NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: Moody's: "Aa2"**
S&P: "AA-"
(See "RATINGS" herein)

In the opinion of Kutak Rock LLP, Bond Counsel, 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 paid by the State which is designated and paid as interest on the Series 2018N Certificates (including any original issue discount properly allocable to the owner of a Series 2018N Certificate) 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. Under existing Colorado statutes, the interest received by the Owners of the Series 2018N Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases is exempt from State of Colorado income tax. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of Series 2018N Certificates. See "TAX MATTERS" herein.

$240,425,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2018N

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

The Series 2018N Certificates will be executed and delivered pursuant to, and secured by, a Master Trust Indenture, as supplemented (the "Indenture"), including a supplemental indenture securing the Series 2018N Certificates, executed and delivered by Zions Bancorporation, National Association, Denver, Colorado, as Trustee, and will evidence proportionate interests in the right of the Trustee to receive Base Rent and certain other amounts payable by the State of Colorado pursuant to certain annually renewable lease purchase agreements between the Trustee, as lessor, and the State, acting by and through the State Treasurer, as lessee, in respect of property that has been leased to the Trustee by certain Participating K-12 Institutions (or, in the case of some charter schools, the chartering entities) in connection with the funding of capital construction projects for such Participating K-12 Institutions, and in turn subleased back from the State by such Participating K-12 Institutions, pursuant to the State's Building Excellent Schools Today (BEST) grant program as described herein. *Capitalized terms not otherwise defined on this cover page have the meanings set forth in this Official Statement.*

The net proceeds of the Series 2018N Certificates will be used to (a) pay the costs of projects for K-12 public school institutions (the "Participating K-12 Institutions") that are reviewed, prioritized and recommended by the Public School Capital Construction Assistance Board (the "Assistance Board") for approval by the State Board of Education and the State's Capital Development Committee, (b) pay the costs of issuance of the 2018N Certificates and (c) make deposits to funds and accounts held by the Trustee under the Indenture.

The Series 2018N Certificates will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2018N Certificates. Beneficial Ownership Interests in the Series 2018N 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 2018N Certificates by the rules and operating procedures applicable to the DTC book entry system as described herein.

The Series 2018N Certificates bear interest at the rates per annum set forth on the inside front cover hereof payable semi-annually on each March 15 and September 15, commencing March 15, 2019, and mature in the amounts and on the dates set forth on the inside front cover hereof, subject to optional, mandatory and extraordinary redemption prior to maturity as described herein.

Maturity Schedules on the Inside Front Cover

The Series 2018N Certificates are secured on a parity basis with all other Series of Certificates executed and delivered pursuant to the Indenture, all of which evidence undivided interests in the right to receive the Lease Revenues as described herein, and are payable solely from the Trust Estate under the Indenture without preference, priority or distinction of any Certificate over any other Certificate. The Rent under the Leases is payable by the State from moneys in the Public School Capital Construction Assistance Fund, which is funded from revenues received by the State from: (i) a portion of rental income and royalties derived from State school lands; (ii) a portion of the State lottery proceeds; (iii) payments of Matching Moneys from certain K-12 public school institutions, including charter schools, for which the projects are financed; (iv) excise tax revenue from marijuana sales; and (v) if the amount in the Assistance Fund is insufficient to pay the full amount of the payments due to be made under the Leases, any moneys that the Colorado General Assembly transfers to the Assistance Fund from any other legally available sources, including the State General Fund. Upon the occurrence of an Event of Default or an Event of Nonappropriation under any Lease, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property that the State has leased from the Trustee pursuant to the Leases, subject to the terms of the Leases and the Indenture.

Payment of Rent and all other payments by the State constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the General Assembly to the Assistance Fund from any legally available source if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under the Leases are 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 Leases are subject to appropriation by the General Assembly in its sole discretion, and are not to 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 or 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 any Leases, the sole security available to the Trustee, as lessor under the Leases, is the Leased Property leased under the Leases, subject to the terms of the Leases.

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

The Series 2018N Certificates are offered when, as and if delivered, subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Sherman & Howard L.L.C., Denver, Colorado, has acted as counsel to the State in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Stradling Yocca Carlson & Rauth, Denver, Colorado, has acted as counsel to the Underwriters set forth below in connection with the execution and delivery of the Series 2018N Certificates. Hilltop Securities Inc., Denver, Colorado, has acted as municipal advisor to the State in connection with the offering and execution and delivery of the Series 2018N Certificates. It is expected that the Series 2018N Certificates will be executed and available for delivery through the facilities of DTC on or about December 6, 2018.

RBC CAPITAL MARKETS LLC

GEORGE K. BAUM & COMPANY **STIFEL**

J.P. MORGAN **KEYBANC CAPITAL MARKETS** **CITIGROUP**

Dated: November 20, 2018

MATURITY SCHEDULE

$240,425,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2018N

Maturing (March 15)	Principal Amount	Interest Rate	Yield	CUSIP No.©
2019	$4,310,000	4.00%	1.86%	19668Q KH7
2020	2,360,000	4.00	2.01	19668Q KJ3
2021	2,390,000	4.00	2.10	19668Q KK0
2022	2,485,000	5.00	2.18	19668Q KL8
2023	2,600,000	5.00	2.25	19668Q KM6
2024	2,725,000	5.00	2.37	19668Q KN4
2025	2,860,000	5.00	2.45	19668Q KP9
2026	2,995,000	5.00	2.60	19668Q KQ7
2027	3,130,000	5.00	2.72	19668Q KR5
2028	3,285,000	5.00	2.81	19668Q KS3
2029	3,385,000	5.00	2.93[1]	19668Q KT1
2030	3,545,000	5.00	3.03[1]	19668Q KU8
2031	3,370,000	5.00	3.10[1]	19668Q KV6
2032	3,055,000	5.00	3.18[1]	19668Q KW4
2033	3,205,000	5.00	3.25[1]	19668Q KX2
2034	3,365,000	5.00	3.30[1]	19668Q KY0
2035	3,525,000	5.00	3.36[1]	19668Q KZ7
2036	3,695,000	5.00	3.41[1]	19668Q LA1
2037	23,875,000	5.00	3.45[1]	19668Q LB9
2038	25,065,000	5.00	3.49[1]	19668Q LC7
2039	26,315,000	4.00	3.94[1]	19668Q LD5

$108,885,000 4.00% Term Bond due March 15, 2043 Yield 4.03% CUSIP No.© 19668Q LE3

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[1] Priced to the first optional redemption date on March 15, 2028.

© CUSIP is a registered trademark of the American Bankers Association. The CUSIP data included herein has been provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence, and is provided solely for the convenience of the purchasers of the Series 2018N Certificates and only as of the issuance of the Series 2018N Certificates. None of the State, the Trustee or the underwriters of the Series 2018N Certificates (the "Underwriters") has any responsibility for the accuracy of such data now or at any time in the future. The CUSIP numbers for the Series 2018N Certificates may be changed after the issuance of the Series 2018N Certificates as the result of various subsequent actions, including, without limitation, a refunding of all or a portion of the Series 2018N Certificates or the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2018N Certificates.

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 2018N 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 2018N Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the State of Colorado or the Underwriters.

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

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2018N 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 Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2018N Certificates and does not have or assume any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

This Official Statement has been prepared only in connection with the original offering of the Series 2018N Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2018N 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 2018N Certificates and the terms of the offering, including the merits and risks involved. The Series 2018N 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 Official Statement.

THE PRICES AT WHICH THE SERIES 2018N 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 INSIDE FRONT COVER OF THIS OFFICIAL STATEMENT. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO

DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE SERIES 2018N CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2018N CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Cautionary 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 "STATE FINANCIAL INFORMATION," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF INSURANCE" and in "APPENDIX E – THE STATE GENERAL FUND," "APPENDIX F – OSPB SEPTEMBER 2018 REVENUE FORECAST," "APPENDIX G – PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND" and "APPENDIX J – STATE PENSION SYSTEM," 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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APPENDICES

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OFFICIAL STATEMENT

Relating to

$240,425,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2018N

INTRODUCTION

This Official Statement, including the cover page, inside front cover and appendices, provides information in connection with the offering and sale of the State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2018N (the "Series 2018N Certificates"). Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Glossary in the form of the hereinafter defined 2018N Supplemental Indenture appended to this Official Statement.

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. A full review should be made of the entire Official Statement. The offering of Series 2018N Certificates to potential investors is made only by means of the entire Official Statement.

The Indenture, the Prior Certificates and the Leases

The Indenture. The Series 2018N Certificates are being executed and delivered by Zions Bancorporation, National Association, Denver, Colorado, as trustee (the "Trustee"), pursuant to the State of Colorado Building Excellent Schools Today Master Trust Indenture, dated August 12, 2009 (the "Master Indenture"), as previously amended and supplemented by supplemental indentures related to the several series of certificates of participation previously executed and delivered pursuant thereto and as amended and supplemented by the Series 2018N Supplemental Trust Indenture (the "2018N Supplemental Indenture") to be dated as of the date of delivery of the Series 2018N Certificates (the "Closing Date"), in connection with the execution and delivery of the Series 2018N Certificates. The Master Indenture, as amended and supplemented to the Closing Date and as may be further amended and supplemented from time to time, is referred to herein collectively as the "Indenture."

The Prior Certificates. Other certificates of participation have been executed and delivered pursuant to the Indenture (collectively, the "Prior Certificates") in addition to the Series 2018N Certificates (each series of which is referred to herein as a "Series" and collectively, with the Series 2018N Certificates, as the "Certificates"). Upon the execution and delivery of the Series 2018N Certificates, the following certificates of participation that have previously been executed and delivered pursuant to the Indenture will also be outstanding in the aggregate principal amount of $870,965,000. See "PLAN OF FINANCING – The Program."

- State of Colorado Building Excellent Schools Today Certificates of Participation, Qualified School Construction Series 2009A, in the original aggregate principal amount of $87,145,000 (the "Series 2009A Certificates");

- State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Qualified School Construction Series 2010D, in the original aggregate principal of amount of $95,690,000 (the "Series 2010D Certificates");
- State of Colorado Building Excellent Schools Today Certificates of Participation, Tax Exempt Series 2012H, in the original aggregate principal amount of $195,965,000 (the "Series 2012H Certificates");
- State of Colorado Building Excellent Schools Today Certificates of Participation, Tax Exempt Series 2013I, in the original aggregate principal amount of $89,510,000 (the "Series 2013I Certificates");
- State of Colorado Building Excellent Schools Today Certificates of Participation, Tax Exempt Series 2017J, in the original aggregate principal amount of $156,305,000 (the "Series 2017J Certificates");
- State of Colorado Building Excellent Schools Today Refunding Certificates of Participation, Tax Exempt Series 2017K, in the original aggregate principal amount of $115,790,000 (the "Series 2017K Certificates");
- State of Colorado Building Excellent Schools Today Refunding Certificates of Participation, Tax-Exempt Series 2018L, in the original aggregate principal amount of $75,290,000 (the "Series 2018L Certificates"); and
- State of Colorado Building Excellent Schools Today Refunding Certificates of Participation, Tax-Exempt Series 2018M in the original aggregate principal amount of $93,535,000 (the "Series 2018M Certificates").

The Leases. The Series 2018N Certificates and all other Series of Certificates are payable and secured on a parity basis and evidence undivided interests in the right to certain payments by the State under annually renewable lease purchase agreements entered into from time to time by and between the Trustee, as lessor, and the State of Colorado (the "State"), acting by and through the State Treasurer (the "State Treasurer"), as lessee, pursuant to the Indenture, referred to herein collectively as the "Leases." Upon the execution and delivery of the Series 2018N Certificates, the Leases will include the following:

- Series 2009A Lease Purchase Agreement, dated as of August 12, 2009;
- Series 2012H Lease Purchase Agreement dated as of December 6, 2012;
- Series 2013I Lease Purchase Agreement dated as of December 9, 2013;
- Series 2015 Lease Purchase Agreement dated as of February 12, 2015;
- Series 2017J Lease Purchase Agreement dated as of December 7, 2017;
- Series 2017K Amended and Restated Lease Purchase Agreement dated as of December 7, 2017, which amends and restates the Series 2011G Lease Purchase Agreement dated as of December 8, 2011;
- Series 2018L Amended and Restated Lease Purchase Agreement dated as of September 18, 2018, which amends and restates the Series 2010B-C Lease Purchase Agreement dated as of March 16, 2010;
- Series 2018M Amended and Restated Lease Purchase Agreement dated as of September 18, 2018, which amends and restates the Series 2010D-F Lease Purchase Agreement dated as of December 16, 2010 (the "2010D-F Lease"); and
- Series 2018N Lease Purchase Agreement dated as of December 6, 2018 (the "2018N Lease").

The Leases will also include any other annually renewable lease purchase agreements that may be entered into in the future between the Trustee, as lessor, and the State, acting by and through the State Treasurer, as lessee, pursuant to the Indenture.

The Leased Property. Each of the Series 2018N Participating K-12 Institutions is entering into a Site Lease with the Trustee dated as of the date of delivery of the Series 2018N Certificates (the " 2018N Site Leases") pursuant to which, in each case, certain land owned (or acquired prior to or contemporaneously with the execution and delivery of the Series 2018N Certificates) by the respective Series 2018N Participating K-12 Institution and the buildings, structures and improvements now or hereafter located on such land (collectively, the " 2018N Leased Property") will be leased to the Trustee. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property" and "CERTAIN RISK FACTORS – Effect of a Nonrenewal of the Lease." The 2018N Leased Property, with the additional Leased Property which has already or may in the future be leased under the 2018N Lease, the Prior Leases, additional Leases or amendments to the Prior Leases or the 2018N Lease is referred to herein as the "Leased Property." The 2018N Leased Property is being leased by the Trustee to the State, pursuant to the 2018N Lease and the State is subleasing the 2018N Leased Property to the respective Participating K-12 Institutions under certain Subleases each dated as of the date of delivery of the Series 2018N Certificates (the "2018N Subleases"). Any additional Leased Property which the State has already chosen or chooses in the future to lease under the Prior Leases or additional Leases or amendments to the Prior Leases, the 2018N Lease will secure all holders of Certificates under the Master Indenture, including holders of the Series 2018N Certificates on a parity basis. The State may substitute other property for any portion of the Leased Property upon delivery to the Trustee of certain items as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property." Upon any decision of the State not to appropriate and thereby terminate the 2018N Lease or any other Lease in a particular year, the State would relinquish its right to use all of the Leased Property (including the 2018N Leased Property) or any portion thereof through the term of the respective Site Leases. In such event, the Participating K-12 Institution which is the Sublessee of such Leased Property (and, in the case of a charter school, its chartering school entity) will have the option to purchase a portion of such Leased Property under the related Sublease upon certain conditions as further described herein. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property – *Sublessee's Purchase Option*."

Authorization

The Act. The Series 2018N Certificates are being executed and delivered under authority granted by the constitution and laws of the State and particularly Part 1 of Article 43.7 of Title 22, Colorado Revised Statutes, as amended ("C.R.S."), referred to herein as the "Act" or the "BEST Act." Pursuant to the Act, the Colorado General Assembly (the "General Assembly") has created the Public School Capital Construction Assistance Board (the "Assistance Board") within the Colorado Department of Education and provided that the Assistance Board may authorize the execution by the State Treasurer of lease purchase agreements and related instruments in order to fund the costs of certain capital construction projects (the "Projects") for K-12 public school institutions (the "Participating K-12 Institutions") that are reviewed, prioritized and recommended by the Assistance Board for approval by the State Board of Education (the "State Board") and a Capital Development Committee established by statute (the "Capital Development Committee") for school districts, boards of cooperative services, charter schools or the Colorado School for the Deaf and Blind in the State, to pay the costs of issuance of the Certificates and to make deposits to funds and accounts held by the Trustee under the Indenture. The 2018N Lease is being entered by the State in order to fund certain Projects approved by the State Board and Capital Development Committee in June of 2018 (collectively, the "2018 State Approval") as described in "The Series 2018N Projects" under this caption for the Series 2018N Participating K-12 Institutions in accordance with the Act. See "The Program" and "The Series 2018N Participating K-12 Institutions" under this caption. See also "PLAN OF FINANCING – The Program" for further information about the Act.

The execution by the State of any future Leases for Projects not authorized as described above would require authorization by the State, as well as authorization by the General Assembly if the aggregate Rent (which includes the Base Rent and Additional Rent, both as described hereinafter) payable under such future Leases, together with the then existing Leases, would cause the maximum aggregate annual lease payments permitted by the Act to be exceeded. For a description of the Program and such maximum aggregate annual lease payments, see "PLAN OF FINANCING – The Program."

The Program. The Act establishes the Building Excellent Schools Today grant program (the "Program" or the "BEST Program"), which provides funding to rebuild, repair or replace the State's most dangerous and necessary K-12 facilities for the most needy institutions, and leverages such financial assistance through local matching contributions from such institutions. Schools and proposed projects for funding are evaluated by the Assistance Board through an ongoing application process supplemented by a Statewide needs assessment and site visits. Applications are prioritized by the Assistance Board based on the following criteria, in descending order of importance: (1) projects addressing health, safety, security and technology; (2) projects to relieve overcrowding; and (3) all other projects. The Assistance Board's review results in a prioritized list of projects to be submitted to the State for final approval.

