2015	20,025	334	287	11,225	31,871	4.3%
2016	21,577	556	242	16,599	38,974	22.3
2017	24,338	344	415	15,576	40,673	4.4
2018	26,134	374	414	15,705	42,627	4.8
2019	28,059	366	448	13,100	41,973	-1.5
Year-to-Date Totals Through April:						
2019	7,754	136	243	4,339	12,472	
2020	8,955	60	169	3,919	13,103	
% change	15.5%	-55.9%	-30.5%	-9.7	5.1%	

Source: U.S. Census Bureau

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## Residential Foreclosures

The following table provides a five-year history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

### Foreclosure Filings and Sales in Colorado

	<b>Foreclosure Filings*</b>	<b>% Change</b>	<b>Foreclosure Sales at Auction</b>	<b>% Change</b>
2015	8,241	-26.7%	4,209	-35.6%
2016	7,666	-7.0	3,128	-25.7
2017	6,680	-12.9	2,100	-32.9
2018	5,884	-11.9	1,461	-30.4
2019	5,610	-4.7	1,316	-9.9

\* Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.

Source: Colorado Division of Housing



## APPENDIX H

### 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, 2019 (the "PERA 2019 CAFR"). The PERA 2019 CAFR was prepared by PERA staff employees and the firm of Segal Consulting, PERA's independent actuary, and audited by CliftonLarsonAllen LLP, PERA's independent public accounting firm. The valuations and other assessments of PERA constitute forward looking information as described in the Notices on the inside cover page of this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuations and assessments may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. Further, the PERA 2019 CAFR notes that the duration and full effects of the COVID-19 pandemic are currently unknown, as the global picture continues to evolve, and that although unprecedented federal fiscal and monetary stimulus have helped to stabilize and soften the impact of economic contraction, the near-term negative impact on PERA'S investment portfolio, as well as the short medium term impact on PERA'S membership and demographics, remains uncertain. The State does not take any responsibility for the accuracy, validity or completeness of such information, valuations and assessments. The PERA 2019 CAFR is not incorporated in this Official Statement by reference or otherwise, and the State does not makes any representations regarding the accuracy of the information in the PERA 2019 CAFR.*

The information in the State's Fiscal Year 2018-19 CAFR regarding PERA is derived from the PERA Comprehensive Annual Financial Report for the Plan Year ended December 31, 2018, while the information in this Official Statement regarding PERA is derived from the PERA 2019 CAFR.

#### General Description

**Overview.** The State, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created PERA, which administers cost-sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (generally for State employees) (the "State Division"), the School Division Trust Fund (for employees of school districts, other than for Denver County School District No. 1 (commonly known as Denver Public Schools), 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 2019 CAFR for a discussion of the membership in the State Division Plan and the State Division DC Plan, respectively. See also Management's Discussion and Analysis and Notes 6-8 to the financial statements in

the State's Fiscal Year 2018-19 CAFR appended to this Official Statement for a description of the State Division Plan and the State Division DC Plan.

Because the majority of State employees participate in the State Division Plan and not in the State Division DC Plan, and the number of judges employed by the State that participate in the Judicial Division is relatively small in comparison to the number of other State employees, the disclosure in "STATE FINANCIAL INFORMATION—Pension and Other Post-Employment Benefits" in the forepart of this Official Statement and in this Appendix relates only to the State Division Plan.

The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

**PERA.** PERA is a legal entity created by statute in 1931 that is separate from the State as further described in Article 51 of Title 24, C.R.S. (the "PERA Act"). Management of PERA is vested in a 16 member Board of Trustees (the "PERA Board"). PERA has fiduciary responsibility for several separate divisions, including the State Division, the School Division, the Local Government Division, the Judicial Division and the Denver Public Schools Division. The State represents the majority, but not all, of the State Division employers and employees. Each Division operates as a separate legal trust. PERA also operates two cost-sharing, multiple-employer post-employment benefit plans through the Health Care Trust Fund and the Denver Public Schools Health Care Trust Fund that provide health care premium subsidies to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. PERA's financial statements, which include all of its Divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at 1 800-759-7372 or by visiting <http://www.copera.org>. The reference to PERA's website is included herein for informational purposes only, and information available on such website or in PERA's financial statements, or any other information provided by PERA, is not incorporated in this Official Statement by reference or otherwise, nor does the State make any representations regarding the accuracy of any such information.

### **Basic Provisions of the State Division Plan**

Members of the State Division Plan who meet minimum age and service requirements are eligible to receive a monthly retirement benefit based on their employment and earnings history with the State. Calculation of retirement benefits, and eligibility requirements, differ depending on the employee's original hire date. In response to funding challenges, the General Assembly has enacted changes to State Division Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 6-8 to the financial statements in the State's Fiscal Year 2018-19 CAFR appended to this Official Statement, the PERA 2019 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 2019 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 its Comprehensive Annual Financial Report for the Plan Year ended December 31, 2014.

The objective of GASB 67 as stated therein is to improve financial reporting by state and local governmental pension plans. The requirements of GASB 67 are intended to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information. A related statement, GASB Statement No. 68, “Accounting and Financial Reporting for Pensions,” applies to governmental employers and was implemented by the State beginning with the State’s Fiscal Year 2014-15 CAFR. See “—Implementation of Changes in Pension Accounting Standards Applicable to the State—GASB 68 and GASB 75” below.

GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. Implementation of GASB 67 requires the preparation of two actuarial valuations, one for funding purposes and one for accounting and financial disclosure purposes. The purpose of the funding valuation is to guide the PERA Board’s actions necessary to ensure the long-term sustainability of PERA’s trust funds. The funding valuation aids this action by allowing PERA to assess the sufficiency of the current statutory contribution rates and analyze the sufficiency of future contributions to meet current and future benefit obligations. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability across U.S. pension plans complying with this new reporting standard. To accomplish this, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed unfunded actuarial accrued liability<sup>1</sup> (“UAAL”). Net pension liability is to be measured as the total pension liability<sup>2</sup> of the plan less the amount of the plan’s fiduciary net position<sup>3</sup>.

Another major change in the new standard is the rate used to discount projected benefit payments. The new standard states the long-term expected rate of return on the investments of the plan should be applied only to available plan assets that are expected to be invested using a strategy to achieve that return. If there comes a point in the projections when plan fiduciary net position and contributions related to active and inactive employees are no longer projected to be greater than or equal to projected benefit payments related to those employees and administrative expenses (crossover point), then from that point forward the plan will be required to discount the projected benefit payments after the crossover point using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

GASB 67 also enhances the standards for footnote disclosure and required supplementary information for pension plans, including, among other things, disclosing the plan’s net pension liability, ratio of fiduciary net position to total pension liability and actuarial methods and assumptions.

## **Actuarial Valuations**

Many of the measures used to determine and evaluate the financial condition and funding status of the State Division Plan are based on actuarial valuations. An actuarial valuation is the determination, as of the actuarial valuation date, of the service cost, total pension liability and related actuarial present value of

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<sup>1</sup> Unfunded actuarial accrued liability is the difference between the actuarial accrued liability, or “AAL” (being the excess of the present value of a pension fund’s total of future benefits (payable to the plan participants) and fund administration expenses over the present value of the future normal cost of those benefits), over the valuation assets of the fund.

<sup>2</sup> Total pension liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of plan member service in conformity with the requirements of GASB 67. For purposes of application to the requirements of GASB 67, AAL is the equivalent of total pension liability.

<sup>3</sup> Fiduciary net position equals assets plus deferred outflows of resources and less liabilities and deferred inflows of resources at the end of the plan’s reporting period.

projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by GASB. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial valuations for each of PERA's defined benefit plans, including the State Division Plan, are prepared by PERA's actuaries based on a set of actuarial methods and assumptions that by State law are the responsibility of the PERA Board. The valuations for the State Division Plan examine the assets of the Plan compared to actuarial liabilities, compare past and future trends and determine the net pension liability of the Plan. The actuarial valuation for funding purposes applies an asset valuation method that recognizes a four-year smoothed market value of assets for purposes of determining the UAAL, while the actuarial valuation for accounting and financial reporting purposes applies the fair value of assets (determined in conformity with GASB standards) to determine the net pension liability. See the Actuarial Section of the PERA 2019 CAFR for a discussion of other actuarial methods and assumptions used in the actuarial valuations of the State Division Plan.

The PERA 2019 CAFR states that the PERA Board studies all economic and demographic actuarial assumptions at least every five years and approves changes to those assumptions. Recently, the PERA Board has reviewed the economic assumptions on a more frequent basis. The PERA Board last completed an experience study in 2016.

No assurance can be given that any of the assumptions underlying the actuarial valuations of the State Division Plan will reflect the actual results experienced by the Plan. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of Plan assets, the net pension liability of the Plan and other valuation and performance measures determined on the basis of such actuarial valuations.

### **Funding of the State Division Plan**

***Statutorily Required Contributions.*** The State Division Plan is funded with payments made by the State and by each eligible employee as provided in the PERA Act. The State's contributions to the Plan are based on percentages of employee wages and are set by statute. These contribution percentages are referred to herein as the statutorily required contribution, or "SRC," of the State.

Effective July 1, 2019, the baseline SRC that is required to be made by the State for most State employees was increased from 10.15% to 10.40% of includable compensation (from 12.85% to 13.10% for State Troopers and Colorado Bureau of Investigation ("CBI") agents). As required by statute, participants in the State Division Plan are also required to contribute a portion of their wages to the Plan. Per S.B. 18-200 discussed in the next paragraph, the participant contribution rate is to increase incrementally a total of 2% over a period of three years commencing July 1, 2019, which resulted in an increase in the member contribution rate effective July 1, 2019, from 8.0% to 8.75% of includable compensation (from 10.0% to 10.75% of includable compensation for State Troopers and CBI agents). See the PERA 2019 CAFR for additional information, as well as historical SRC and participant contribution rates.