The State has funded a variety of Projects pursuant to the Program through the execution and delivery of the Prior Certificates, as well as various Series of Certificates that have been paid in full, and has entered into Leases with respect to all of such Projects. See "The Indenture, the Leases and the Prior Certificates" above in this section. The Projects funded with the Prior Certificates are described in "APPENDIX H – LEASED PROPERTY RELATING TO THE PRIOR CERTIFICATES." The 2018N Lease is being entered into by the State in order to fund certain Projects as further described in "The Series 2018N Projects" under this caption (the "Series 2018N Projects"). The Master Indenture permits the execution of additional Leases, or amendments to Leases, and the execution and delivery of additional Series of Certificates under the Master Indenture, to fund additional Projects as part of the Program as described in "Additional Certificates" in this section and "SECURITY AND SOURCES OF PAYMENT – Additional Series of Certificates." The Series 2018N Certificates are payable and secured on parity with the Prior Certificates and any future Certificates executed and delivered pursuant to the Master Indenture. The State could also choose to fund future Projects through certificates of participation that are not executed and delivered pursuant to the Master Indenture, in which case the related leased property would not secure the Series 2018N Certificates. See also "SECURITY AND SOURCES OF PAYMENT – The Leased Property."

The Assistance Fund. The Series 2018N Certificates will be payable solely from amounts annually appropriated by the General Assembly to make payments under the Leases, as described in "Security and Sources of Payment" in this section and "SECURITY AND SOURCES OF PAYMENT – Payments by the State." The Act requires that, to the extent appropriated, such payments by the State be made from the Public School Capital Construction Assistance Fund created by the Act (the "Assistance Fund"). The Act provides that the Assistance Fund is to be partially funded from a portion of rental income and royalties derived from State school lands, from moneys paid to the State by Participating K-12 Institutions in amounts approved by the State as a condition to the financial assistance provided to such Participating K-12 Institutions ("Matching Moneys"), a portion of State lottery proceeds, excise tax revenues from marijuana sales and, if the amount in the Assistance Fund is insufficient to pay the full amount due to be made under the Leases, any moneys that the General Assembly transfers from any other legally available sources, including the State General Fund. The obligation of a Participating K-12 Institution to pay Matching Moneys to the State, if applicable, may be satisfied by (a) cash, (b) a bond issued by a Participating K-12 Institution or its chartering entity and delivered to the State (a "Matching Moneys Bond"), or (c) installment payments made by the Participating K-12 Institution to the State. ***Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts are available to be appropriated by the State***

to pay principal and interest on the Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects. See "APPENDIX G – THE PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND" for a description of the Assistance Fund.

The Act currently provides that the balance of the Assistance Fund as of each June 30 is to be at least equal to the total amount of payments to be made by the State during its next "Fiscal Year" (being the period from July 1 to the ensuing June 30) under the terms of any lease purchase agreement entered into pursuant to the Act less the amount of any Matching Moneys and certain federal moneys to be received for the purpose of making the payments.

Prospective investors should closely review the financial and other information included in this Official Statement regarding the State, including the Assistance Fund and the State General Fund, to evaluate any risks of nonappropriation by the General Assembly. See "STATE FINANCIAL INFORMATION," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," "APPENDIX A – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017," "APPENDIX E – THE STATE GENERAL FUND," "APPENDIX F – OSPB SEPTEMBER 2018 REVENUE FORECAST," "APPENDIX G – PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND," "APPENDIX H – LEASED PROPERTY RELATING TO THE PRIOR CERTIFICATES" and "APPENDIX J – STATE PENSION SYSTEM."

Purposes of the Series 2018N Certificates

Proceeds from the sale of the Series 2018N Certificates will be used to finance the costs of the Series 2018N Projects for the Series 2018N Participating K-12 Institutions, as more fully described in "Series 2018N Participating K-12 Institutions" under this caption and "PLAN OF FINANCING – The Series 2018N Projects and Series 2018N Participating K-12 Institutions." Proceeds of the Series 2018N Certificates will also be used to fund a deposit to the State Public Financing Cash Fund and to pay the costs of issuance associated with the Series 2018N Certificates. See "PLAN OF FINANCING – Sources and Uses of Funds" for a description of the estimated uses of proceeds of the Series 2018N Certificates.

Series 2018N Participating K-12 Institutions

Proceeds of the Series 2018N Certificates are expected to be used to fund the Series 2018N Projects for the benefit of the following entities in Colorado (collectively, the "Series 2018N Participating K-12 Institutions"): (1) Adams County 14; (2) Buena Vista R-31; (3) Canon City RE-1; (4) Hayden RE-1; (5) Kit Carson R-1; (6) Mapleton 1; (7) Swallows Charter Academy; and (8) Wray RD-2. See "PLAN OF FINANCING – The Series 2018N Projects and Series 2018N Participating K-12 Institutions."

Series 2018N Projects

The Series 2018N Projects involve various capital projects for the Series 2018N Participating K-12 Institutions approved in the 2018 State Approval, at certain funding levels. In accordance with the terms of the 2018N Subleases between the State and the Series 2018N Participating K-12 Institutions, each of the Series 2018N Participating K-12 Institutions agrees to construct the respective projects, and in accordance with the 2018N Lease, the State has agreed to cause the projects of the Series 2018N Participating K-12 Institutions that will execute and deliver 2018N Subleases to be constructed by causing such Series 2018N Participating K-12 Institution to comply with its related 2018N Sublease, but no failure of the related Series 2018N Participating K-12 Institution to comply with the relevant provisions of its 2018N Sublease will relieve the State of its obligation to cause the facilities to be constructed. See "PLAN OF FINANCING – The Series 2018N Projects and Series 2018N Participating K-12 Institutions" for further information about the Series 2018N Projects. Projects other than the Series 2018N Projects have been funded with the proceeds of the Prior Certificates and other projects may be funded with proceeds of additional Series of Certificates executed and delivered under the Master Indenture relating to a separate Lease or an amendment to the 2018N Lease or a Prior Lease. However, such additional Series of Certificates will require further authorization by the Colorado General Assembly if the aggregate Base Rent payable under the 2018N Lease, the Prior Leases and the additional Lease or an amendment to the 2018N Lease or a Prior Lease relating to such additional Series of Certificates would exceed the maximum aggregate annual lease payment permitted by the Act. It is possible that after the 2018N Certificates are executed and delivered, the currently imposed annual lease payment limits would allow funding of a few future projects through the execution and delivery of additional Series of Certificates without further authorization by the Colorado General Assembly. See "Terms of the Series 2018N Certificates – Additional Series of Certificates" under this caption and "PLAN OF FINANCING – The Program."

Terms of the Series 2018N Certificates

General Provisions. The Series 2018N Certificates will be dated as of the Closing Date and will mature on the dates and in the principal amounts set forth on the inside front cover of this Official Statement, subject to optional, mandatory and extraordinary redemption prior to their stated maturity dates as described in "THE SERIES 2018N CERTIFICATES – Redemption Prior to Maturity."

The Series 2018N Certificates will bear interest, at the rates per annum (calculated on the basis of a 360 day year of twelve 30 day months) set forth on the inside front cover of this Official Statement, from the Closing Date to their maturity or prior redemption dates and will be payable semiannually on each March 15 and September 15, commencing March 15, 2019.

Book-Entry Only Registration. The Series 2018N Certificates will be delivered in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will serve as securities depository for the Series 2018N Certificates. Ownership interests in the Series 2018N Certificates ("Beneficial Ownership Interests"), in non-certificated book-entry only form, may be purchased in denominations of $5,000 and integral multiples thereof by or through participants in the DTC system ("DTC Participants"). Beneficial Ownership Interests will be recorded in the name of the purchasers thereof ("Beneficial Owners") on the books of the DTC Participants from whom they are acquired, and will be governed as to payment, prior redemption, transfers, the receipt of notices and other communications with respect to the Series 2018N Certificates and various other matters by the rules and operating procedures applicable to the DTC book entry system as described in "THE SERIES 2018N CERTIFICATES – DTC Book-Entry System" and "APPENDIX K – DTC BOOK-ENTRY SYSTEM." References herein to the registered owners of the Series 2018N Certificates (the "Owners") mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

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

For a more complete description of the general provisions of the Series 2018N Certificates, see "THE SERIES 2018N CERTIFICATES" and the forms of the Master Indenture and the 2018N Supplemental Indenture appended to this Official Statement.

Security and Sources of Payment

The Series 2018N Certificates are secured on a parity basis with all other Series of Certificates executed and delivered pursuant to the Indenture, all of which evidence undivided interests in the right

to receive the Lease Revenues, and are payable solely from the Trust Estate under the Indenture without preference, priority or distinction of any Certificate over any other Certificate. The Certificates, including the Series 2018N Certificates, are payable solely from annually appropriated Base Rent (generally an amount equal to the principal of and interest due on the outstanding Certificates) received by the Trustee pursuant to the Leases, other Lease Revenues received by the Trustee pursuant to the Leases and other moneys in the Trust Estate in accordance with the terms of the Indenture. See generally "SECURITY AND SOURCES OF PAYMENT." The Leases provide that the obligation of the State to pay Base Rent and Additional Rent during the Lease Term is, subject only to the other terms of the Leases, absolute and unconditional and is not to 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 is to pay all Rent when due during the Lease Term. The State is not to withhold any Rent payable during the Lease Term pending final resolution of such dispute and may not assert any right of set-off or counter-claim 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. No action or inaction on the part of the Trustee will affect the State's obligation to pay Rent during the Lease Term.

An Event of Nonappropriation under the Leases will be deemed to have occurred, subject to the State's right to cure described below, on June 30 of any Fiscal Year if the General Assembly has 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 ensuing Fiscal Year; provided, however, that an Event of Nonappropriation will not be deemed to occur if, on or before August 15 of the ensuing Fiscal Year, (i) the General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or authorization.

Upon the occurrence of an Event of Nonappropriation, the Trustee may exercise any of the remedies described in the Leases, including the sale or lease of the Trustee's interest in the Leased Property, subject to the purchase option of the Participating K-12 Institutions (and, in the case of charter schools, the chartering entity) under the respective Subleases. Each such Participating K-12 Institution (and, in the case of charter schools, the chartering entity) has the right under its respective Sublease to purchase all of the Leased Property subject to such Sublease following the occurrence of an Event of Default or Event of Nonappropriation under the related Lease by paying an amount equal to the principal amount of the Attributable Certificates (as defined in in Section 9.01 of the form of the 2018N Subleases appended to this Official Statement) through the closing date for the purchase of such Leased Property, and paying all Additional Rent payable through the date of conveyance of such Leased Property. The net proceeds from the exercise of such remedies are to be applied toward the payment of the Certificates under the Master Indenture, including the Series 2018N Certificates as described in the form of Master Indenture appended to this Official Statement. There can be no assurance that the Participating K-12 Institutions will exercise their right to purchase the Leased Property or that such proceeds will be sufficient to pay all of the principal due on the Series 2018N Certificates.

The State has the option to terminate a Lease and release the related Leased Property from the Indenture in connection with the defeasance of the related Certificates by paying the State's Purchase Option Price applicable to such Lease, and may also substitute other property for any portion of the Leased Property, as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – *State's Purchase Option – Substitution of Leased Property*."

Payment of Rent and all other payments by the State constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the General Assembly to the Assistance Fund from any legally available sources, including the State General Fund, if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under the Leases are 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 Leases are subject to appropriation by the General Assembly in its sole discretion, are not to 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 do 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 a Lease, the sole security available to the Trustee, as lessor under the Lease, is the Leased Property leased under such Lease, subject to the terms of the Lease.

Additional Certificates

The Master Indenture permits the execution and delivery of Series of Certificates in addition to the Series 2018N Certificates and the Prior Certificates, and which will be secured by the Trust Estate on parity with the Series 2018N Certificates and the Prior Certificates, without notice to or approval of the Owners of the Outstanding Series 2018N Certificates or Prior 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 – Additional Series of Certificates." If any additional Certificates are executed and delivered, either an additional Lease must be entered into by the State, or one or more existing Leases must be amended, as applicable, to include as Leased Property any additional property that may be leased by the State in connection with the execution and delivery of such additional Certificates. It is anticipated that after the 2018N Certificates are executed and delivered, the currently imposed annual lease payment limits would allow funding of future Projects through the execution and delivery of additional Series of Certificates. See also "PLAN OF FINANCING – The Program."

Certain Risks to Owners of the Series 2018N Certificates

Certain factors described in this Official Statement could affect the payment of Base Rent under the Leases, the value of the Leased Property and the market price of the Series 2018N Certificates to an extent that cannot be determined at this time. Each prospective investor should read the Official Statement in its entirety to make an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."

Legal Matters

Kutak Rock LLP, Denver, Colorado, is serving as bond counsel ("Bond Counsel") in connection with the execution and delivery of the Series 2018N Certificates and will deliver its opinion substantially in the form included in this Official Statement as "APPENDIX D – FORM OF OPINION OF BOND COUNSEL." Certain legal matters will be passed upon for the State by the Attorney General of the State and by Sherman & Howard, L.L.C., Denver, Colorado, as Special Counsel to the State in connection with the preparation of this Official Statement. Stradling Yocca Carlson & Rauth, Denver, Colorado, has acted as counsel to the Underwriters in connection with the execution and delivery of the Series 2018N Certificates.

Tax Matters

In the opinion of Kutak Rock LLP, Bond Counsel, 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 paid by the State which is designated and paid as interest on the Series 2018N Certificates (including any original issue discount properly allocable to the owner of a Series 2018N Certificate) 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. Under existing Colorado statutes, the interest received by the Owners of the Series 2018N Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases is exempt from State of Colorado income tax. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of Series 2018N Certificates. See "TAX MATTERS" herein.

Availability of Continuing Information

Upon delivery of the Series 2018N Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2018N Certificates, to file such ongoing information regarding the State as described in "CONTINUING DISCLOSURE" herein. A form of the Continuing Disclosure Undertaking is attached hereto as Appendix C.

State Economic and Demographic Information

This Official Statement contains economic and demographic information about the State prepared and compiled in June 2018 by Development Research Partners for use by the State. See "APPENDIX I – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION."

Development Research Partners has consented to the inclusion of such information in this Official Statement. Neither the State nor the Underwriters intends to assume responsibility for the accuracy, completeness or fairness of such information. The information in such Appendix has been included in this Official Statement in reliance upon the authority of Development Research Partners as experts in the preparation of economic and demographic analyses. Potential investors should read Appendix I 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 statues, 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 Act) may be obtained during the offering period, upon request to the Underwriters at RBC Capital Markets, LLC, as Representative of the Underwriters, 1801 California Street, Suite 3850, Denver, Colorado 80202, Attention: Dan O'Connell, telephone number: (303) 595-1222.

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 Series 2018N Participating K-12 Institutions and the purchasers or holders of any of the Series 2018N Certificates.

PLAN OF FINANCING

The Program

The Series 2018N Certificates are being delivered under authority granted by the Act and pursuant to the Indenture. The Act creates the Assistance Fund and authorizes the State Treasurer to enter into Leases for Projects approved by the State, provided that the maximum total amount of annual lease payments payable by the State during any Fiscal Year under the Leases is less than the maximum total amount of annual lease payments set forth in the Act for the applicable Fiscal Year (the "Maximum Annual Lease Payments"), currently $100 million for Fiscal Years 2018-19 and thereafter. If the maximum total amount of annual lease payments of principal or interest payable by the State during any Fiscal Year under the Leases is greater than one-half of the Maximum Annual Lease Payments for the applicable Fiscal Year, the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to the Act and any interest or income derived from the deposit and investment of the Matching Moneys must be at least equal to the annual amount of lease payments of principal and interest payable by the State during any Fiscal Year under the Leases that exceeds one-half of the Maximum Annual Lease Payments applicable to such Fiscal Year. See "APPENDIX G – PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND – Matching Moneys." For example, if the total amount of annual lease payments payable by the State in Fiscal Year 2018-19 was $60 million, the State would need to expect at the time that it enters into a Lease that at least $10 million in aggregate Matching Moneys would be credited to the Assistance Fund in Fiscal Year 2018-19.

For purposes of complying with the limitations on Maximum Annual Lease Payments, the "Colorado Recovery and Reinvestment Finance Act of 2009," codified as Section 11-59.7-105(4), C.R.S. (the "CRRFA"), permits the Base Rent due under the Leases to be netted against, and reduced by, certain federal moneys to be received for the purpose of making such payments ("Federal Direct Payments"). Federal Direct Payments are expected to be received by the Trustee on behalf of the State pursuant to the Indenture in connection with the Series 2010D Certificates as a result of their designation as "Qualified School Construction Bonds" for purposes of the Internal Revenue Code of 1986, as amended (the "Tax Code"). See also "SECURITY AND SOURCES OF PAYMENT – Federal Direct Payments."

The annual lease payments due under the Leases and payable by the State in any Fiscal Year during the term of such Leases, net of the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to the Act and any interest or income derived from the deposit and investment of the Matching Moneys and net of the Federal Direct Payments expected to be received by the Trustee on behalf of the State pursuant to the Indenture, are expected to be less than one-half of the Maximum Annual Lease Payments for Fiscal Year 2018-19 and thereafter. For this purpose, the impact of sequestration on Federal Direct Payments in Fiscal Year 2018-19 has been taken into account by reducing the amount of Federal Direct Payments expected to be credited to the Assistance Fund by the 6.2% sequestration reduction percentage. See "BASE RENT AND SERIES 2018N CERTIFICATES PAYMENT SCHEDULE" and "SECURITY AND SOURCES OF PAYMENT – Federal Direct Payments."

The General Assembly has established the Program in order to implement the Act. See "INTRODUCTION – The Program." Each Series of Certificates evidences undivided interests in the right to receive certain payments by the State under the Leases. The following table sets forth the aggregate principal amount of Certificates to be outstanding after the execution and delivery of the Series 2018N Certificates.