The General Assembly enacted legislation in 2004, 2006 and 2010 to gradually increase employer contributions to the State Division Plan by authorizing the Amortization Equalization Disbursement ("AED") and the Supplemental Amortization Equalization Disbursement ("SAED") in order to shorten the amount of time over which the unfunded liability of the Plan is amortized. Both the AED and the SAED are paid by the State as contributions to the State Division Plan as a percentage of employee wages, but the SAED payment comes from moneys that would otherwise have been used to provide market-based salary

increases to employees. The AED and the SAED applicable to the State Division Plan were effective as of January 1, 2006, and January 1, 2008, respectively, and were each initially payable at the rate of 0.5% of total covered payroll with annual increases in the contribution rate through 2017. As of July 1, 2019, the AED and SAED rates applicable to the State Division Plan were each 5.0%, and the total SRC applicable to the State Division Plan (net of 1.02% apportioned to the Health Care Trust Fund per the PERA Act) was 19.38% of employee wages (22.08% for State Troopers and CBI agents). In addition, S.B. 18-200, enacted by the General Assembly in 2018, provides for automatic adjustments to employee and employer contribution rates within certain statutory parameters so as to stay within the legislation's 30 year funding goal as discussed in "—Funding Status of the State Division Plan" below. Previously, such adjustments required action by the General Assembly. S.B. 18-200 also provides that effective January 1, 2021, and every year thereafter, employer contribution rates for the State Division Plan are to be adjusted to include a defined contribution supplement. See also Note 6 to the State's Fiscal Year 2018-19 CAFR appended to this Official Statement, as well as the Management's Discussion and Analysis and Note 4 to the financial statements in the PERA 2019 CAFR.

S.B. 18-200 further requires the State to make an annual direct distribution to PERA of \$225 million (actual dollars) from State funds beginning in Fiscal Year 2018-19 and continuing annually on July 1 until there are no unfunded actuarial accrued liabilities in the trust fund of any Division that receives such distribution. PERA is to allocate the distribution to the State Division Trust Fund, the School Division Trust Fund, the Judicial Division Trust Fund and the Denver Public Schools Division Trust Fund based upon the covered payroll of each such Division. *However, per H.B. 20-1379, due to the actual and forecast impact of COVID-19 on the State's revenues in Fiscal Years 2019-20 and 2020-21, this distribution has been suspended for Fiscal Year 2020-21 only, and thus PERA will not receive a direct distribution from the State until the payment scheduled for July 1, 2021.*

Changes to the statutorily required contributions to the State Division Plan by the State and its employees, or to other provisions of the Plan, could be made by the General Assembly through future legislative action, which changes could impact the SRC, the funding status and/or the financial condition of the Plan as described herein. The State cannot predict if or when any such legislative changes might be enacted or the impact that any such changes, if enacted, might have on the State Division Plan or the State's funding obligations with respect to the Plan.

The SRC is paid from the State General Fund as well as from certain federal funds and State cash funds and is typically paid from the same funding source as the employee's salary and other benefits. Although the rate of the SRC is set by statute, payment of the SRC nevertheless is subject to annual appropriation through the State budgeting process as described in "STATE FINANCIAL INFORMATION—Budget Process and Other Considerations" in the body of this Official Statement. The State has consistently contributed the full amount of the SRC to the State Division Plan.

***Actuarially Determined Contribution.*** As a result of the shift in financial disclosure requirements under GASB 67 from a funding-based approach to an accounting-based approach, the historical disclosure and use of the annual required contribution<sup>4</sup>, or "ARC," as a funding benchmark by PERA was no longer required. Rather, this philosophical shift necessitated the development and use of a plan specific actuarially

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<sup>4</sup> Prior to 2014, PERA used the ARC as a funding benchmark against which to gauge the adequacy of the SRC for the State Division Plan. The ARC is the actuarially determined amount that would be required if the State were to fund each year's normal cost (i.e., the present value of the benefits that the State Division Plan projects to become payable in the future that are attributable to a valuation year's payroll) in the State Division Plan plus an annual amortization of the UAAL assuming that the UAAL will be fully funded over a maximum 30-year period. The difference between the ARC and the SRC constitutes either a contribution deficiency or excess contributions. For historical information regarding the ARC, see PERA's Comprehensive Annual Financial Report for calendar year 2013

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 (i) Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted, and (ii) the PERA Board’s funding policies. The ADC for each trust fund is developed annually and reported by management to be used as a benchmark for contributions two years in the future. An ADC deficiency arises when actual employer contributions are less than the ADC, and interest accrues on the ADC deficiency at the plan’s expected long term rate of return. See “Historical ADC and State Contributions” below.

***Change in PERA Funding Policy.*** In response to the new GASB 67 standards, the PERA Board adopted a revised pension funding policy in March 2015 (and last revised in November 2018) with regard to its trust funds. The purpose of the revised funding policy, as stated in the PERA 2019 CAFR, is to: (i) define the overall funding benchmarks of PERA’s defined benefit pension trust funds; (ii) assess the adequacy of the contribution rates which are set by the General Assembly by comparing these rates to an ADC rate; and (iii) define the annual actuarial metrics that will assist the PERA Board in assessing the sustainability of the plan. The results of these three items are intended to guide the PERA Board when considering whether to pursue or support proposed legislation pertaining to changes in plan contribution and/or benefit provisions. See “Statutorily Required Contributions” above.

***Historical ADC and State Contributions.*** The following table sets forth for each of the past ten years (i) the ADC for the State Division Plan, (ii) the annual contribution deficiency and (iii) the actual contribution as a percentage of covered employee payroll. The State annually contributes the full amount of the SRC to the State Division Plan; however, these amounts have been less than the applicable ARC or ADC. During this period the State has not made any contributions to the State Division Plan in excess of the SRC.

The ADC rates, as a percentage of covered payroll, used to determine the ADC amounts in Table 1 below are calculated as of December 31 two years prior to the end of the year in which the ADC amounts are reported. The following actuarial methods and assumptions from the December 31, 2017, actuarial valuation were used to determine contribution rates reported in the table for the year ended December 31, 2019: (i) the actuarial cost method is based on the entry age of participants; (ii) the Plan’s amortization period is based on a level percent of payroll over a 30-year closed period layered 28 years; (iii) for valuation purposes the actuarial value of assets is based on gains and losses smoothed in over a four-year period as permitted by GASB standards; (iv) price inflation is assumed to be 2.40%; (v) real wage growth is assumed to be 1.10%; (vi) salary increases (including assumed wage inflation of 3.50%) are projected to range from 3.50% to 10.45%; (vii) the long-term investment rate of return (net of pension plan investment expense, including price inflation) is assumed to be 7.25%; and (viii) cost of living adjustments for pre-2007 hires are assumed to be 1.50% per year and cost of living adjustments for post-2006 hires are assumed to be financed by the Annual Increase Reserve described in footnote 2 to the table. Other assumptions include, without limitation, future retiree participation and contribution rates and mortality rates. For further information, see Note 3 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2019 CAFR.

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**Table 1**  
**Employer Contributions**  
**State Division**  
(Dollar Amounts in Thousands)

Calendar Year	ADC Rate <sup>1</sup>	Covered Employee Payroll	Annual Increase Reserve Contribution <sup>2</sup>	ADC Contribution <sup>3</sup>	Contributions in Relation to the ADC	Annual Contribution Deficiency	Actual Contribution as a Percentage of Covered Employee Payroll
2019	23.28%	\$2,995,453	\$17,663	\$715,004	\$689,370	\$ 25,634	23.01%
2018	26.30	2,898,827	15,919	778,311	661,653	116,658	22.82
2017	22.71	2,774,207	14,355	644,377	563,977	80,400	20.33
2016	22.31	2,710,651	12,838	617,584	521,804	95,780	19.25
2015	22.35	2,641,867	11,400	601,857	484,005	117,852	18.32
2014	20.45	2,564,670	9,984	534,459	444,372	90,087	17.33
2013	20.01	2,474,965	—	495,241	393,218	102,023	15.89
2012	16.52	2,384,934	—	393,991	328,055	65,936	13.76
2011	13.63	2,393,791	—	326,274	277,122	49,152	11.58
2010	18.93	2,392,080	—	452,821	282,640	170,181	11.82

<sup>1</sup> See the discussion preceding this table regarding the actuarial methods and assumptions used in determining the ADC rates.

<sup>2</sup> The Annual Increase Reserve, or “AIR,” was established in 2007 and is used to provide post-retirement benefit increases for members hired on or after January 1, 2007. The AIR is financed by an allocation from employer statutory contributions made on behalf of such members equal to 100% of pensionable payroll and through an allocation of purchase of service dollars. For further information see the PERA 2019 CAFR.

<sup>3</sup> The ADC contribution equals the sum of (a) the ADC rate times the covered employee payroll, plus (b) the AIR.

Source: PERA 2019 CAFR

For historical information regarding employer contributions based on the ARC, see PERA’s Comprehensive Annual Financial Report for calendar year 2013 and Note 6 to the State’s Fiscal Year 2018-19 CAFR appended to this Official Statement.

### **Funding Status of the State Division Plan**

The State Division Plan currently is significantly underfunded. As discussed in “—Funding of the State Division Plan—*Statutorily Required Contributions*” above, the AED and SAED were implemented in 2006 and 2008, respectively, and other changes were made to the Plan design by S.B. 10-001, all in an effort to improve the funding status of the State Division Plan. However, investment returns on Plan assets declined following the global economic downturn that began in 2008. As a result, the actuarial assumptions as to the investment rate of return on Plan assets and the discount rate on actuarially accrued liabilities were lowered by the PERA Board from 8.50% to 8.00% in 2009, to 7.50% at the end of 2013 and to 7.25% as of December 31, 2017, and other economic assumptions, including the amortization period, were changed over this period as well, to reflect actual results and new estimates about the future. Notwithstanding these changes, PERA reported that at December 31, 2016, the State Division Plan a UAAL of approximately \$11.644 billion and a funded ratio (i.e., the actuarial value of Plan assets divided by the AAL) of only 54.6%, which UAAL would have amortized over a 65-year period based on contribution rates as of the date of calculation.