Certificates to be Outstanding upon the Execution and Delivery of the Series 2018N Certificates

Series	Principal Amount Outstanding
Prior Certificates	
Series 2009A Certificates[1]	$ 87,145,000
Series 2010D Certificates[1]	95,690,000
Series 2012H Certificates	178,350,000
Series 2013I Certificates	84,610,000
Series 2017J Certificates	156,305,000
Series 2017K Certificates	100,040,000
Series 2018L Certificates	75,290,000
Series 2018M Certificates	93,535,000
	870,965,000
Series 2018N Certificates	$240,425,000
Total Certificates	$1,111,390,000

The Master Indenture permits the execution of additional Leases, and the execution and delivery of additional Series of Certificates under the Master Indenture on a parity basis, in order to fund additional Projects under the Program. See "INTRODUCTION – Authorization – *The Program*" and "SECURITY AND SOURCES OF PAYMENT – Additional Series of Certificates." The State could also choose to fund future projects under the Program with the proceeds of certificates of participation that are not executed and delivered pursuant to the Master Indenture, in which case the related leased property would not secure the Certificates. The execution by the State of future Leases or an amendment to a Lease for additional Projects would require authorization by the State and additional authorization from the General Assembly to the extent that Rent under the existing Leases and such additional Leases would exceed the annual lease payment limit described above. It is possible that after the Series 2018N Certificates are executed and delivered, the currently imposed annual lease payment limits would permit the funding of a few future Projects through the execution and delivery of additional Series of Certificates.

[1] The Series 2009A Certificates and Series 2010D Certificates are not subject to redemption prior to their respective maturity dates. However, the Trustee is required under the Master Indenture to deposit into the respective Sinking Fund Accounts established within the Certificate Fund for the Series 2009A Certificates and the Series 2010D Certificates that portion of each payment of Base Rent by the State which is designated and paid as the related Sinking Fund Principal under the related Lease, which amounts are to be applied to the payment of the principal amount of the related Certificates at maturity. Amounts of $51,997,394 and $39,702,135 have been deposited in the Sinking Fund Accounts for the Series 2009A Certificates and 2010D Certificates, respectively.

Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Series 2018N Certificates are set forth below:

Sources of Funds:	
Par amount of the Series 2018N Certificates	$240,425,000
Original issue premium/discount	12,455,962
	$252,880,962
Uses of Funds:	
Deposit to the Series 2018N Project Account of Capital Construction Fund[1]	251,036,274
Costs of issuance, including Underwriters' discount[2]	1,844,688
	$252,880,962

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[1] In addition to the project amounts generated from the sale of the Series 2018N Certificates, the State will be depositing $15,711,467 and $7,911,972 in this Fund from unused proceeds from the Series 2017J Certificates and matching money cash, respectively.

[2] This amount (other than the Underwriters' discount) will be deposited to the Costs of Issuance Account of the Capital Construction Fund and used to pay costs of issuance, including legal fees, rating agencies fees, printing costs and municipal advisors' fees. For information concerning the Underwriters' discount, see "UNDERWRITING."

The Series 2018N Projects and Series 2018N Participating K-12 Institutions

The following table describes the Series 2018N Participating K-12 Institutions and Series 2018N Projects expected to be funded with proceeds of the Series 2018N Certificates, moneys in the Assistance Fund in an amount equal to Matching Moneys to be deposited therein when received from such Series 2018N Participating K-12 Institution and total cost of the related Series 2018N Project.

Series 2018N Projects and Series 2018N Participating K-12 Institutions

Series 2018N Participating K-12 Institution	Series 2018N Project Description	Matching Moneys[1]	Total Project Cost
Adams County 14	New PK-5 Elementary School Replacement 76,280 SF w/38 classrooms	$14,229,407	$33,879,541
Buena Vista R-31	New Middle School and High School and Gym and Building Renovation 134,128 SF w/47 classrooms	29,500,078	50,862,204
Canon City RE-1	New Elementary School 46,994 SF w/15 classrooms	6,199,032	22,632,466
Hayden RE-1	New Middle School and High School plus renovation of Elementary School 136,962 SF w/38 classrooms	22,296,400	61,175,897
Kit Carson R-1	New PK-12 School 48,000 SF w/18 classrooms	8,048,784	32,360,362
Mapleton 1	New 4-8 School 45,980 SF w/20 classrooms	8,238,181	19,158,561
Swallows Charter Academy	Addition to K-12 School 45,755 SF w/27 classrooms	411,894	20,092,390
Wray RD-2	Construct New Middle School as addition to existing Elementary School and High School 150,800 SF w/54 classrooms	15,524,231	34,498,292
Total		$104,448,007	$274,659,635

[1] The respective amounts shown on this chart as Matching Moneys are required to be funded as described in Appendix G hereto by the related Series 2018N Participating K-12 Institution and are to be deposited into the Assistance Fund when received. See the form of 2018N Sublease "–Costs of Sublessee's Project" in Appendix B attached hereto. **Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2018N Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts, together with other amounts on deposit in the Assistance Fund, are available to be appropriated by the Colorado General Assembly to pay principal and interest on the Series 2018N Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects or projects that are not financed with Certificates. See Appendix G for a description of the Assistance Fund.**

Under the 2018N Subleases, the Series 2018N Participating K-12 Institutions will agree to construct and use the respective Series 2018N Projects in a manner which satisfies the restrictions of the Tax Code and the Act. In accordance with the terms of the 2018N Subleases between the State and the Series 2018N Participating K-12 Institutions, each of the Series 2018N Participating K-12 Institutions agrees to construct the respective facilities. In accordance with the 2018N Lease, the State has agreed to cause such Projects to be constructed by causing a Series 2018N Participating K-12 Institution to comply with its related 2018N Sublease, but no failure of the related Series 2018N Participating K-12 Institution to comply with the relevant provisions of its 2018N Sublease will relieve the State of its obligation to cause the facilities to be constructed. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property – The 2018N Subleases and Matching Moneys" and "CERTAIN RISK FACTORS – Actions under the 2018N Subleases."

THE SERIES 2018N CERTIFICATES

The following is a summary of certain provisions of the Series 2018N Certificates during such time as the Series 2018N Certificates are subject to the DTC book-entry system. Reference is hereby made to the Master Indenture and the 2018N Supplemental Indenture, the forms of which are appended to this Official Statement, for the detailed provisions pertaining to the Series 2018N Certificates, including provisions applicable in the event of the discontinuance of participation in the DTC book-entry system.

Generally

The Series 2018N Certificates are being executed and delivered under authority granted by the laws of the State, including specifically the Act, and pursuant to the Indenture.

The 2018N Certificates will be dated the Closing Date, will mature on the dates and in the principal amounts set forth on the inside front cover of this Official Statement and will be subject to optional, mandatory and extraordinary redemption prior to maturity as described in "Redemption Prior to Maturity" in this section.

Interest on the Series 2018N Certificates, at the rates per annum (calculated on the basis of a 360 day year of twelve 30 day months) set forth on the inside front cover of this Official Statement, will accrue from the Closing Date through the maturity or prior redemption dates of the Series 2018N Certificates and will be payable semiannually on each March 15 and September 15, commencing March 15, 2019.

DTC Book-Entry System

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

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

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

Redemption Prior to Maturity

Extraordinary Redemption upon the Occurrence of an Event of Nonappropriation or an Event of Default. The Series 2018N Certificates and all other outstanding Certificates are subject to redemption in whole, on such date as the Trustee may determine to be in the best interest of the Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Leases, at a redemption price equal to the lesser of: (i) the principal amount of the Series 2018N Certificates and all other outstanding Certificates (with no premium) plus accrued interest, if any, to the redemption date, or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Leases with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under any Lease that gave rise to such redemption, and (B) the other amounts available in the Trust Estate for payment of the redemption price of the Series 2018N Certificates and all other outstanding Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, which amounts are to be allocated among the Series 2018N Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease in proportion to the principal amount of each such Certificate, provided that available moneys in any Sinking Fund Account for each Series of Qualified School Construction Certificates are to be allocated only among Certificates with the same Series designation as such Sinking Fund Account. **The payment of such redemption price of any Certificate pursuant to the related supplemental indenture will be deemed to be the payment in full of such Certificate, and no Owner of any Certificate redeemed pursuant to this redemption provision will have any right to any payment from the Trustee or the State in excess of such redemption price.**

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

Optional Redemption of the Series 2018N Certificates. The Series 2018N Certificates are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations from the remaining maturities bearing interest at the same rates designated by the State and by lot within any remaining maturity bearing interest at the same rate designated for redemption, on any date on and after

March 15, 2028, at a redemption price equal to the principal amount of the Series 2018N Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2018N Certificates maturing on March 15, 2043 are subject to mandatory sinking fund redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2018N Certificates maturing on March 15, 2043 shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2018N Certificates maturing on such date, rounded to the nearest Authorized Denomination.

Mandatory Sinking Fund Redemption Date (March 15)	Principal Amount
2040	$20,465,000
2041	21,285,000
2042	22,140,000
2043*	44,995,000

* 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) deliver to the Trustee for cancellation any Series 2018N Certificates with the same maturity date as the Series 2018N Certificates subject to such mandatory sinking fund redemption and (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for any Series 2018N Certificates with the same maturity date as the Series 2018N Certificates subject to such mandatory sinking fund redemption which prior to such date have been redeemed (otherwise than by mandatory sinking fund redemption) and cancelled and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Series 2018N Certificate so delivered or previously redeemed shall be credited at the principal amount thereof to the mandatory sinking fund redemption obligation on the mandatory sinking fund redemption dates by lot, and the principal amount of Series 2018N Certificates to be redeemed as part of such mandatory sinking fund redemption on such dates shall be accordingly reduced.

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, is to 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 has 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 is required to apply funds to the payment of the Series 2018N Certificates called for redemption. The Trustee is required to pay to the Owners of Series 2018N Certificates so redeemed (initially Cede & Co.) the amounts due on the Series 2018N Certificates at the Operation Center of the Trustee upon presentation and surrender of the Series 2018N Certificates.

BASE RENT AND SERIES 2018N CERTIFICATES PAYMENT SCHEDULE

The following table sets forth the State's Base Rent obligations in connection with the 2018N Lease (which also constitutes the payment schedule for the Series 2018N Certificates), as well as the State's aggregate Base Rent obligations in connection with the other Leases to be outstanding following the execution and delivery of the Series 2018N Certificates, assuming that all Leases are renewed by the State for the full Lease Term and that there is no prior redemption or defeasance of Certificates other than mandatory sinking fund redemptions.

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

Fiscal Year (June 30)	Base Rent Series 2018N Certificates Principal Component[1]	Base Rent Series 2018N Certificates Interest Component[1]	Prior Certificates Total Base Rent	Less Anticipated Federal Direct Payments[2]	Total Net Base Rent for All Certificates
2019	$4,310,000	$2,909,129	$71,783,159	($6,690,258)	$72,312,031
2020	2,360,000	10,406,250	66,344,725	(4,846,890)	74,264,085
2021	2,390,000	10,311,850	66,344,525	(4,846,890)	74,199,485
2022	2,485,000	10,216,250	66,340,175	(4,846,890)	74,194,535
2023	2,600,000	10,092,000	66,329,925	(4,846,890)	74,175,035
2024	2,725,000	9,962,000	66,324,100	(4,846,890)	74,164,210
2025	2,860,000	9,825,750	66,313,550	(4,846,890)	74,152,410
2026	2,995,000	9,682,750	66,306,950	(4,846,890)	74,137,810
2027	3,130,000	9,533,000	66,304,000	(4,846,890)	74,120,110
2028	3,285,000	9,376,000	66,292,450	(4,846,890)	74,107,060
2029	3,385,000	9,212,250	61,495,013	--	74,092,263
2030	3,545,000	9,043,000	61,492,063	--	74,080,063
2031	3,370,000	8,865,750	58,964,713	--	71,200,463
2032	3,055,000	8,697,250	54,899,663	--	66,651,913
2033	3,205,000	8,544,500	52,630,763	--	64,380,263
2034	3,365,000	8,384,250	48,283,838	--	60,033,088
2035	3,525,000	8,216,000	46,027,938	--	57,768,938
2036	3,695,000	8,039,750	46,023,225	--	57,757,975
2037	23,875,000	7,855,000	26,023,788	--	57,753,788
2038	25,065,000	6,661,250	26,020,038	--	57,746,288
2039	26,315,000	5,408,000	21,975,075	--	53,698,075
2040	20,465,000	4,355,400	21,974,650	--	46,795,050
2041	21,285,000	3,536,800	21,975,063	--	46,796,863
2042	22,140,000	2,685,400	21,974,213	--	46,799,613
2043	44,995,000	1,799,800	--	--	46,794,800
	$240,425,000	$193,619,879	$1,238,443,595	($50,312,266)	$1,622,176,207

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

2 Represents amount of expected Federal Direct Payments on the Series 2010D Certificates. Although the ongoing existence or level of Federal Direct Payments reductions is not possible to forecast, an assumed 6.2% reduction is reflected in this table based on the current 6.2% sequestration reduction percentage. See "SECURITY AND SOURCES OF PAYMENT – Payments by the State – Federal Direct Payments" and "CERTAIN RISK FACTORS – Federal Direct Payments" for a discussion of Federal Direct Payments and the potential effect of sequestration. The State has covenanted in the 2010D-F Lease to request the Federal Direct Payments from the United States Treasury, and the Trustee in such Lease has agreed to assist the State in doing so.

Source: Municipal Advisor.

SECURITY AND SOURCES OF PAYMENT

Payments by the State

The Series 2018N Certificates evidence undivided interests in the right to receive Lease Revenues pursuant to the Leases on a parity basis with all other Certificates outstanding from time to time. The Certificates are payable solely from the Trust Estate without preference, priority or distinction of any Certificate over any other Certificate. The Lease Revenues include: (i) the Base Rent; (ii) Federal Direct Payments; (iii) the State's Purchase Option Price (as defined in "The Leased Property – *State's Purchase Option*" hereafter in this section), if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease); (iv) earnings on moneys on deposit in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (v) any other moneys to which the Trustee may be entitled for the benefit of the Owners. All payment obligations of the State under each 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 Leases 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 may 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 Leases 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.

As more fully described under the captions "CERTAIN RISK FACTORS" and in the forms of the 2018N Lease appended to this Official Statement, following an Event of Nonappropriation, the Lease Term of a Lease will terminate on June 30 of any Fiscal Year in which the Event of Nonappropriation occurs.

Under the Act, Base Rent and Additional Rent must be paid from the amounts on deposit in the Assistance Fund, which is established by the Act and provides for the deposit thereto of certain revenues as described in "APPENDIX G – PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND." The Act also permits the General Assembly to appropriate or transfer moneys to the Assistance Fund from any legally available source, including the State General Fund, if the amounts in the Assistance Fund are insufficient to cover the full amount of Rent required by the Leases. Any such amounts in the Assistance Fund may be used only to pay Base Rent and Additional Rent if specifically appropriated by the General Assembly for that purpose. The State is not obligated to appropriate such revenues to the Assistance Fund, or to appropriate any other State moneys to be transferred to the Assistance Fund, for purposes of paying Base Rent or Additional Rent under the Leases. In addition, amounts on deposit in the Assistance Fund are not restricted to the payment of the Certificates and may be used for any purpose permitted by the Act, including, without limitation, defraying the cost of Projects. See "STATE FINANCIAL INFORMATION," "APPENDIX E – THE STATE GENERAL FUND" and "APPENDIX G – PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND."

PAYMENT OF RENT AND ALL OTHER PAYMENTS BY THE STATE CONSTITUTE CURRENTLY APPROPRIATED EXPENDITURES OF THE STATE AND MAY BE PAID SOLELY FROM LEGALLY AVAILABLE MONEYS IN THE ASSISTANCE FUND, INCLUDING ANY MONEYS APPROPRIATED OR TRANSFERRED BY THE GENERAL ASSEMBLY TO THE ASSISTANCE FUND FROM ANY LEGALLY AVAILABLE SOURCE, INCLUDING THE STATE GENERAL FUND, IF THE AMOUNT OF MONEY IN THE ASSISTANCE FUND THAT IS

AVAILABLE TO PAY RENT WILL BE INSUFFICIENT TO COVER THE FULL AMOUNT OF RENT. ALL OBLIGATIONS OF THE STATE UNDER THE LEASES ARE 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 LEASES 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 ANY LEASE, THE SOLE SECURITY AVAILABLE TO THE TRUSTEE, AS LESSOR UNDER THE LEASES, IS THE LEASED PROPERTY LEASED UNDER THE LEASES, SUBJECT TO THE TERMS OF THE LEASES. THE STATE'S OBLIGATIONS UNDER THE LEASES ARE SUBJECT TO THE STATE'S ANNUAL RIGHT TO TERMINATE THE LEASES UPON THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION. SEE "CERTAIN RISK FACTORS."

Lease Term

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

Upon termination of the Lease Term, all unaccrued obligations of the State under the Lease 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 (i) the State is required to vacate the Leased Property within 90 days; and (ii) 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 (i), the State is obligated to pay Base Rent to the Trustee and Additional Rent to the Persons entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee is entitled to exercise certain remedies with respect to the Leased Property as further described in the forms of the 2018N Lease, 2018N Site Lease, the 2018N Sublease, the Master Indenture and the 2018N Supplemental Indenture and the 2018M Supplemental Indenture appended to this Official Statement.

Nonrenewal of the Lease Term

The State is not permitted to renew the Leases or any of them (including the 2018N Lease with respect to less than all of the Leased Property. Accordingly, a decision to not renew a Lease would mean the loss of the use by the State of all of the Leased Property (including the 2018N Leased Property). Upon a nonrenewal of the Lease Term by reason of an Event of Nonappropriation or an Event of Default, and so long as the State has not exercised its purchase option with respect to all the related Leased Property as described in "The Leased Property – *State's Purchase Option*" hereafter in this section, or any Participating K-12 Institution has not exercised the purchase option of its portion of the related Leased Property as described in "The Leased Property – *Sublessee's Purchase Option*" hereafter in this section, the State and such related Participating K-12 Institutions (and, in the case of charter schools, the chartering entities) not exercising the purchase option 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 and may exercise any other remedies available upon default as provided in the Leases, including the sale of or lease of the Trustee's interest under the Site Leases. See "CERTAIN RISK FACTORS" and the forms of the 2018N Site Lease, the 2018N Lease, the 2018N Sublease, the Master Indenture and the 2018N Supplemental Indenture appended to this Official Statement.