In order to address the funding status of PERA’s defined benefit plans, including the State Division Plan, in 2018 the General Assembly enacted S.B. 18-200 which made changes to the defined benefit plans administered by PERA with the goal of eliminating the UAAL of such plans, and thereby reach a 100%

funded ratio for each of such plans, within a 30-year period. Among other things, S.B. 18-200 phases-in a 2% increase in contribution rates for most employees, suspended the cost of living adjustment for retirees through 2019, changes the definition of salary and highest average salary, reduces maximum annual cost of living adjustments, adjusts employee and employer contribution rates, funds unfunded PERA liability from political subdivisions that terminate their affiliation with PERA and provides for a direct annual distribution to PERA from the State General Fund of \$225 million (actual dollars) beginning with Fiscal Year 2018-19, although, per H.B. 20-1379, due to the actual and forecast impact of the COVID-19 pandemic on the State's revenues in Fiscal Years 2019-20 and 2020-21, this distribution has been suspended for Fiscal Year 2020-21, as discussed in “—Funding of the State Division Plan—*Statutorily Required Contributions*” above. S.B. 18-200 also provides for automatic adjustments to employee and employer contribution rates, annual cost of living increases and the State's annual direct contribution to PERA within certain statutory parameters so as to stay within the 30-year funding goal. Previously, such adjustments required action by the General Assembly. For further information regarding S.B. 18-200, see Note 6 to the State's Fiscal Year 2018-19 CAFR appended to this Official Statement and the PERA 2019 CAFR.

The PERA 2019 CAFR reports that, at December 31, 2019, the actuarial value of assets of the State Division Plan was approximately \$14.922 billion and the AAL of the Plan was approximately \$25.718 billion, resulting in a UAAL of approximately \$10.796 billion, a funded ratio of 58.0% and an amortization period, both before and after consideration of H.B. 20-1379, of 27 years<sup>5</sup>. The actuarial value of assets of the State Division Plan is determined by using an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a four-year period to prevent extreme fluctuations that may result from short term or cyclical economic and market conditions. Based on the market value of assets of the State Division Plan, the PERA 2019 CAFR reports that at December 31, 2019, the UAAL of the Plan was approximately \$9.898 billion and the funded ratio was 61.5%.

For further information, see Management's Discussion and Analysis in the State's Fiscal Year 2018-19 CAFR appended to this Official Statement, as well as Management's Discussion and Analysis, Notes 10 and 12 to the financial statements, Note 2 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2019 CAFR.

Table 2 below sets forth for each of the past ten years the UAAL, the funded ratio and related information for the State Division Plan based on the actuarial value of Plan assets, and Table 3 below sets forth such information based on the market value of Plan assets.

The actuarial valuation for funding purposes in the PERA 2019 CAFR was performed as of December 31, 2019, and the actuarial valuation for accounting and financial reporting purposes in the PERA 2019 CAFR was performed as of December 31, 2018, and the total pension liability was rolled forward to the measurement date of December 31, 2019, utilizing generally accepted actuarial techniques.

When calculating the AAL of the State Division Plan in Tables 2 and 3 below, the following actuarial methods, assumptions and inputs, among others, were used: (i) price inflation is assumed to be 2.40%; (ii) real wage growth is assumed to be 1.10%; (iii) salary increases (including assumed wage inflation of 3.50%) are projected to range from 3.50% to 9.17%; (iv) the long term investment rate of return

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<sup>5</sup> This amortization period does not include the full effect of legislation enacted in 2006, 2010 and 2018, which includes plan changes designed to lower the normal cost over time as new members are added to the Plan, allow a greater proportion of the State's contribution to the Plan to be used to amortize the unfunded liability and increase future contributions to the Plan in order to accelerate the amortization of the UAAL. However, utilizing the assumptions specified in the PERA 2019 CAFR, PERA's independent actuary projects that the goal of funding 100% of the AAL under the PERA revised benefit structure created by S.B. 18-200 is achievable within a projection period of 24 years, and that the State Division Plan is projected to be 100% funded in 22 years. For further information, see the Actuarial Section of the PERA 2019 CAFR.



(net of pension plan investment expense, including price inflation) and discount rate are assumed to be 7.25%; and (v) cost of living adjustments for pre-2007 hires are assumed to be 0% through 2019 and 1.25% per year compounded annually thereafter, and cost of living adjustments for post 2006 hires are assumed to be financed by the AIR. Other assumptions include, without limitation, future retiree participation and contribution rates and mortality rates. For further information, see Note 10 to the financial statements and the Actuarial Section in the PERA 2019 CAFR.