The Leases place certain limitations on the availability of money damages against the State as a remedy in an Event of Default or an Event of Nonappropriation. For example, the Leases provide that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the related Lease and only as to certain liabilities as described in the Leases. All property, funds and rights acquired by the Trustee upon the nonrenewal of the Leases, along with other moneys then held by the Trustee under the Indenture (with certain exceptions and subject to certain priorities as provided in the Leases and the Indenture), are required to be used to redeem the related Certificates if and to the extent any such moneys are realized. See "CERTAIN RISK FACTORS" and the forms of the 2018N Site Lease, the 2018N Lease, the 2018N Sublease, the Master Indenture and the 2018N Supplemental Indenture appended to this Official Statement.

The Leased Property

Generally. The Leased Property consists of the property leased by the Trustee to the State pursuant to each of the Leases. As described above, the State is not permitted to renew the Leases or any of them (including the 2018N Lease) with respect to less than all of the Leased Property. Accordingly, a decision to not renew a Lease would mean the loss of the use by the State of all of the Leased Property (including the 2018N Leased Property) unless the purchase option for all of the Leased Property has been exercised by the State. See "*State's Purchase Option*" below. The State may make substitutions, or may consent to substitutions by the related Participating K-12 Institution, of the related Leased Property in accordance with the terms of the related Leases and Subleases as described in "Substitution of Leased Property" in this section. **Owners of the Series 2018N Certificates should not assume that it will be possible to foreclose upon or otherwise dispose of any Leased Property, or any portion thereof, for an amount equal to the respective principal amounts of the Certificates (including the Prior 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 Leased Property.**

In some cases, the Leased Property for a Participating K-12 Institution is comprised of leasehold interests in land and the school facilities for such Participating K-12 Institutions to be built thereon consistent with construction guidelines adopted by the Assistance Board. Under such circumstances, such Participating K-12 Institutions have covenanted to complete construction of their respective facilities within three years of the date of the related Sublease. See "APPENDIX H – LEASED PROPERTY RELATING

TO THE PRIOR CERTIFICATES" for a description of Projects constituting Leased Property, including Projects that have been cleared for occupancy and are currently in operation. In other cases, the Leased Property for a Participating K-12 Institution is comprised of existing facilities that were not financed with the Certificates.

Prior to the issuance of the Series 2018N Certificates, the State is required to certify and is expected to certify to the Trustee that the Fair Market Value of the 2018N Leased Property is at least equal to 90% of the principal amount of the Series 2018N Certificates. See "THE SERIES 20178-N CERTIFICATES – Additional Series of Certificates." The following table describes the 2018N Leased Property subject to 2018N Site Leases between the Trustee and the respective 2018N Participating K-12 Institutions as indicated on the table:

2018N Leased Property

Participating K-12 Institutions	Description of Leased Property[1]	Land	Fair Market Value[2,3]
Adams County 14	New Middle School 120,601 SF w/38 classrooms	5.484 acres	$21,143,925
Buena Vista R-31	Middle School Replacement and High School Renovation 134,128 SF w/47 classrooms	21.02 acres	53,934,824
Canon City RE-1	ACCESS Center 24,023 SF	2.64 acres	2,999,211
Hayden RE-1	New Middle School and High School plus renovation of Elementary School 136,962 SF w/38 classrooms	20.7 acres	66,854,583
Kit Carson R-1	New PK-12 School 48,000 SF w/18 classrooms	15.197 acres	32,805,342
Mapleton 1	New 4-8 School 45,980 SF w/20 classrooms	4.125 acres	17,461,511
Swallows Charter Academy	Addition to K-12 School 45,755 SF w/27 classrooms	4.11 acres	19,601,349
Wray RD-2	Construct New Middle School as addition to existing Elementary School and High School 150,800 SF w/54 classrooms	21.56 acres	31,702,588
Total			$246,503,333

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1 The 2018N Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in "Substitution of Leased Property" under this caption. In some cases, the 2018N Leased Property is comprised of existing facilities which will not be wholly or partially financed with the proceeds of the Series 2018N Certificates.

2 As defined in the Glossary included in the form of 2018N Supplemental Indenture attached as Appendix B hereto.

[Footnotes continued on following page]

[3] These amounts include, entirely or in part (in the case of renovations or additions), the valuation of existing buildings on the Leased Property based on a determination by the Colorado School District Self Insurance Pool, the Participating K-12 Institution's private carrier and the State and have not been determined or confirmed by any third party evaluation. New construction value is equal to the amount deposited to the related Project Account, Allocated Investment Earnings (as defined in the Glossary included in the form of 2018N Supplemental Indenture attached as Appendix B hereto) and amounts that may be withdrawn from the Assistance Fund to fund construction of the related Project.

The 2018N Subleases and Matching Moneys

In connection with the execution and delivery of the Series 2018N Certificates, the State and each of the Series 2018N Participating K-12 Institutions is entering into a 2018N Sublease pursuant to which each of such Series 2018N Participating K-12 Institutions, as Sublessee, will agree, in exchange for use of a portion of the 2018N Leased Property, to pay (subject to their right not to appropriate) all Additional Rent due under the 2018N Lease with respect to such portion of the 2018N Leased Property and the Series 2018N Certificates. The respective Series 2018N Participating K-12 Institution's obligations to pay such amounts under the 2018N Sublease are subject to annual appropriation by such Series 2018N Participating K-12 Institution. Pursuant to the 2018N Subleases, each of the Series 2018N Participating K-12 Institutions has agreed to maintain the respective 2018N Leased Property and to provide all insurance for such 2018N Leased Property as required by the 2018N Lease.

Certain Series 2018N Participating K-12 Institutions or their chartering entity have agreed to pay Matching Moneys to the State for credit to the Assistance Fund with respect to such Series 2018N Participating K-12 Institution's Project in the form of cash, principal of and interest on Matching Moneys Bonds or installment payments. Neither the cash nor the Matching Moneys Bonds are subject to annual appropriation by the Series 2018N Participating K-12 Institution, but Matching Moneys installment payments are subject to such annual appropriation.

The obligations and rights of a Series 2018N Participating K-12 Institution and the State with respect to the Series 2018N Participating K-12 Institution's Matching Moneys Bonds or installment payments are independent of the obligations of the Series 2018N Participating K-12 Institution, as Sublessee, and the rights of the State under the 2018N Subleases and, except as otherwise specifically provided in the related 2018N Sublease, (a) the obligations of the Series 2018N Participating K-12 Institution or its chartering entity and the rights of the State with respect to the Series 2018N Participating K-12 Institution's obligations under the Matching Moneys Bonds or installment payments will survive the termination of the 2018N Subleases, and (b) no failure to perform or other action of the State with respect to the 2018N Subleases will affect the State's rights to enforce the obligations of the Series 2018N Participating K-12 Institutions or their chartering entity to make payments under their Matching Moneys Bonds or installment payments.

Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2018N Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts, together with other amounts on deposit therein, are available to be appropriated by the State to pay principal and interest on the Series 2018N Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects.

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

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

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

Sublessee's Purchase Option. Each Sublessee has the option to purchase all, but not less than all, of the portion of the Leased Property subject to its Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the Leases. See the forms of the 2018N Site Lease, the 2018N Lease, the 2018N Sublease, the Master Indenture and the 2018N Supplemental Indenture appended to this Official Statement. A Sublessee would exercise such option by paying an amount equal to the principal amount of the Attributable Certificates through the closing date for the purchase of such Leased Property and to pay all Additional Rent payable through the date of conveyance of such Leased Property. The net proceeds from the exercise of such remedies are to be applied toward the payment of the Certificates under the Master Indenture, including the Series 2018N Certificates. In the Leases, the Trustee has agreed to notify each Sublessee of the occurrence of an Event of Default or Event of Nonappropriation under any Lease. There can be no assurance that the Sublessee will exercise its right to purchase such Leased Property or that such proceeds will be sufficient to pay all of the principal due on the related Certificates.

Substitution of Leased Property. The Sublessees are permitted by the respective Subleases to substitute other property for the respective Leased Property with the consent of the State and upon delivery of certain items, including a certification that the Fair Market Value of the substituted property is equal to or greater than the Fair Market Value of the Leased Property for which it is being substituted, a title insurance policy, a certificate regarding the useful life and essentiality of the substituted property and an opinion of Bond Counsel to the effect that such substitution is permitted under the related Lease and that such substitution will not cause the State or any sublessee to violate the State's tax covenants set forth in Section 9.04 of the related Lease or the Participating K-12 Institution's tax covenants set forth in Section 10.04 of the Sublease. See such sections in the forms of the 2018N Lease and the 2018N Sublease appended to this Official Statement. Furthermore, the State is permitted under each Lease to substitute other property for certain Leased Property so long as, following the substitution, either (i) the Fair Market Value of the substituted property determined as of the date of substitution is equal to or greater than the Fair Market Value of the Leased Property for which it is being substituted, or (ii) all of the Leased Property has a Fair Market Value at least equal to 90% of the principal amount of all Outstanding Certificates and the Trustee receives adequate title insurance documentation, a certificate as to the useful life and essentiality of the substituted property and an opinion of Bond Counsel that such substitution will not cause the State to violate its tax covenant set forth in Section 9.04 of the related Lease. The State's certification as to the value may be given based and in reliance upon certifications by the Sublessees and the certifications as to useful life and essentiality may also be provided by the Sublessees.

Insurance. The Leased Property is required to be insured by the related Participating K-12 Institutions as described in "CERTAIN RISK FACTORS – Insurance of the Leased Property," and the insurance proceeds are required to be applied by the Trustee as described in the section of the form of the Leases appended to this Official Statement under the caption "Damage, Destruction and Condemnation." Pursuant to the Subleases, the related Participating K-12 Institutions have undertaken or will undertake to provide such insurance with respect to the respective Leased Property as required by the related Leases. See the forms of the 2018N Subleases appended to this Official Statement.

Federal Direct Payments

The State elected to designate the Series 2010D Certificates as "Qualified School Construction Bonds" under Section 54F of the Tax Code and made an irrevocable election under the Tax Code so that the State would and will receive Federal Direct Payments from the United States Treasury in connection therewith.

Federal Direct Payments, to the extent received from the United States Treasury and deposited with the Trustee on behalf of the State and in accordance with the terms of the CRRFA, are netted against, and reduce, the interest portion of the gross Base Rent due each Fiscal Year from the State under the related Lease. However, the amount of Base Rent included in the annual budget proposal submitted to the General Assembly pursuant to the terms of the Leases is the gross Base Rent not reduced by the Federal Direct Payments. See "CERTAIN RISK FACTORS – Federal Direct Payments." To the extent any moneys in the Principal Account or Interest Account of the Certificate Fund are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered, such moneys are applied as a reduction of the budgeted Base Rent.

The State, like other governmental entities, is subject to developments at the federal level with respect to the Budget Control Act of 2011 ("sequestration"). The originally scheduled Federal Direct Payments were reduced by 6.9% for federal fiscal year 2017 (which ended September 30, 2017) as a result of sequestration. The originally scheduled Federal Direct Payments were reduced by 6.6% in federal fiscal year 2018 (which ended September 30, 2018) and are reduced by 6.2% in federal fiscal year 2019. Under a federal budget bill enacted in November 2015, the sequestration reduction will continue through federal fiscal year 2027. The sequestration reduction rate remains subject to change should additional laws be enacted which impact the sequester.

Additional Series of Certificates

Generally. So long as the Lease Term remains in effect and no Event of Nonappropriation or an Event of Default has occurred and is continuing, one or more additional 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. ***Each Certificate executed and delivered pursuant to the 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.***

Additional Series of Certificates may be executed and delivered only upon satisfaction of each of the following conditions:

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

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

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

(iv) The State has certified to the Trustee that: (a) the Fair Market Value of the property added to the Leased Property in connection with the execution and delivery of such Series of Certificates is at least equal to 90% of the principal amount of such Series of Certificates; and (b) no Event of Default or Event of Nonappropriation exists under any Lease. The certification of the State pursuant to clause (a) may be given based and in reliance upon certifications by the Sublessees that leased the Leased Property to the Trustee pursuant to Site Leases.

(v) 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.

(vi) 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 established for each Participating K-12 Institution, the amount, if any, of the Allocated Investment Earnings for each Project Account, the amount to be deposited into the Cost of Issuance Account and, if proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to the Master Indenture, the amount to be deposited into the defeasance escrow account established pursuant to the Master Indenture.

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

CERTAIN RISK FACTORS

The following is a discussion of certain risks and other factors to be considered in connection with a prospective investment in the Series 2018N Certificates. Prospective investors should read this Official Statement in its entirety, and fully understand and evaluate these risks and other factors, as well as the information set forth elsewhere in this Official Statement, in order to make an informed investment decision. Each prospective investor is urged to consult with its own legal, financial and tax advisors to determine whether an investment in the Series 2018N Certificates is appropriate for such prospective investor.

This section is not intended to be an exhaustive list of all risks associated with an investment in the Series 2018N Certificates, nor are the risks set forth in this section necessarily presented in order of relevance, materiality or importance.

Option to Renew the Leases Annually

The obligation of the State, as lessee, to make payments under the Leases (including the 2018N 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 Leases 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 Assistance Fund or otherwise may be available for transfer 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 be deemed to have occurred. Upon the occurrence of an Event of Nonappropriation as described above, or otherwise as provided in the Leases (including the 2018N Lease), the Lease Term of the Leases will be terminated; provided, however, that an Event of Nonappropriation will not be deemed to occur if, on or before August 15 of the ensuing Fiscal Year, (i) the General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation, and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or authorization. See the sections captioned "Event of Nonappropriation" in the forms of the 2018N Lease appended to this Official Statement.

There can be no assurance that the State will renew the Leases from Fiscal Year to Fiscal Year and therefore not terminate the Leases, and the State has no obligation to do so. There is no penalty to the State (other than loss of the use of the Leased Property for itself and, unless the purchase option under a Sublease has been exercised, the related Participating K-12 Institutions) if the State does not renew particular Leases on an annual basis and therefore terminates all of its obligations under such Leases. Various political and economic factors could lead to the failure to appropriate or budget sufficient funds to make the required payments under the Leases, and prospective investors should carefully consider any factors which may influence the budgetary process. The appropriation of funds may be affected by the continuing need of the State or the Participating K-12 Institutions for the Leased Property (including the 2018N 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 2018N Lease) is dependent upon several factors outside the State's control, such as the economy, legislative changes and federal funding. Restrictions imposed under the State Constitution on the State's revenues and spending apply to the 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 "SECURITY AND SOURCES OF PAYMENT," "STATE FINANCIAL INFORMATION," "APPENDIX E – THE STATE GENERAL FUND" and "APPENDIX G – PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND."

Payment of the principal of and interest, if any, on the Certificates (including the Series 2018N Certificates) upon the occurrence of an Event of Lease Default or an Event of Nonappropriation will be dependent upon (1) the value of the Leased Property in a liquidation proceeding instituted by the Trustee, or (2) any rental income from leasing (to others) the Leased Property. See "Effect of a Nonrenewal of the Leases" in this section.

The State is not permitted to renew any of the Leases with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease (including the 2018N Lease) would mean the loss of the use of all of the Leased Property by the State. However, each of the Participating K-12 Institutions which is a Sublessee has the right to exercise a purchase option under its respective Sublease in order to purchase and retain the right to use its portion of the Leased Property in the event that the State chooses not to appropriate and thereby terminate the Leases (including the 2018N Lease). See "SECURITY AND SOURCES OF PAYMENT – The Leased Property."

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

Effect of a Nonrenewal of a Lease

General. In the event of nonrenewal of the State's obligations under any of the Leases upon the occurrence of an Event of Nonappropriation or an Event of Default, the State is required to vacate the Leased Property under the Leases and the Sublessees are required to vacate the respective Leased Property being used under the Subleases (unless the purchase option under any Sublease has been exercised by any Participating K-12 Institution) within 90 days. The Subleases will automatically terminate upon any nonrenewal of any Lease by the State. Subject to the right of the respective Sublessees to purchase the Leased Property under the Subleases, the Trustee may proceed to lease the Leased Property or any portion thereof, including the sale of an assignment of the Trustee's interest under the Site Leases, or exercise any other remedies available to the Trustee for the benefit of the Owners and may exercise one or any combination of the remedies available upon default as provided in the Indenture and the Leases. The Leases place certain limitations on the availability of money damages against the State as a remedy. For example, the Leases provide that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the related Lease and only as to certain liabilities as described in such Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of any Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Leases and the Indenture), are required to be used to redeem the Certificates, if and to the extent any such moneys are realized. See the sections of the 2018N Lease captioned "Events of Default" and "– Remedies on Default" in the forms of such documents appended to this Official Statement and "THE SERIES 2018N CERTIFICATES – Redemption Prior to Maturity – *Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or an 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 any Lease for an amount less than the aggregate principal amount thereof and accrued interest thereon, such partial payment will be deemed to constitute a redemption in full of such Certificates pursuant to the Master Indenture and applicable series indenture; and upon such a partial payment, no owner of any Certificate (including any Series 2018N Certificate) will have any further claims for payment upon the State, the Trustee, or the Participating K-12 Institutions.

Factors Affecting the Value of the Leased Property. A potential purchaser of the Series 2018N 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, the construction of the Projects or the acquisition of the Leased Property. The valuation of the Leased Property has not been based on any independent third party appraisal or evaluation. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property." To the extent Leased Property constitutes Projects financed by Outstanding Certificates and such Projects are partially constructed, the Trustee's ability to liquidate such Leased Property may be hindered. The value of the Leased Property could also be adversely affected by the presence, or even by the alleged presence of, hazardous substances. Present or future zoning requirements, restrictive covenants or other land use regulations may also restrict use of the Leased Property. Further, a considerable amount of Leased Property is located in areas of the State with lower population and commercial densities, which could have a detrimental effect on the Trustee's efforts to liquidate such properties. The Sublessees and the State may also substitute other property for certain Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – *Substitution of Leased Property*."

As described under "SECURITY AND SOURCES OF PAYMENT – The Leased Property," the Trustee may only be able to lease certain Leased Property to a lessee that will continue to use it for educational purposes. Such restriction may limit the Trustee's ability to obtain lease revenues for Owners in the event of nonrenewal of the State's obligations under the related Lease.

Upon termination of any Lease, there is no assurance of any payment of the principal of Series 2018N Certificates by the State or the Trustee.

Payment of the principal of and interest on the Series 2018N Certificates and the Prior Certificates is paid from the State's payment of the Base Rent and other sources identified in "SECURITY AND SOURCES OF PAYMENT," which sources do not include any payments generated from the Leased Property, other than the Base Rent. The State is not permitted to renew the Leases or any of them (including the 2018N Lease) with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease would mean the loss of the use by the State of all of the Leased Property. An Event of Default or Event of Nonappropriation by a Participating K-12 Institution under its Sublease does not constitute an Event of Default or an Event of Nonappropriation under the related Lease and does not affect the State's obligation to pay Base Rent. Prospective investors should be aware that value of the Leased Property could be affected if there are design or construction defects in any of the buildings subject to a Lease.

Federal Direct Payments

Federal Direct Payments, to the extent received by the State from the United States Treasury and held by the Trustee on behalf of the State, are required under the Indenture to be deposited in the Interest Account of the Certificate Fund to net against and reduce the gross Base Rent payable by the State each Fiscal Year under the related Lease. Federal Direct Payments currently are being received in connection with the Series 2010D Certificates.

No assurances are provided that the State or the Trustee will continue to receive any Federal Direct Payments. The amount of any Federal Direct Payment is subject to legislative changes by Congress. See "SECURITY AND SOURCES OF PAYMENT – Federal Direct Payments" for a discussion of the actual and potential impact of sequestration under the 2011 Federal Budget Act on the receipt of Federal Direct Payments. Further, Federal Direct Payments will only be paid if the Series 2010D Certificates qualify as "Specified Tax Credit Bonds" within the meaning of the Recovery Act. To satisfy such qualifications, the

State and the relevant Participating K-12 Institutions must comply with certain covenants and the State and the relevant Participating K-12 Institutions must establish certain facts and expectations with respect to the Series 2010D Certificates, the use and investment of proceeds thereof and the use of property financed thereby.

There are currently no procedures for requesting a Federal Direct Payment after the 45th day prior to an interest payment date. Therefore, if the request for a Federal Direct Payment is not filed in a timely fashion, it is possible that the State will never receive such Federal Direct Payment. In addition, Federal Direct Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the State to an agency of the United States of America. The amount expected to be appropriated each year by the State for payment of Base Rent is the gross Base Rent not reduced by the Federal Direct Payments under the related Lease. See "SECURITY AND SOURCES OF PAYMENT – Federal Direct Payments."

If the Trustee leases the Leased Property to a non-governmental entity as a result of an Event of Nonappropriation or an Event of Default and the Series 2010D Certificates remain outstanding, the Federal Direct Payments will no longer be paid by the United States Treasury because the requisite qualifications will no longer be satisfied.

The IRS has implemented an examination program for obligations such as the Series 2010D Certificates that qualify for direct federal subsidies, and no assurance can be given that such Certificates will not be selected by the IRS for examination. In the event the IRS files a proposed adverse determination letter as a result of such an examination, announced IRS policy is to suspend payment of the Federal Direct Payments pending a final determination of the qualification of the Series 2010D Certificates for eligibility to receive Federal Direct Payments. Furthermore, in certain circumstances, the Federal Direct Payments may be reduced (offset) by amounts determined to be applicable under the Tax Code and regulations promulgated thereunder. For example, offsets may occur by reason of any past-due legally enforceable debt of the State to any federal agency. The amount of any such offsets is not predictable by the State.

Enforceability of Remedies

Under the Leases, the Trustee has the right to take possession of and dispose of the Leased Property upon an Event of Nonappropriation or an Event of Default. However, the enforceability of the Leases is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State. Because of the inherent police power of the State, a court in any action brought to enforce the remedy of the Trustee to take possession of the Leased Property may delay repossession for an indefinite period, even though the Lessee may be in default under a Lease. The right of the Trustee to obtain possession of the Leased Property and to sell, lease or sublease portions of the Leased Property could be delayed until appropriate alternative space is obtained by the relevant Participating K-12 Institutions. As long as the Trustee is unable to take possession of the Leased Property, it will be unable to sell or re-lease the Leased Property as permitted under the Leases and the Indenture or to redeem or pay the Series 2018N Certificates except from funds otherwise available to the Trustee under the Indenture. See also "SECURITY AND SOURCES OF PAYMENT."

Effects on the Series 2018N Certificates of a Nonrenewal Event

Bond Counsel has expressed no opinion as to the effect of any termination of the State's obligations under the 2018N Lease under certain circumstances as provided in the 2018N Lease upon the treatment for federal or State income tax purposes of any moneys received by the Owners of the Series 2018N Certificates subsequent to such termination. See "TAX MATTERS." If the 2018N Lease is terminated and the subject property is re-let to a lessee that is not a governmental entity, there is no assurance that the Series 2018N

Certificates will be transferable without registration or a transactional exemption from registration under the federal securities laws following the termination of the 2018N Lease.

Insurance of the Leased Property

The Subleases require the Participating K-12 Institutions to pay, as Additional Rent, all of the expenses with respect to casualty and property damage insurance with respect to the Leased Property subject to their respective Subleases in an amount equal to the current replacement value of the Leased Property. The Subleases also require the Participating K-12 Institutions to pay, as Additional Rent, all of the expenses with respect to public liability insurance with respect to the activities to be undertaken by the Participating K-12 Institutions in connection with the Leased Property subject to their respective Subleases and the Leases: (1) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, Section 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 Participating K-12 Institutions may be liable to third parties thereunder, and (2) for all other activities, in an amount not less than $1,000,000 per occurrence. The Leases require the State to make the same Additional Rent payments with respect to insurance but permits the State, in its discretion, to have the required insurance coverage provided by the State or the Participating K-12 Institutions and to have such required insurance provided under blanket insurance policies or through the Colorado School District's Self Insurance Program, in the case of the Colorado School for the Deaf and Blind by the State's risk management program or, with the State's consent, the Participating K-12 Institution's risk management program. See "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF INSURANCE – Self Insurance." There is no assurance that in the event the Lease is terminated as a result of damage to or destruction or condemnation of the related Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Series 2018N Certificates at a price equal to the principal amount thereof outstanding. See "THE SERIES 2018N CERTIFICATES – Redemption Prior to Maturity."

Actions under the Subleases

Although the State's payment of Rent under the Leases will not depend or be conditioned upon payment of Rent, if any, under the Subleases, certain actions by the Participating K-12 Institutions in respect of the related Leased Property or Project could have an adverse effect on the interests of the owners of the Series 2018N Certificates. For example, failure to operate or maintain the Leased Property under a related Sublease in accordance with the terms thereof could diminish the value of that Leased Property. If, for whatever reason, such Lease terminates 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 Certificate principal or to redeem the full Certificate principal, 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 a Participating K-12 Institution to obtain the casualty and property insurance policies required by the applicable Sublease could limit the principal amount of Series 2018N Certificates redeemed upon the damage or destruction of the subject Leased Property under certain circumstances. In addition, while the State expects that Certificate principal and interest will be paid from funds other than moneys derived from payments in respect of property used in a private trade or business, and also expects that the Leased Property will be used by Participating K-12 Institutions, which are governmental units, use of the Projects financed with Series 2018N Certificate proceeds by private persons or businesses, within the meaning of applicable tax law, could adversely affect the federal tax treatment of Series 2018N Certificates.

State Budgets and Revenue Forecasts

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

The State relies on revenue estimation as the basis for budgeting and establishing aggregate funds available for expenditure for its appropriation process. By statute, the Governor's Office of State Planning and Budgeting ("OSPB") is responsible for developing the General Fund revenue estimate. The most recent OSPB revenue forecast was issued on September 20, 2018 (the "OSPB September 2018 Revenue Forecast") and is included in this Official Statement. See "STATE FINANCIAL INFORMATION" and "APPENDIX F – OSPB SEPTEMBER 2018 REVENUE FORECAST." The next OSPB revenue forecast will be released in December 2018. General Fund revenue projections in the new forecast may be materially different from the OSPB September 2018 Revenue Forecast. A revenue shortfall could adversely affect the State's ability to appropriate sufficient amounts to pay Base Rent in subsequent years. If a revenue shortfall is projected for any forecasted years which would result in a budgetary shortfall, budget cuts will be necessary to ensure the balanced budget. See "APPENDIX E – THE STATE GENERAL FUND."

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

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

Control of Remedies

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

Future Changes in Laws and Future Initiatives

Various Colorado laws, including the Act, apply to the priority and allocation of rental income and royalties derived from State school lands, allocation of State lottery proceeds, 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 which would have a material effect, directly or indirectly, on the affairs of the State and its funds.

THE STATE

General Profile

Colorado became the 38th state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,315 to 14,433 feet above sea level. The current population of the State is approximately 5.5 million. The State's major economic sectors include agriculture, professional and business services, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also "APPENDIX A – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017" AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018 and "APPENDIX I – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information about the State.

Organization

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

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

STATE FINANCIAL INFORMATION

It is important for prospective investors to analyze the financial and overall status of the State, including the Assistance Fund and 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" and "CERTAIN RISK FACTORS." This section and the following section captioned "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS" have been included to provide prospective purchasers with information relating to such matters. See also "APPENDIX A – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017," AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018 "APPENDIX E – THE STATE GENERAL FUND," "APPENDIX F – OSPB SEPTEMBER 2018 REVENUE FORECAST," "APPENDIX G – PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND," "APPENDIX I – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" and "APPENDIX J – STATE PENSION SYSTEM." With the exception of the State economic and demographic information, has been provided by Development Research Partners, the information in these sections and appendices has been provided by the State.

The State Treasurer

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

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

Taxpayer's Bill of Rights

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

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

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

Thirdly, TABOR requires the State to maintain an emergency reserve equal to 3% of its fiscal year spending (the "TABOR Reserve"), which may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. The annual Long Appropriation Bill (the "Long Bill") designates the resources that constitute the TABOR Reserve, which historically have consisted of portions of various State funds plus certain State real property. The amounts of the TABOR Reserve for Fiscal Years 2018-19 and 2019-20 have been estimated in the OSPB September 2018 Revenue Forecast to be $430.8 million and $449.8 million, respectively.

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

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

Several measures were passed by the General Assembly during the 2005 legislative session in an effort to relieve State budget challenges, including statutory changes designed to mitigate the ratchet down effect of TABOR on the State's finances. One of two measures that were referred by the General Assembly to a statewide vote in November of 2005, designated "Referendum C," was approved by State voters and thereafter codified as Sections 24-77-103.6 and 106.5, C.R.S. The immediate impact of Referendum C was to preclude any ratchet down effect on the State beginning in Fiscal Years 2005-06. It also authorized the State to retain and spend any amount in excess of the TABOR limit in Fiscal Years 2005-06 through 2009-10. For Fiscal Years 2010-11 and thereafter, Referendum C created an Excess State Revenues Cap, or "ESRC," as a voter-approved revenue change under TABOR that now serves as the limit on the State's fiscal year revenue retention. The base for the ESRC was established as the highest annual State TABOR revenues received in Fiscal Years 2005-06 through 2009-10. This amount, being the revenues received in Fiscal Year 2007-08, is then adjusted for each subsequent Fiscal Year for inflation, the percentage change in State population, the qualification or disqualification of enterprises and debt service changes, each having their respective meanings under TABOR and other applicable State law.

Per Senate Bill ("SB") 17-267, the ESRC for Fiscal Year 2017-18 is to be an amount equal to (i) the ESRC for Fiscal Year 2016-17 calculated as provided above; (ii) less \$200 million. For subsequent Fiscal Years, the ESRC is to be calculated as provided above utilizing the ESRC for Fiscal Year 2017-18 as the base amount. See also "APPENDIX E – THE STATE GENERAL FUND – General Fund Overview."

SB 17-267 also: (i) replaces the Hospital Provider Fee with the Healthcare Affordability and Sustainability Fee, which fee will be exempt from TABOR as it will be collected by a new enterprise created by SB 17-267 within the Department of Health Care Policy and Financing[1]; (ii) exempts retail marijuana from the 2.9% State sales tax, which will result in less revenue subject to TABOR in Fiscal Years 2017-18 and thereafter; and (iii) extends and expands the income tax credit for business personal property taxes paid, which is projected to reduce income tax collections in Fiscal Years 2018-19 and thereafter, but will be offset in part by the distribution of a portion of the special sales tax on retail marijuana sales to the General Fund on an ongoing basis.

As a result of Referendum C, the State was able to retain the following amounts in excess of the previously applicable TABOR limit: \$1.116 billion in Fiscal Year 2005-06, \$1.308 billion in Fiscal Year 2006-07 and \$1.169 billion in Fiscal Year 2007-08. TABOR revenues did not exceed the TABOR limit in either of Fiscal Years 2008-09 or 2009-10. TABOR revenues exceeded the TABOR limit by \$0.771 billion in Fiscal Year 2010-11, \$1.473 billion in Fiscal Year 2011-12, \$1.860 billion on Fiscal Year 2012-13 and \$2.125 billion in Fiscal Year 2013-14, although no refunds were required because such revenues were below the applicable ESRC. TABOR revenues exceeded the TABOR limit by \$2.384 billion in Fiscal Year 2014-15, resulting in the State being \$169.7 million above the applicable ESRC and triggering a refund. TABOR revenues exceeded the TABOR limit by \$2.397 billion in Fiscal Year 2015-16, \$2.130 billion in Fiscal Year 2016-17 and \$2.481 billion in Fiscal Year 2017-18, resulting in the State being \$122.1 million below the ESRC in Fiscal Year 2015-16, \$436.2 million below the ESRC in Fiscal Year 2016-17 and \$16.2 billion above the ESRC in Fiscal Year 2017-18. The refund of the excess Fiscal Year 2017-18 revenue will occur through the senior homestead and disabled veterans property tax exemption expenditures in Fiscal Year 2018-19.

TABOR revenues are forecast in the OSPB September 2018 Revenue Forecast to exceed the TABOR limit by \$2.601 billion in Fiscal Year 2018-19 and \$2.715 billion in Fiscal Year 2019-20, which will result in the State being \$260.5 million above the ESRC in Fiscal Year 2018-19 and \$381.3 million above the ESRC in Fiscal Year 2019-20. This will trigger refunds in Fiscal Year 2019-20 and Fiscal Year 2020-21 of \$260.3 million and \$381.3 million, respectively. The refund of the excess Fiscal Year revenue will occur through the senior homestead and disabled veterans property tax exemption expenditures in Fiscal Year 2018-19. The refund of excess Fiscal Year 2019-20 revenue will occur through the homestead and disabled veterans property tax exemption expenditures and six-tier sales tax refund in Fiscal Year 2020-21, as discussed in the section of the OSPB September 2018 Revenue Forecast captioned "TAXPAYER'S BILL OF RIGHTS: REVENUE LIMIT."

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

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

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

Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA. At the general election held on November 3, 2015, the State's voters authorized the State to retain and spend $66.1 million in sales and excise taxes on the sale of marijuana and marijuana products ("Marijuana Taxes") authorized by Proposition AA approved by the State's voters in November of 2013 that otherwise would have been subject to a required refund to taxpayers in Fiscal Year 2015-16 pursuant to TABOR. House Bill ("HB") 15-1367, which referred the measure to the State's voters (Proposition BB), also provides for the allocation of the retained amount for public school capital construction, for various purposes such as law enforcement, youth programs and marijuana education and prevention programs and for use by the General Fund for any purpose. For more information on how these amounts are treated in the General Fund, see the discussion in "General Fund and State Education Fund Budget" in the OSPB September 2018 Revenue Forecast. SB 17-267 increased the special sales tax on retail marijuana sales from 10% to 15% effective July 1, 2017.

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

State Funds

The principal operating fund of the State is the General Fund. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special State fund are required to be credited and paid into the General Fund. The State also maintains several statutorily created special funds for which specific revenues are designated for specific purposes. See "APPENDIX E – THE STATE GENERAL FUND" and "APPENDIX F – OSPB SEPTEMBER 2018 REVENUE FORECAST."

Budget Process and Other Considerations

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

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

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

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

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

State of Colorado
Unappropriated Reserve Requirement

Fiscal Years	Unappropriated Reserve Requirement[1,2]
2011-12	4.0%
2012-13 and 2013-14	5.0
2014-15	6.5
2015-16	5.6
2016-17	6.0
2017-18	6.5
2018-19 and thereafter[3]	7.25[3]

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

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

[3] Per SB 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.

The OSPB September 2018 Revenue Forecast indicates that the State ended Fiscal Year 2017-18 with reserves of $556.3 million above the Unappropriated Reserve requirement for such Fiscal Year set forth in the foregoing table and will end Fiscal Years 2018-19 and 2019-20 with reserves of $212.7 million and $0.0 million, respectively, above the Unappropriated Reserve requirements for such Fiscal Years set forth in the foregoing table. These figures are based on revenue and budget information available when the OSPB September 2018 Revenue Forecast was completed and are subject to change in subsequent OSPB revenue forecasts based on new information on revenue and expenditures.

See also generally "APPENDIX E – THE STATE GENERAL FUND – General Fund Overview – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX F – OSPB SEPTEMBER 2018 REVENUE FORECAST."