**Table 2**  
**Historical Funding Progress of State Division Plan**  
**Actuarial Value of Plan Assets**  
**(Dollar Amounts in Thousands)**

<b>Valuation Date (December 31)</b>	<b>Actuarial Value of Plan Assets*</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Employer Payroll</b>	<b>UAAL as a Percentage of Employer Payroll</b>
2019	\$14,922,050	\$25,717,648	\$10,795,598	58.0%	\$2,995,453	360.4%
2018	14,303,726	25,509,852	11,206,126	56.1	2,898,827	386.6
2017	14,256,410	24,782,085	10,525,675	57.5	2,774,207	379.4
2016	14,026,332	25,669,916	11,643,584	54.6	2,710,651	429.5
2015	13,882,820	24,085,671	10,202,851	57.6	2,641,867	386.2
2014	13,523,488	23,408,321	9,884,833	57.8	2,564,670	385.4
2013	13,129,460	22,843,725	9,714,265	57.5	2,474,965	392.5
2012	12,538,675	21,191,495	8,652,820	59.2	2,384,934	362.8
2011	12,010,045	20,826,543	8,816,498	57.7	2,393,791	368.3
2010	12,791,946	20,356,176	7,564,230	62.8	2,392,080	316.2

\* 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 2019 CAFR

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**Table 3**  
**Historical Funding Progress of State Division Plan**  
**Market Value of Plan Assets**  
**(Dollar Amounts in Thousands)**

<b>Valuation Date (December 31)</b>	<b>Market Value of Plan Assets*</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Employer Payroll</b>	<b>UAAL as Percentage of Employer Payroll</b>
2019	\$15,819,843	\$25,717,648	\$ 9,897,805	61.5%	\$2,995,453	330.4%
2018	13,837,863	25,509,852	11,671,989	54.2	2,898,827	402.6
2017	15,105,378	24,782,085	9,676,707	61.0	2,774,207	348.8
2016	13,538,772	25,669,916	12,131,144	52.7	2,710,651	447.5
2015	13,391,398	24,085,671	10,694,273	55.6	2,641,867	404.8
2014	13,956,630	23,408,321	9,451,691	59.6	2,564,670	368.5
2013	13,935,754	22,843,725	8,907,971	61.0	2,474,965	359.9
2012	12,766,459	21,191,495	8,425,036	60.2	2,384,934	353.3
2011	12,001,770	20,826,543	8,824,773	57.6	2,393,791	368.7
2010	12,487,105	20,356,176	7,869,071	61.3	2,392,080	329.0

\* 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 2019 CAFR.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2010 through 2019.

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.

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## Fiduciary Net Position of the State Division Plan

The Statement of Fiduciary Net Position of the State Division Plan as of December 31, 2019, is included in PERA's basic financial statements set forth in the Financial Section of the PERA 2019 CAFR. The following table sets forth for each of the past ten years the changes in fiduciary net position of the State Division Plan.

**Table 4**  
**Changes in Fiduciary Net Position**  
**State Division**  
(Cash Basis; Dollar Amounts in Thousands)

	For the Year Ended December 31,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Additions:										
Employer contributions	\$ 612,282	\$ 583,164	\$ 563,977	\$ 521,804	\$ 484,005	\$ 444,372	\$ 401,658	\$ 335,073	\$ 283,222	\$ 287,624
Nonemployer contributions	77,088	78,489	—	—	—	—	—	—	—	—
Member contributions	257,803	236,313	228,978	223,005	217,980	211,610	202,799	227,058	258,678	223,240
Purchased service	29,494	25,227	27,442	24,528	26,946	22,446	22,241	16,358	11,277	12,496
Net investment income (loss)	2,764,719	(497,562)	2,391,683	947,981	210,337	780,762	1,931,658	1,511,244	232,669	1,553,142
Other	22	7,888	15,860	8,708	5,023	3,289	4,869	150	331	1
Total Additions	3,741,408	433,519	3,227,940	1,726,026	944,291	1,462,479	2,563,225	2,089,883	786,177	2,076,503
Deductions:										
Benefit payments	1,637,168	1,608,534	1,554,290	1,483,828	1,417,862	1,352,293	1,295,780	1,231,922	1,174,707	1,122,435
Refunds	61,832	65,253	58,696	60,137	63,567	61,152	68,735	69,221	70,090	68,844
Disability insurance premiums	1,965	2,093	2,035	2,106	2,088	2,309	2,229	1,570	1,685	1,661
Administrative expenses	11,294	11,903	11,745	11,271	10,779	10,067	9,780	8,568	8,685	8,942
Other	2,707	3,017	3,652	3,040	3,406	3,171	3,593	3,911	(4,546)	(726)
Total Deductions	1,714,966	1,690,800	1,630,418	1,560,382	1,497,702	1,428,992	1,380,117	1,315,192	1,250,621	1,201,156
Change in fiduciary net position	2,026,442	(1,257,281)	1,597,522	165,644	(553,411)	33,487	1,183,108	774,691	(464,444)	875,347
Fiduciary net position held at beginning of year	13,966,421	15,223,702	13,626,180	13,460,536	14,013,947	13,980,460	12,797,352	12,022,661	12,487,105	11,611,758
Fiduciary net position held at end of year	15,992,863	\$13,966,421	\$15,223,702	\$13,626,180	\$13,460,536	\$14,013,947	\$13,980,460	\$12,797,352	\$12,022,661	\$12,487,105