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

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

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

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

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

Fiscal Controls and Financial Reporting

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

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

The State implemented a new integrated financial system in July 2014 and has been experiencing various issues, including the labor allocation process which continues to utilize the State's legacy payroll system. The longer time period to complete labor allocation, the first time closing in the new system and developing financial statement reports caused delays in closing the books and producing the State's financial statements. This resulted in delays in the release of the State's CAFRs for Fiscal Years 2014-15 and 2015-16 and the inability of the State to timely submit its audited financial statements for posting on EMMA as required by various continuing disclosure undertakings entered into by the State, the State Treasurer and certain State departments and agencies that utilize the State's credit. See "CONTINUING DISCLOSURE – Compliance With Other Continuing Disclosure Undertakings."

Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 1F to the financial statements in both the State's Fiscal Year 2016-17 CAFR and State Fiscal Year 2017-18 Basic Financial Statements ("BFS") appended to this Official Statement.

Basis of Presentation of Financial Results and Estimates

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

Financial Audits

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

The State's Fiscal Year 2016-17 CAFR, including the State Auditor's Opinion thereon, and the State's unaudited Fiscal Year 2017-18 BFS are appended to this Official Statement as Appendix A. The Office of the State Auditor, being the State's independent auditor, has not been engaged to perform and has not performed since the date of the State Auditor's report included herein, any procedures on the financial statements presented in the Fiscal Year 2016-17 CAFR, nor has the State Auditor performed any procedures relating to this Official Statement or the Fiscal Year 2017-18 BFS.

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 both the State's Fiscal Year 2016-17 CAFR and the State's Fiscal Year 2017-18 unaudited BFS appended to this Official Statement and "APPENDIX E – THE STATE GENERAL FUND – Investment of the State Pool."

The State General Fund

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special State fund are required to be credited and paid into the General Fund. As requested by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 CAFR and subsequent CAFRs include a large number of statutorily created special State funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. See "APPENDIX E – THE STATE GENERAL FUND" for a discussion of the General Fund.

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. Accordingly, the State currently has, and upon execution and delivery of the Series 2018N Certificates will have, no outstanding general obligation debt.

Governmental Activities. The State is authorized to and has entered into lease purchase agreements in connection with various public projects, some of which have been financed by the sale of certificates of participation in the revenues of the related lease purchase agreements. The obligations of the State to make lease payments under such agreements each Fiscal Year are contingent upon annual appropriations by the General Assembly. In addition to lease purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment, all of which contain a stipulation that continuation of the lease is subject to funding by the General Assembly. Historically, these agreements have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. In addition, these agreements generally are entered into through private negotiation with lessors, banks or other financial institutions rather than being publicly offered.

For the purpose of financing certain qualified federal aid transportation projects in the State, the Colorado Department of Transportation ("CDOT") issues transportation revenue anticipation notes which are payable solely from certain federal and State funds that are allocated on an annual basis by the State Transportation Commission, in its sole discretion. The allocated funds are expected to be comprised of highway moneys paid directly to CDOT by the U.S. Department of Transportation and appropriations of revenues from the Highway Users Tax Fund allocated by statute to CDOT.

At June 30, 2017 and June 30, 2018, the State had outstanding liabilities related to notes, bonds and certificates of participation for governmental activities totaling $1,313.5 million and $1,435.3 million (unaudited), respectively. See Notes 10, 11, 12 and 21 to both the State's Fiscal Year 2016-17 CAFR and to the Fiscal Year 2017-18 BFS appended to this Official Statement for a further discussion of such outstanding liabilities as of June 30, 2017 and June 30, 2018, as well as those incurred after June 30, 2017 and June 30, 2018, but before publication of the Fiscal Year 2016-17 CAFR and the Fiscal Year 2017-18 BFS.

SB 17-267 and SB 18-001 authorize the State, acting by and through the State Treasurer, to enter into lease purchase agreements ("LPAs") with respect to existing State facilities that are not part of the State emergency reserve for the purpose of providing funding for transportation uses ("Transportation Funding LPAs"). See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights." Such legislation provides that in Fiscal Year 2018-19, the State Treasurer is to execute Transportation Funding LPAs in an amount up to $500 million, with State-funded lease payments thereunder not to exceed $37.5 million annually. Proceeds from the Transportation Funding LPAs totaling $120 million in Fiscal Year 2018-19 are to be applied to controlled maintenance and capital construction projects, and the remaining proceeds are to be credited to the State Highway Fund. Proceeds are exempt from the TABOR limit as a property sale, and leases must be subject to annual renewal by annual appropriation by the General Assembly so as not to constitute multiple fiscal year direct or indirect financial obligations requiring voter approval under TABOR. The legislation also provides for the potential execution of additional Transportation Funding LPAs in Fiscal Years 2019-20 through 2021-22 in amounts up to $500 million annually, with a limitation on the State's obligation for lease payments on all Transportation Funding LPAs, including those entered into in Fiscal Year 2018-19, of $150 million annually or $3 billion over 20 years. The authorization of the additional Transportation Funding LPAs is conditional and depends upon a referred ballot measure provided for in SB 18-001 which would authorize the State to issue transportation revenue anticipation notes and which will be submitted to the State's voters at the November 2019 general election. The State entered into Transportation Funding LPAs in calendar year 2018 in the maximum authorized amount, and sold certificates of participation in the revenues to be derived from these Transportation Funding LPAs for the purposes described above.

Business-Type Activities. State departments and agencies, including State institutions of higher education, are also authorized to and have entered into annually renewable lease purchase agreements, and to issue revenue bonds and notes, for the purchase of equipment, the construction of facilities and infrastructure and other business-type activities. With the exception of the University of Colorado, which is governed by an elected Board of Regents, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. The revenue bonds and certificates of participation, some of which have been financed by the sale of certificates of participation in the revenues of the related lease purchase agreements, have in most cases been publicly offered, while the notes have generally been issued through private negotiation directly with banks or other financial institutions.

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

Other. The State also has contingent moral obligations to intercept revenue and make certain debt payments on notes and bonds issued by State school districts in the event they fail to make a required payment to the holders of such notes and bonds. See Note 19 to the Fiscal Year 2016-17 CAFR appended to this Official Statement.

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

State Tax and Revenue Anticipation Notes

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

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

State Authorities

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

Pension and Post-Employment Benefits

General. The State provides post-employment benefits to its employees based on their work tenure and earnings history through a defined benefit pension plan (as more particularly defined in "APPENDIX J – STATE PENSION SYSTEM," the "State Division Plan"). State employees hired after 2005 may, in lieu of participating in the State Division Plan, elect to participate in a defined contribution plan (the "State

Division DC Plan"), although the majority of State employees participate in the State Division Plan. State employees may also elect to participate in a limited healthcare plan. Each plan is administered by the Public Employees' Retirement Association ("PERA"), which is a statutorily created legal entity that is separate from the State. PERA also administers plans for school districts, local governments and other entities, each of which is considered a separate division of PERA and for which the State has no obligation to make contributions or fund benefits. The State does not participate in the federal Old Age, Survivors and Disability Insurance (Social Security) program.

For a general description of the State Division Plan and PERA, see "APPENDIX J – STATE PENSION SYSTEM." For a detailed discussion of the State Division Plan, the State Division DC Plan, the limited healthcare plan and PERA, see Notes 6, 7 and 8 to both the State's Fiscal Year 2016-17 CAFR and Fiscal Year 2017-18 BFS appended to this Official Statement, as well as PERA's Comprehensive Annual Financial Report for calendar year 2017 (the "PERA 2017 CAFR"). The information in the State's Fiscal Year 2016-17 CAFR regarding PERA is derived from PERA's Comprehensive Annual Financial Report for calendar year 2016, while the information in this Official Statement is derived from the PERA 2017 CAFR. See also "*Future Accounting Standards*" hereafter.

The State Division Plan. The State Division Plan is funded with contributions made by the State and by each participating State employee at rates that are established by statute. The State has consistently made all statutorily required contributions to the State Division Plan. Nevertheless, PERA reported that at December 31, 2016, the State Division Plan had an unfunded actuarial accrued liability ("UAAL") of approximately $11.644 billion and a funded ratio of 54.6%, which UAAL would have amortized over a 65-year period based on contribution rates as of the date of calculation, as well as an investment rate of return on Plan assets and discount rate on actuarially accrued liabilities of 7.25%.

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

Taking into account changes made by SB 18-200, the PERA 2017 CAFR reports that at December 31, 2017, the State Division Plan had a UAAL of approximately $10.526 billion and a funded ratio of 57.5%, which would amortize over a 33-year period.[1] The actuarial value of assets for the State Division Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in the assets of the State Division Plan as a result of economic and market conditions is not reflected in the aforementioned funded ratio. Based on the market value of assets of the State Division Plan, at December 31, 2017, the Plan had an unfunded accrued liability of approximately $9.677 billion and a funded ratio of 61.0%.

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

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

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

See generally "APPENDIX J – STATE PENSION SYSTEM" for further information regarding the State Division Plan.

The Health Care Trust Fund. The State also currently offers other post-employment health and life insurance benefits to its employees. The post-employment health insurance to State employees is provided through PERA's Health Care Trust Fund, in which members from all divisions of PERA are eligible to participate. The Health Care Trust Fund is a cost-sharing, multiple employer plan under which PERA subsidizes a portion of the monthly premium for health insurance coverage for certain State retirees and the remaining amount of the premium is funded by the benefit recipient through an automatic deduction from the monthly retirement benefit. The Health Care Trust Fund is funded by a statutory allocation of moneys consisting of portions of, among other things, the employer statutorily required contributions, the amount paid by members and the amount of any reduction in the employer contribution rates to amortize any overfunding in each Division's trust fund. At December 31, 2017, taking into account the changes made by SB 18-200, the Health Care Trust Fund had an unfunded actuarial accrued liability of approximately $1.321 billion, a funded ratio of 16.5% and a 37-year amortization period. Because the Health Care Trust Fund is a cost sharing, multiple employer plan, PERA's actuary has not determined the portion of the unfunded actuarial accrued liability that applies to each Division participant. The benefit provided by the Health Care Trust Fund is a fixed limited subsidy of the retiree's health care insurance premium payment, and the retiree bears all risk of medical cost inflation. See Notes 9 and 11 to the PERA 2017 CAFR for additional information regarding the Health Care Trust Fund.

Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68 and GASB 75. GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68"), which is related to GASB 67 but is applicable to the State, is effective for fiscal years beginning after June 15, 2014, and accordingly was first implemented in the State's Comprehensive Annual Financial Report for Fiscal Year 2014-15 (the "Fiscal Year 2014-15 CAFR"). GASB 68 revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. GASB 68 requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division had a UAAL of approximately $11.643 billion as of December 31, 2016, and $10.526 billion as of December 31, 2017. The State reported a liability in the State's Fiscal Year 2016-17 CAFR of approximately $17.779 billion at June 30, 2017, for its proportionate share of the net pension liability, consisting of approximately $17.540 billion for the State Division and $0.239 billion for the Judicial Division, compared to a reported liability in the State's Fiscal Year 2016-17 CAFR of approximately $10.252 billion at June 30, 2016, for its proportionate share of the net pension liability, consisting of approximately $10.079 billion for the State Division and $0.173 billion for the Judicial Division. Schedules presenting the State's proportionate share of the net pension liability for its retirement plan as of June 30, 2014 through 2017, and a ten year history of the State's contribution to PERA for the State and Judicial Divisions, are set forth in Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2016-17 CAFR appended to this Official Statement. See also Notes 6, 7 and 8 to the Financial Statements in the State's Fiscal Year 2016-17 CAFR and “APPENDIX J – STATE PENSION SYSTEM,” and particularly the sections thereof entitled “Funding Status of the State Division Plan,” “Net Pension Liability of the State Division Plan” and “Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68.”

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

Effect of Pension Liability on the Certificates. For a discussion of the State’s current pension liability, see the Management’s Discussion and Analysis in the Financial Section of the State’s Fiscal Year 2016-17 CAFR appended to this Official Statement under the caption “CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions.” No assurances can be given that the assumptions underlying the State’s current or future plans to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement and the State’s Fiscal Year 2016-17 CAFR and the State’s Fiscal Year 2017-18 BFS or the State’s ability to fully pay its obligations, including the Certificates.

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF INSURANCE

No Litigation Affecting the Series 2018N Certificates

There is no litigation pending, or to the knowledge of the State threatened, either seeking to restrain or enjoin the execution or delivery of the Series 2018N Certificates or questioning or affecting the validity of the Series 2018N Certificates or the proceedings or authority under which they are to be executed and delivered. There is also no litigation pending, or to the State’s knowledge threatened, that in any manner questions the right of the State Treasurer to enter into the related Leases or the Subleases in the manner provided in the Act.

Current Litigation

For a description of pending material litigation in which the State is a defendant, see Note 19 to both the State’s Fiscal Year 2016-17 CAFR appended to this Official Statement. The lawsuit described in Note 19 filed by the TABOR Foundation was amended in December of 2017 to challenge the State constitutionality of SB 17-267 described herein. On July 16, 2018, cross motions for summary judgment were filed by the parties to such litigation and are pending disposition by the court. See also “STATE FINANCIAL INFORMATION – Taxpayer’s Bill of Rights – *Fiscal Year Revenue and Spending Limits; Referendum C*” and “DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – The State, State Departments and Agencies – *Governmental Activities*.” The State believes that 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.**

Governmental Immunity

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

Sovereign immunity of the State has been waived in actions for injuries resulting from a prescribed fire started or maintained by the State or any of its employees on or after January 1, 2012. A prescribed fire is defined as the application of fire in accordance with a written prescription for vegetative fuels, but excluding a controlled burn used in farming industry to clear land of existing crop residue, kill weeds and weed seeds or to reduce fuel build-up and decrease the likelihood of a future fire. Sovereign immunity of public school districts and charter schools has been waived for claims arising from an incident of school violence if such entity has failed to exercise reasonable care to protect students, faculty or staff, provided that such claims are subject to the liability limits provided in the prior paragraph.

Self-Insurance

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 1G, 9 and 19 and General Fund Components (in Supplementary Information) in both the State's Fiscal Year 2016-17 CAFR and the State's Fiscal Year 2017-18 BFS appended to this Official Statement.

Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

LEGAL MATTERS

Legal matters relating to the validity of the Series 2018N Certificates are subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2018N Certificates, a form of which is attached hereto as "APPENDIX D – FORM OF OPINION OF BOND COUNSEL." Sherman & Howard L.L.C., Denver, Colorado, has acted as special counsel to the State in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Stradling Yocca Carlson & Rauth, Denver, Colorado, has acted as counsel to the Underwriters in connection with the execution and delivery of the Series 2018N Certificates. Payment of legal fees to Bond Counsel and Special Counsel are contingent upon the sale and delivery of the Series 2018N Certificates.

TAX MATTERS

In General

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Series 2018N Certificates, under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2018N Certificates (including any original issue discount properly allocable to the owner of a Series 2018N Certificate) is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax.

The State and the Series 2018N Participating K-12 Institutions have made certain representations and covenanted to comply with requirements that must be satisfied in order for the interest on the Series 2018N Certificates to be excludable from gross income for federal income tax purposes. The opinions set forth above are subject to the accuracy of such representations and continuing compliance by the State and the Series 2018N Participating K-12 Institutions and others with such covenants. Failure to comply with such requirements could cause interest on the Series 2018N Certificates to be included in gross income retroactive to the date of issue of such Series 2018N Certificates.

Notwithstanding Bond Counsel's opinion that the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2018N Certificates is not a specific preference item for purposes of the federal alternative minimum tax, for taxable years beginning before January 1, 2018, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). No federal alternative minimum tax applies to corporations for taxable years beginning after December 31, 2017.

The accrual or receipt of interest on the Series 2018N Certificates may otherwise affect the federal income tax liability of the owners of the Series 2018N Certificates. The extent of these other tax consequences will depend upon such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2018N 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 entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the

Tax Code for coverage under a qualified health plan, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2018N Certificates.

Bond Counsel has expressed no opinion regarding the effect of any termination of the State's obligation under the Leases, under certain circumstances as provided in the Leases, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2018N Certificates, or any other federal tax consequences related to the ownership or disposition of the Series 2018N Certificates.

Tax Treatment of Bond Premium

The Series 2018N Certificates that have an original yield below their interest rate, as shown on the inside cover page of this Official Statement, are being sold at a premium (collectively, the "Tax-Exempt Premium Obligations"). An amount equal to the excess of the issue price of a Tax-Exempt Premium Obligation over its stated redemption price at maturity constitutes premium on such Tax-Exempt Premium Obligation. A purchaser of such Tax-Exempt Premium Obligation must amortize any premium over such Tax-Exempt Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Tax-Exempt Premium Obligations callable prior to their maturity, generally by amortizing the premium to the call date, based upon 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 allocable to the corresponding payment period, and the purchaser's basis in such Tax-Exempt Premium Obligation 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 Tax-Exempt Premium Obligation prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of Tax-Exempt Premium Obligations should consult with their own 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 such Tax-Exempt Premium Obligations.

Original Issue Discount

The Series 2018N Certificates that have an original yield above their respective interest rates, as shown on the inside front cover page of this Official Statement (collectively, the "Tax-Exempt Discount Obligations"), are being sold at an original issue discount. The difference between the initial public offering prices of such Tax-Exempt Discount Obligations and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Tax-Exempt Discount Obligation or is otherwise required to be recognized in gross income is added to the cost basis of the owner of such Tax-Exempt Discount Obligation in determining, for federal income tax purposes, gain or loss upon disposition of such Tax-Exempt Discount Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Tax-Exempt Discount Obligation that 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 Tax-Exempt Discount Obligation, on days that are determined by reference to the maturity date of such Tax-Exempt Discount Obligation. The amount treated as original issue discount on such Tax-Exempt Discount Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Tax-Exempt Discount Obligation (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Tax-Exempt Discount Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Tax-Exempt Discount Obligation during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Tax-Exempt Discount Obligation the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Tax-Exempt Discount Obligation is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Tax-Exempt Discount Obligations 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 Tax-Exempt Discount Obligation. Subsequent purchasers of Tax-Exempt Discount Obligations that purchase such Tax-Exempt Discount Obligations for a price that is higher or lower than the "adjusted issue price" of the Tax-Exempt Discount Obligations at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Recognition of Income Generally

Section 451 of the Tax 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. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. 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 2018N Certificates under the Tax Code.