Source: PERA 2019 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 2013-2019 (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 2019 CAFR includes a schedule showing the sources of the changes in net pension liability for 2014-2019 (information for 2013 is not available). See also "—Implementation of Changes in Pension Accounting Standards Applicable to the State—GASB 68" hereafter.

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**Table 5**  
**Net Pension Liability**  
**State Division<sup>1,2</sup>**  
**(Dollar Amounts in Thousands)**

	<b>For the Year Ended December 31,</b>						
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total pension liability <sup>3,4</sup>	\$25,696,667	\$25,345,094	\$35,241,684	\$31,994,311	\$23,991,569	\$23,420,461	\$22,888,431
Plan fiduciary net position	15,992,863	13,966,421	15,223,702	13,626,180	13,460,536	14,013,947	13,980,460
Net pension liability	<u>\$ 9,703,804</u>	<u>\$11,378,673</u>	<u>\$20,017,982</u>	<u>\$18,368,131</u>	<u>\$10,531,033</u>	<u>\$ 9,406,514</u>	<u>\$ 8,907,971</u>
Net pension liability as a percentage of total pension liability	62.24%	55.11%	43.20%	42.59%	56.11%	59.84%	61.08%
Covered employee payroll	\$ 2,995,453	\$2,898,827	\$2,774,207	\$2,710,651	\$ 2,641,867	\$ 2,564,670	\$ 2,474,965
Net pension liability as a percentage of covered employee payroll	323.95%	392.53%	721.57%	677.63%	398.62%	366.77%	359.92%

<sup>1</sup> Information for years prior to 2013 is not available.

<sup>2</sup> Government accounting standards require that pension liabilities for financial reporting purposes be measured using the plan provisions in effect at the pension plan's year-end. Therefore, unlike the tables in "Funding Status of the State Division Plan" above, the changes made by S.B. 18-200 are not reflected in this table for years 2013-2017.

<sup>3</sup> The total pension liability as of December 31, 2019, was determined by actuarial valuations as of December 31, 2018, and accepted actuarial procedures were applied to roll-forward the total pension liability to December 31, 2019. The actuarial valuations as of December 31, 2018, used the key actuarial methods, assumptions or other inputs discussed in "Funding Status of the State Division Plan" above, except that the fair value (or market value) of assets, rather than a four-year smoothed market value of assets, was used to determine the net pension liability.

<sup>4</sup> The decrease in the total pension liability at December 31, 2018, is primarily due to changing from a blended discount rate to a discount rate equal to the long-term assumed rate of return in accordance with GASB 67.

Source: PERA 2019 CAFR

## Investment of State Division Plan Assets

State law authorizes the investment of PERA's funds by the PERA Board, subject to the following limitations:

- The aggregate amount of investment trust shares, corporate stocks, corporate bonds and convertible debentures cannot exceed 65% of the book value of the fund.
- Neither common nor preferred stock of a single corporation can exceed 5% of the book value of the fund.
- The fund cannot acquire more than 12% of the outstanding stocks or bonds of a single corporation.

See Note 5 to the financial statements and the Investment Section of the PERA 2019 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

## Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68 and GASB 75

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68") is a GASB pronouncement that is related to GASB 67 and applicable to governmental entities, such as the State, that provide their employees with pension benefits. GASB 68 is effective for fiscal years beginning after June 15, 2014, and accordingly has been implemented beginning with the State's Fiscal Year 2014-15 CAFR. GASB 68 revises and establishes new financial reporting requirements for governmental entities, and, among other things, requires cost-sharing employers participating in defined benefit plans to record

their proportionate share of the unfunded pension liability. See Table 2 in this Appendix for the UAAL of the State Division Plan for the past ten years as set forth in the PERA 2019 CAFR.

The State reported a net pension liability in the State's Fiscal Year 2018-19 CAFR of approximately \$13.531 billion at June 30, 2019, compared to a reported net pension liability in the State's Fiscal Year 2017-18 CAFR of approximately \$19.382 billion at June 30, 2018. The amounts presented for each Division were determined as of the calendar year-end that occurred within the Fiscal Year. See also Note 6 to the State's Fiscal Year 2018-19 CAFR appended to this Official Statement for a description of the methodology utilized to determine these amounts.

There is a difference between the net pension liability for the State reported by PERA and the State in their respective financial statements. The difference results from PERA's inclusion of employers in the State Division and the Judicial Division which are not included in the State's financial statement reporting entity. The PERA Board has statutory authority to assign employers to the State Division and Judicial Division that are not part of the State's financial statement reporting entity as defined by GASB Statement No. 14, as amended by GASB Statements No. 39 and 61. Examples of these employers in the State Division include Pinnacol Insurance, Fire and Police Pension Association and District Attorneys. Denver County Courts is the only Judicial Division employer that is not part of the State's financial statement reporting entity. The State includes in its financial statements a percentage of the net pension liability reported by PERA in its financial statements for each Division to determine the State's proportionate share in accordance with requirements of GASB 68. Additional information concerning the State's reporting entity can found in Note 1 to the State's Fiscal Year 2018-19 CAFR appended to this Official Statement, and additional information concerning the proportionate share calculation can be found in Note 6 of the State's Fiscal Year 2018-19 CAFR.

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The State's proportionate share of the net pension liability at the end of calendar years 2013-2018 in accordance with requirements of GASB 68 is set forth in the following table.

**Table 6**  
**State's (Primary Government's) Proportionate**  
**Share of the Net Pension Liability<sup>1</sup>**  
**(Dollar Amounts in Thousands)**

	<u><b>State Division</b></u>					
	<u><b>Calendar Year</b></u>					
	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
State's proportion of the net pension liability	95.95%	95.37%	95.49%	95.71%	95.85%	95.86%
State's proportionate share of net pension liability	\$10,918,046	\$19,091,149	\$17,539,728	\$10,079,252	\$9,016,144	\$8,539,181
State's covered payroll	\$3,262,962	\$2,796,014	\$2,751,094	\$2,687,152	\$2,586,800	\$2,570,286
State's proportionate share of the net pension liability as a percentage of its covered payroll	334.61%	682.80%	637.55%	375.09%	348.54%	332.23%
Plan fiduciary net position as a percentage of the total pension liability	55.11%	43.20%	42.59%	56.11%	59.84%	61.00%

	<u><b>Judicial Division</b></u>					
	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
State's proportion of the net pension liability	94.91%	93.99%	94.17%	93.98%	93.60%	93.44%
State's proportionate share of net pension liability	\$134,072	\$218,136	\$239,423	\$172,824	\$129,499	\$102,756
State's covered payroll	\$55,706	\$46,764	\$46,320	\$44,159	\$40,114	\$37,203
State's proportionate share of the net pension liability as a percentage of its covered payroll	240.68%	466.46%	516.89%	391.37%	322.83%	276.20%
Plan fiduciary net position as a percentage of the total pension liability	68.48%	58.70%	53.19%	60.13%	66.89%	77.41%

<sup>1</sup> The amounts presented for each Fiscal Year were determined as of the calendar year-end that occurred within the Fiscal Year and were calculated as described in Note 6 to the Financial Statements and Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2018-19 CAFR appended to this Official Statement.

Source: State Fiscal Year 2018-19 CAFR

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 2018-19 CAFR appended to this Official Statement. See also "Overall Financial Position and Results of Operations" in the Management's Discussion and Analysis and Notes 1 and 6-8 to the Financial Statements in the State's Fiscal Year 2018-19 CAFR.

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

inflows of resources related to OPEB. GASB 75 also requires additional footnote disclosures about the pension trust fund in the financial statements.

#### **Effect of Pension Liability on the Series 2020 Certificates**

No assurances can be given that the assumptions underlying any current or future plans of the State to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement, including in this Appendix. The General Assembly and Governor are ultimately responsible for passing any legislation which would make material changes to PERA retirement plans. No assurance can be given that any legislative changes aimed at decreasing the State's pension liability will be enacted. The State's current pension liability or any increase in the State's pension liability may have a material adverse effect on the State's ability to fully pay its obligations, including the Series 2020 Certificates.

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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 the State takes no responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

*None of the Trustee, the State or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the registered owners of the Series 2020 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 2020 Certificates, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2020 Certificates or (v) any other related matter.*

DTC will act as securities depository for the Series 2020 Certificates. The Series 2020 Certificates will be in the form of fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2020 Certificate for each maturity of the respective Series of Certificates, in the aggregate principal amount of such maturity, will be executed and delivered and deposited with DTC.

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

Purchases of Series 2020 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 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 2020 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 2020 Certificates except in the event that use of the book-entry system for the Series 2020 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2020 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 2020 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 2020 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 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 2020 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Certificates, such as redemptions, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2020 Certificates may wish to ascertain that the nominee holding the Series 2020 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 2020 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 2020 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2020 Certificates will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the State Treasurer on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the paying agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Series 2020 Certificates to Cede & Co., or to such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the State or the paying agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2020 Certificates at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2020 Certificate certificates are required to be printed and delivered to the appropriate registered owners of the Series 2020 Certificates.

The State may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2020 Certificates. In that event, Series 2020 Certificate certificates will be printed and delivered to DTC.

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