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 2018N Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of a Series 2018N Certificate who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2018N Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Exemption Under State Tax Law

In the opinion of Bond Counsel, under existing State of Colorado statutes, the interest received by the Owners of the Series 2018N Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases is exempt from State of Colorado income tax. Bond Counsel has expressed no opinion regarding the effect of any termination of the State's obligation under the Leases on interest received or income of the Owners of the Series 2018N Certificates subsequent to such termination, or other tax consequences related to the ownership or disposition of the Series 2018N Certificates under the laws of the State of Colorado or any other state or jurisdiction.

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 2018N Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds 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 2018N 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 2018N Certificates or the market value thereof would be impacted thereby. Purchasers of the Series 2018N 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 2018N 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.

UNDERWRITING

The Series 2018N Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to $252,051,495.90 (representing the aggregate principal amount of the Series 2018N Certificates of $240,425,000.00 plus a net original issue premium of $12,455,962.15 and less an aggregate underwriting discount of $829,466.25). The Underwriters have agreed to accept delivery of and pay for all the Series 2018N 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 2018N Certificates, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2018N Certificates to certain dealers (including dealers depositing such Series 2018N Certificates into investment funds) and others at prices lower than the public offering prices stated on the inside front cover hereof. The public offering prices set forth on the inside front cover hereof may be changed after the initial offering by the Underwriters.

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

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

Citigroup Global Markets Inc., an underwriter of the Series 2018N Certificates, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

RATINGS

Moody's Investors Service has assigned the Series 2018N Certificates a rating of "Aa2", and S&P Global Ratings has assigned the Series 2018N Certificates a rating of "AA-". No other ratings have been applied for. A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from each such rating agency. The State has furnished to the rating agencies certain information and materials relating to the Series 2018N Certificates and the 2018N 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. A securities rating is not a recommendation to buy, sell or hold securities. 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 2018N Certificates. Neither the State, the Municipal Advisor (hereinafter defined), nor any Underwriter undertakes any responsibility to oppose any such revision, suspension or withdrawal.

MUNICIPAL ADVISOR

The State has retained Hilltop Securities Inc., Denver, Colorado, as municipal advisor (the "Municipal Advisor") in connection with the Series 2018N Certificates and with respect to the authorization, execution and delivery of the Series 2018N 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 independent advisory firm and will not be engaged in underwriting or distributing the Series 2018N 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 2018N 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, 2018, and (b) notices of the occurrence of certain events affecting the State and the Certificates within ten business days of their occurrence. See as "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 2018N Certificates, and, if necessary, may be enforced by such Owners and Beneficial Owners by specific performance of such obligations by any judicial proceeding available. However, a breach of the State Treasurer's obligations pursuant to the Continuing Disclosure Undertaking does not constitute an Indenture Event of Default or a Lease Event of Default, and none of the rights and remedies provided in the Indenture and the Lease for such defaults will be available to the Owners and Beneficial Owners of the Certificates in the event of a breach of the Continuing Disclosure Undertaking.

Compliance with Other Continuing Disclosure Undertakings

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

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

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

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

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

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

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

MCDC Settlement Order with Securities and Exchange Commission

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

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

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

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

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

Additional Information

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

MISCELLANEOUS

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

OFFICIAL STATEMENT CERTIFICATION

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

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

By: /s/ Walker R. Stapleton
Treasurer, State of Colorado

APPENDIX A

STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017 AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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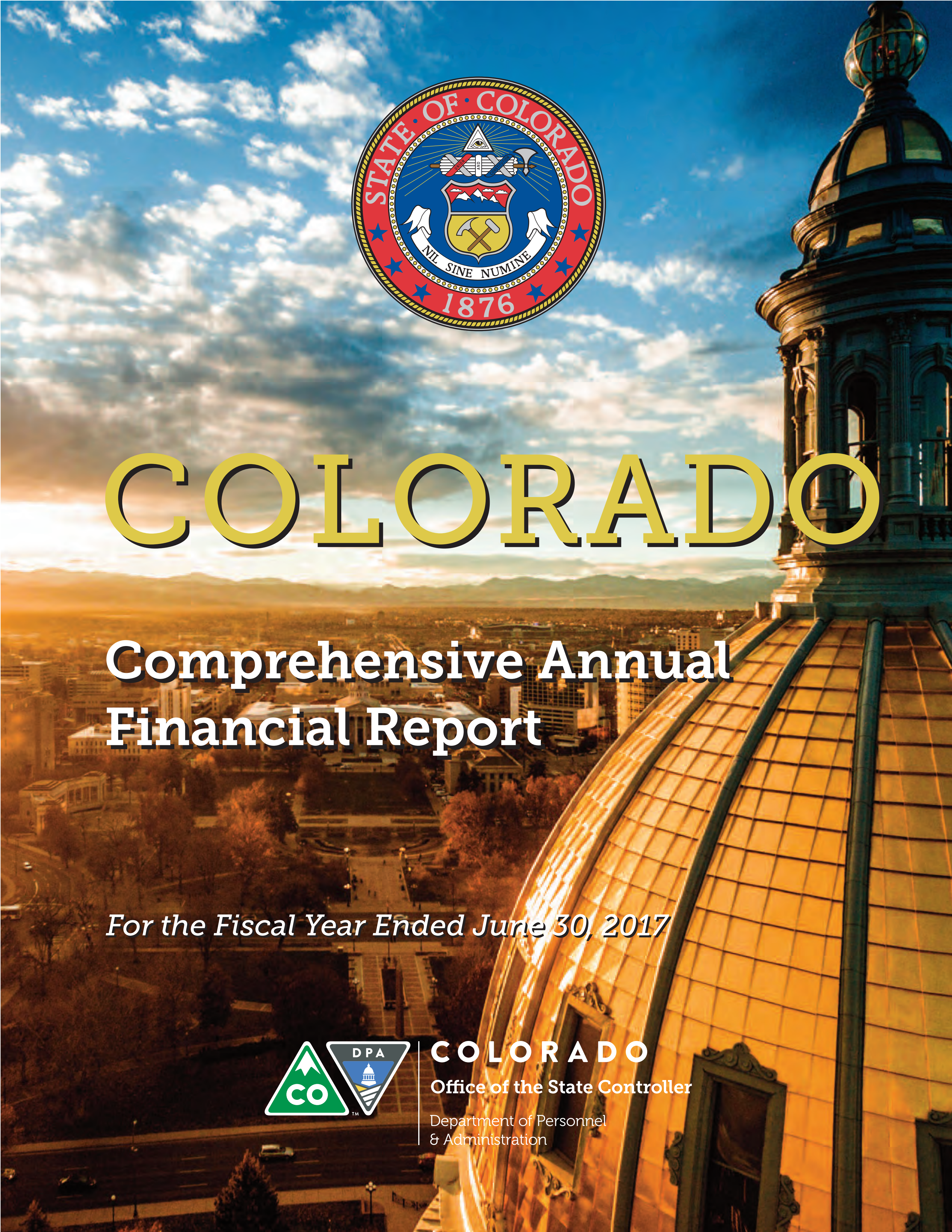

STATE OF COLORADO
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COLORADO

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

COLORADO
Office of the State Controller
Department of Personnel & Administration

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

John Hickenlooper
Governor

COLORADO
Office of the State Controller
Department of Personnel & Administration

REPORT LAYOUT

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

INTERNET ACCESS

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

http://www.colorado.gov/osc/cafr

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

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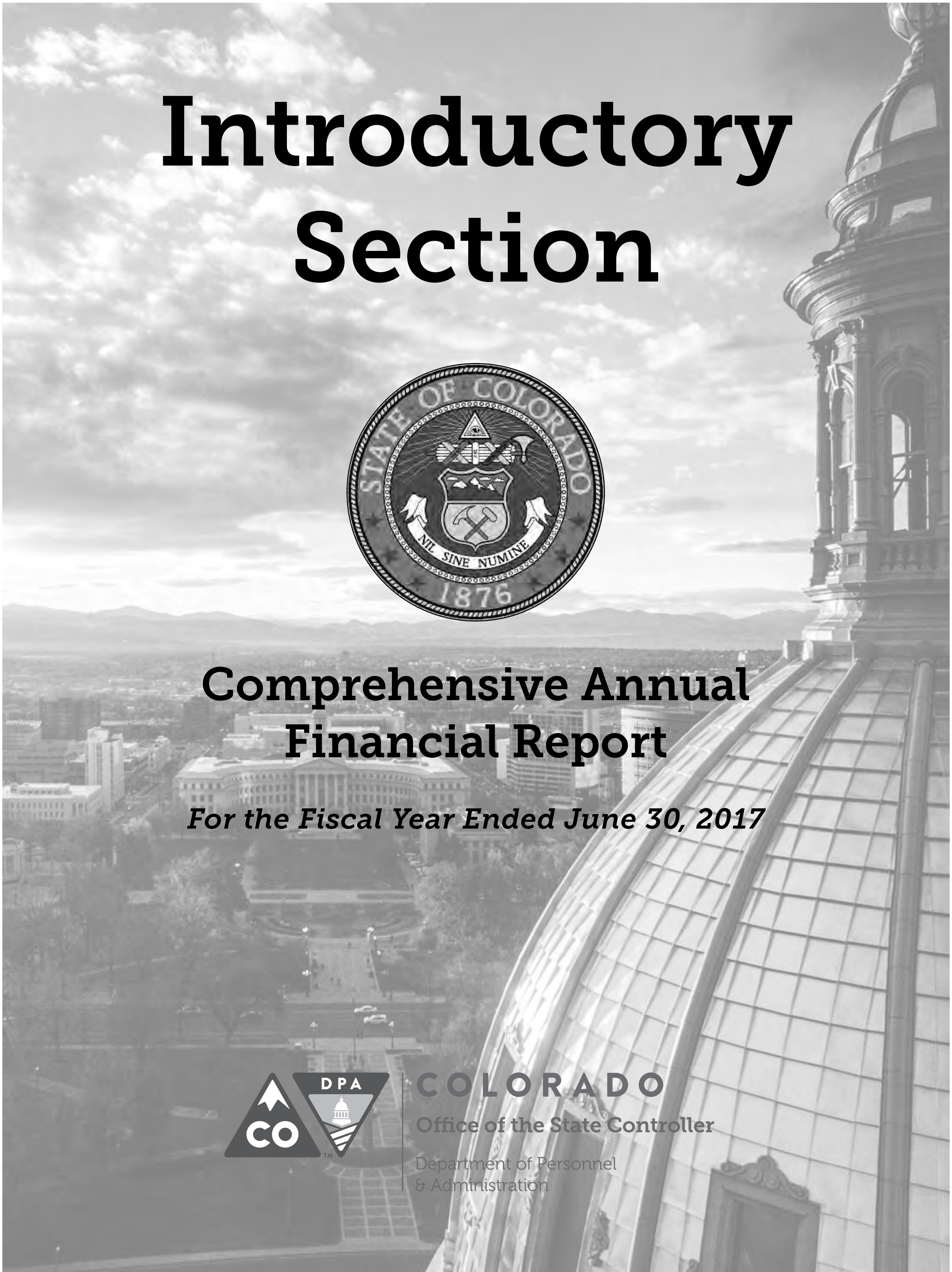
STATISTICAL SECTION



Introductory Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

COLORADO
Office of the State Controller
Department of Personnel & Administration

COLORADO
Office of the State Controller
Department of Personnel & Administration

Office of the State Controller
1525 Sherman St.
Denver, CO 80203

February 6, 2018

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

I am pleased to submit the State of Colorado's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. Except for certain institutions of higher education, the State Controller is responsible for managing the finances and financial affairs of the State and is committed to sound financial management and governmental accountability.

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

Except as noted below, the basic financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB) and, except for the discretely presented component units; they are audited by the State Auditor of Colorado. The basic financial statements comprise the Management Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and Required Supplementary Information. The MD&A, which begins on page 23, contains additional financial analysis and supplementary information that is required by GASB and should be read in conjunction with this transmittal letter. The schedules comparing budgeted to actual activity, included in the sections titled Required Supplementary Information and Supplementary Information, are not presented in accordance with GAAP; rather, they reflect the budgetary basis of accounting which defers certain payroll, Medicaid, and other statutorily defined expenditures to the following fiscal year. (See additional information on "Cash Basis Accounting" on page 40 of the MD&A.) In addition to the basic financial statements, the CAFR includes: combining financial statements that present information by fund category, certain narrative information that describes the individual fund categories, supporting schedules, and statistical tables that present financial, economic, and demographic data about the State.

The funds and entities included in the CAFR are those for which the State is financially accountable based on criteria for defining the financial reporting entity as prescribed by GASB. The primary government is the legal entity that comprises the major and nonmajor funds of the State, its departments, agencies, and State institutions of higher education. It also includes certain university activities that are legally separate but have been blended with the accounts of the institution that is financially accountable for the activity.

The State's elected officials are financially accountable for other legally separate entities that qualify as discretely presented component units. The following entities qualify as discretely presented component units of the State:

- Colorado Water Resources and Power Development Authority
- University of Colorado Foundation
- Colorado State University Foundation
- Colorado School of Mines Foundation
- University of Northern Colorado Foundation
- Other Component Units (nonmajor):
  - Denver Metropolitan Major League Baseball Stadium District
  - Colorado Venture Capital Authority
  - HLC @ Metro, Inc.

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

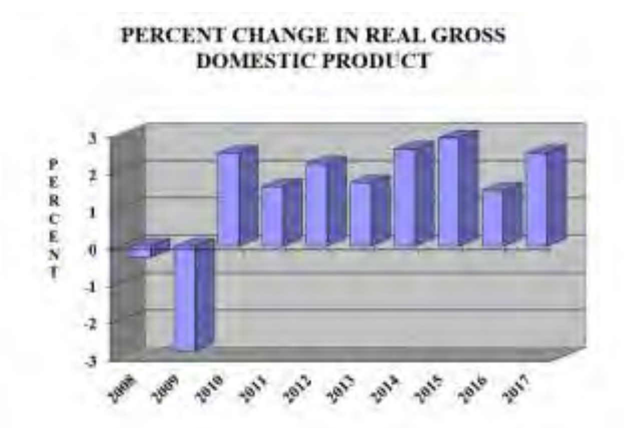
PROFILE OF THE STATE OF COLORADO

Colorado became the thirty-eighth state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains with elevations ranging from 3,315 to 14,433 feet above sea level. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production, and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate, and other services. Given the State's semi-arid climate, water resource development, allocation, and conservation are ongoing challenges for State management.

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

The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives who are also term limited. It is a citizen legislature whose general session lasts 120 days beginning in January of each year. Special sessions may be called by the Governor at his discretion and are limited to the topics identified by the Governor. The Legislature's otherwise plenary power is checked by the requirement for the Governor to sign its legislation and by specific limitations placed in the State Constitution by voters. The most significant fiscal limitation is the restriction related to issuing debt, raising taxes, and changing existing spending limits. From a fiscal perspective, the Joint Budget Committee of the Legislature, because of its preparation of the annual budget and supplemental appropriations bills, holds the most important power vested in the Legislature. The Committee is bipartisan with members drawn from each of the houses of the Legislature. The Governor's Office of State Planning and Budgeting develops and submits an executive branch budget proposal, but there is no requirement for the Joint Budget Committee or the General Assembly to adopt that proposal.

The Judicial Branch is responsible for resolving disputes within the State, including those between the executive and legislative branches of government, and for supervising offenders on probation. The Branch includes the Supreme Court, Court of Appeals, district courts, and county courts, served by more than 300 justices and judges in 22 judicial districts across the State. Municipal courts are not part of the State system. There are also seven water courts, one in each of the State's major river basins. The Judicial Branch budget is appropriated by the Legislature, and it is funded primarily from general-purpose revenues of the General Fund.



ECONOMIC CONDITION AND OUTLOOK

The State's General Fund general-purpose revenues reflect the overall condition of the State economy, which showed continued growth in Fiscal Year 2016-17; General Fund revenues increased by $334.0 million (3.4 percent) from the prior year. In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State increased by approximately 1.9 percent for 2016 and is forecast to increase by 5.4 percent for 2017. State nonagricultural employment levels rose by 56,400 in 2016, and are forecast to increase by another 57,200 in 2017.

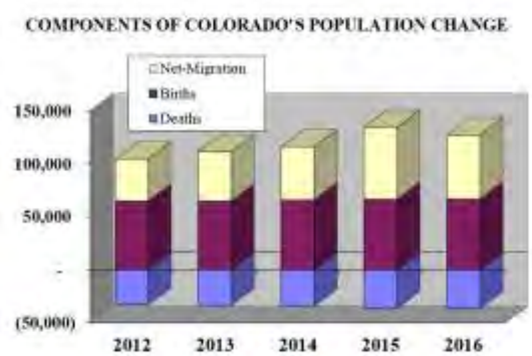
The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 2.8 percent in the third quarter of calendar year 2016 and 3.2 percent in the third quarter of 2017. Inflation adjusted GDP increased 2.3 percent from the third quarter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

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

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

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

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



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

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

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

MAJOR GOVERNMENT FISCAL INITIATIVES

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

- ♦ In accordance with the Public School Finance Act of 1994, the General Assembly appropriated an additional $110.1 million of state funds to the Department of Education. This appropriation includes an increase of $331.9 million from the General Fund and decreases totaling $221.8 million in cash funds.

- ♦ The Department of Natural Resource was appropriated $30.1 million from the Colorado Water Conservation Board (CWCB) Construction Fund to support various water resources planning and management projects and studies. Additionally, The CWCB was authorized to make loans in the amount of $90.0 million from the CWCB Construction Fund to support the Windy Gap Firming Project, a regional water supply project which includes the construction of a new reservoir.

- ♦ The Department of Local Affairs was appropriated $5.9 million from the Marijuana Tax Cash Fund for the newly created Gray and Black Market Marijuana Enforcement Grant Program. The crime-prevention program was created to provide business loans and grants in target communities.

- ♦ The General Assembly revised the method by which it transfers funds to the Highway Users Tax Fund (HUTF) and the Capital Construction Fund (CCF). A statute requiring transfers of amounts determined by a formula factoring General Fund collections was repealed. This method was replaced by transferring specific amounts determined by the General Assembly. The impact for Fiscal Year 2017-2018 is a reduction in transfers of approximately $31.6 million for the HUTF and $55.3 million for the CCF.

- ♦ The Colorado Healthcare Affordability and Sustainability Enterprise (Enterprise) was created within the Department of Health Care Policy and Financing. The Enterprise is responsible for the collection of the new Healthcare Affordability and Sustainability Fee, which replaces the Hospital Provider Fee. The fee is used for matching Federal funds for administration, reimbursements to hospitals, and business support purposes. Relative to the previous Hospital Provider Fee expenditures, Enterprise expenditures are expected to increase $528.2 million in FY 2017-2018. Fifty percent of this increase will be from the Healthcare Affordability and Sustainability Fee Cash Fund and fifty percent will be from Federal funds.

- ♦ Beginning in Fiscal Year 2017-2018, retail (recreational) marijuana sales are exempted from the 2.9 percent sales tax assessed on the sale of tangible personal property and the rate of special sales tax on retail marijuana was increased from 8 percent to fifteen percent. The Fiscal Year 2017-2018, the estimated change in revenue relating to these changes are a reduction of $30.1 million and an increase of $70.0 million.

BUDGETARY AND OTHER CONTROL SYSTEMS

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

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

Encumbrances are recorded throughout the year and result in a reduction of the available spending authority. Encumbrances represent the estimated amount of expenditures that will be incurred when outstanding purchase orders, contracts, or other commitments are fulfilled. At fiscal year end, encumbrances lapse except those that represent appropriations that are approved for rollforward into the subsequent fiscal year, and legal or contractual obligations in the Capital Projects Fund and the Department of Transportation's portion of the Highway Users Tax Fund (see Note 19).

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

INDEPENDENT AUDIT

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

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Colorado for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the twentieth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

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

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

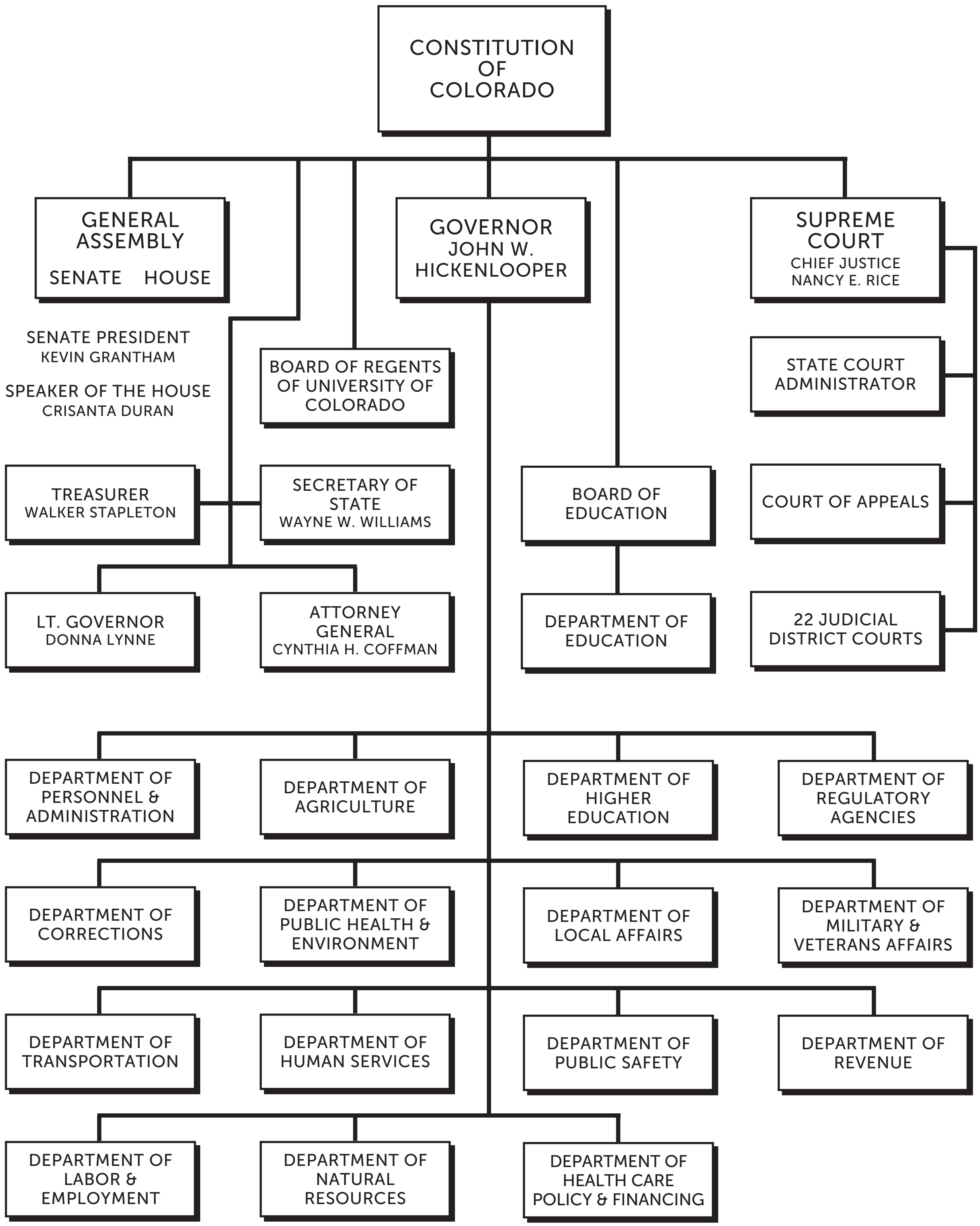
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

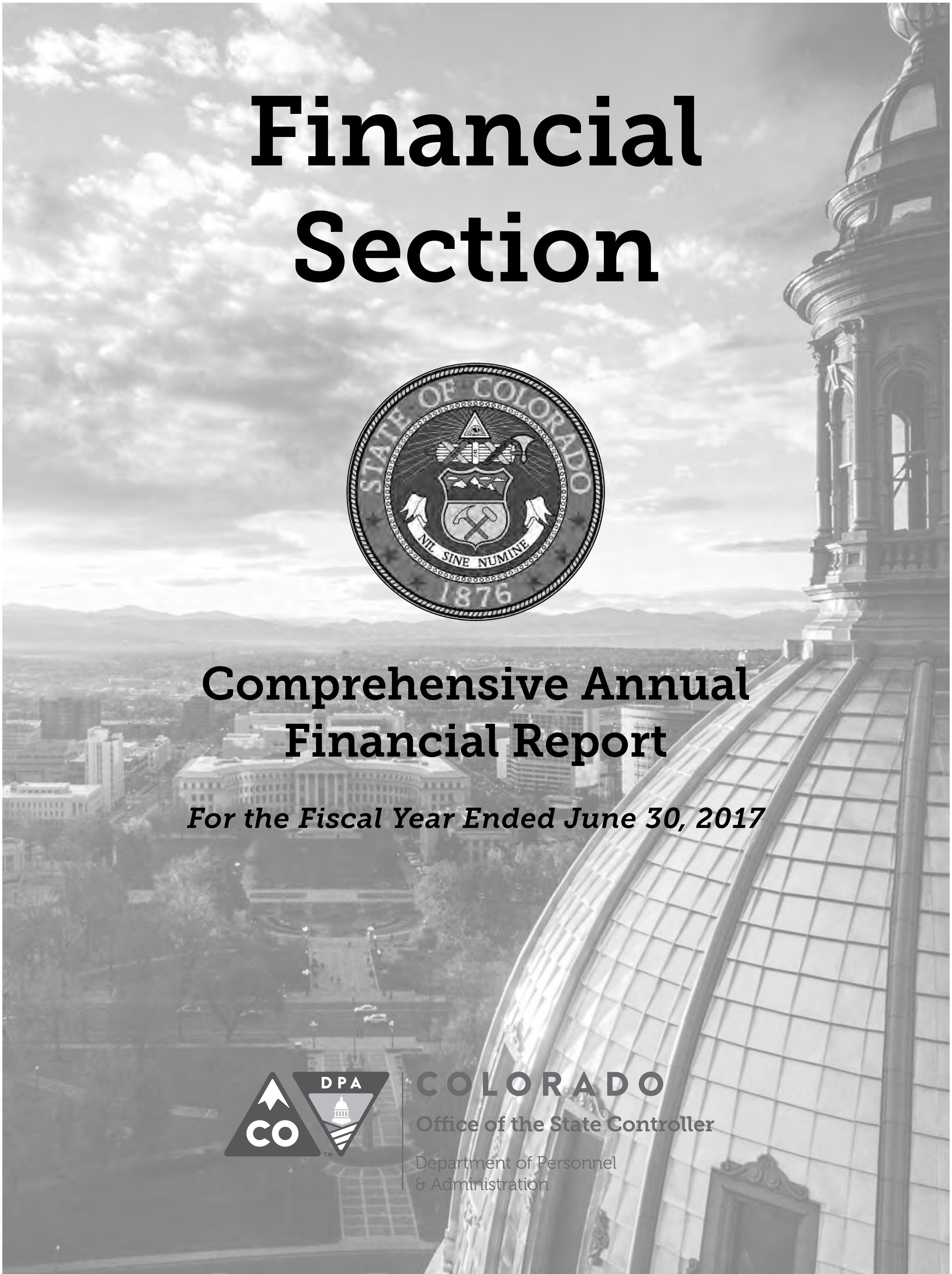
June 30, 2016

Christopher P. Morrill

Executive Director/CEO

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS





Financial Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

COLORADO
Office of the State Controller
Department of Personnel & Administration

Office of the State Auditor

Dianne E. Ray, CPA
State Auditor

INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado (the State), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units identified in Note 1, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. In addition, we did not audit the financial statements of University of Colorado Medicine, a blended component unit, which represents approximately 4 percent of the total assets, 20 percent of the net position, and 13 percent of the total revenues of Higher Education Institutions, a major proprietary fund, and approximately 3 percent of the total assets, 10 percent of the net position, and 10 percent of the total revenues of business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts and disclosures included for those discretely presented component units and for University of Colorado Medicine, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, Colorado School of Mines Foundation, the University of Northern Colorado Foundation, and the Denver Metropolitan Major League Stadium District, which are discretely presented component units, and University of Colorado Medicine, a blended component unit, were audited in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*.

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

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

OPINIONS

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedule of capital assets used in governmental activities, schedule of other funds detail, budget and actual schedules–budgetary basis non-appropriated, schedule of TABOR revenue and computations, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, budget and actual schedules–

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

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

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards,* we will issue a separate report dated February 6, 2018, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance and should be read in conjunction with this report in considering the results of the audit.

Denver, Colorado
February 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

Government-wide Financial Statements

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

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

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

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

- Governmental activities are the normal operations of the primary government that are not presented as business-type activities. Governmental activities include Internal Service Funds and are primarily funded through taxes, intergovernmental revenues, and other nonexchange revenues.

- Business-type activities are primarily funded by charges to external parties for goods and services. These activities are generally reported in Enterprise Funds in the fund-level statements because the activity has revenue-backed debt or because legal requirements or management decisions mandate full cost recovery.

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

Fund-Level Financial Statements

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

- <u>Governmental Funds</u> – 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.

- <u>Proprietary Funds</u> – 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.

- <u>Fiduciary Funds</u> – These funds report resources held under trust agreements for other individuals, organizations, or governments. The assets reported are not available to finance the State's programs, and therefore, these funds are not included in the government-wide statements. The State's fiduciary funds include Pension and Other Employee Benefits Trust Funds, several Private-Purpose Trust Funds, and several Agency Funds. Agency Funds track only assets and liabilities and do not report revenues and expenses on a statement of operations. All Fiduciary Funds are reported using the accrual basis of accounting.

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

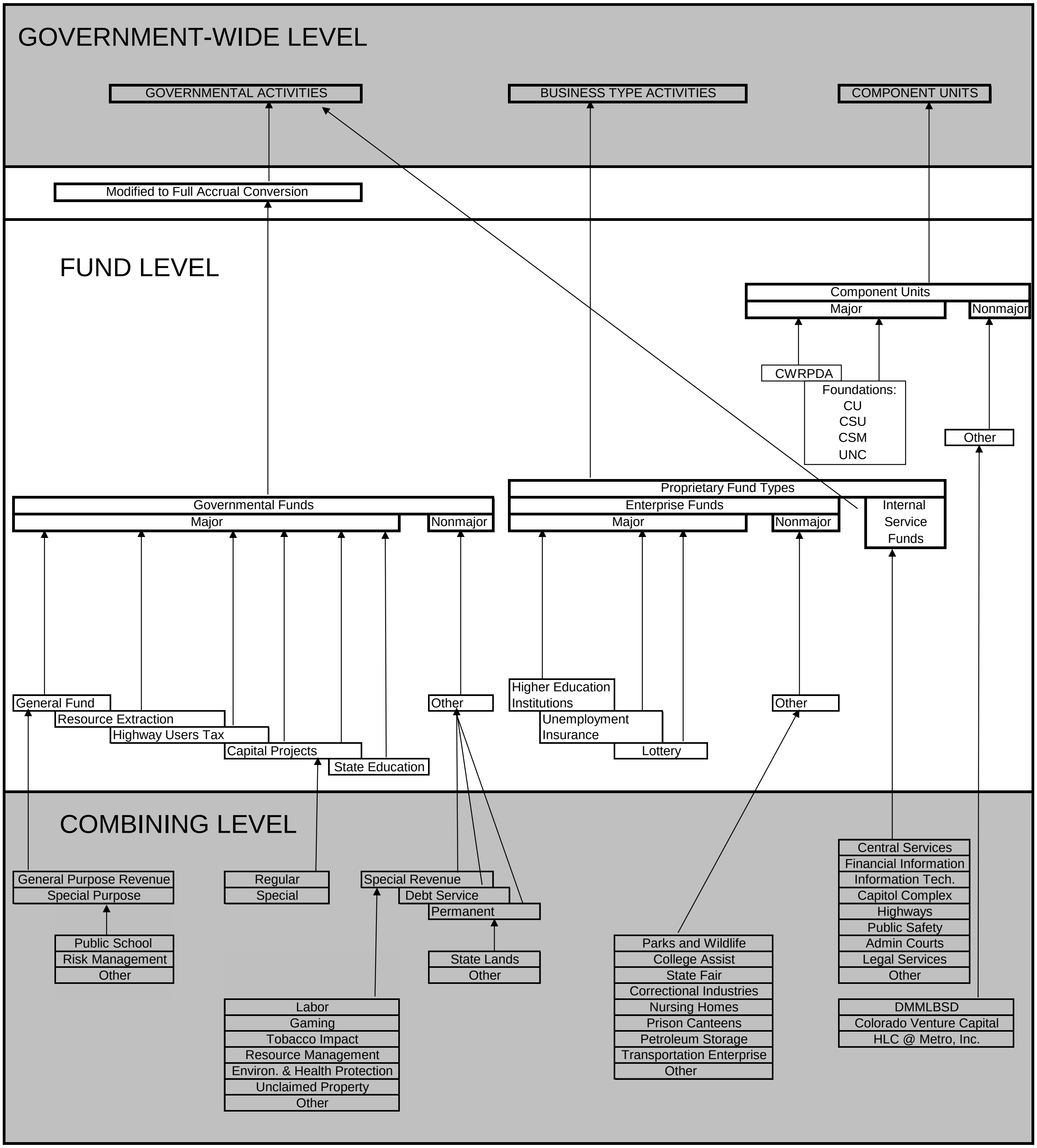
Notes to Basic Financial Statements

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

Required Supplementary Information (RSI)

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

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



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

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Government-wide Statement of Net Position

Net position serves as a useful indicator of a government's financial position over time. The State's combined total net position of both governmental and business-type activities decreased from the prior fiscal year by $2,293.5 million to $13,277.4 million in Fiscal Year 2017. The amount of total net position is one measure of the health of the State's finances. However, this measure must be used with care because large portions of the balances related to capital assets or restricted assets may be unavailable to meet the day-to-day payments of the State.

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

(Amounts in Thousands)

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

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

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

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

$17,854.1 million in Fiscal Year 2017, for which the state does not have any related assets. The State reports a negative or deficit amount for the unrestricted component only on a government-wide basis, not at the level of any fund. Other long-term liabilities, such as bonds and certificates of participation payable, have related capital assets while the net pension liability does not. The State's current liabilities reported on the Statement of Net Position decreased by $19.5 million primarily due to final payment of Department of Transportation Bonds that matured in December of 2016, and noncurrent liabilities increased by $7,878.4 million from the prior fiscal year primarily due to the increase in net pension liability referred to above.

Governmental Activities:

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

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

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

Business-Type Activities:

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

The State's Enterprise Funds have notes, bonds, and Certificates of Participation outstanding that total $4,785.0 million as compared to the prior fiscal year amount of $4,747.2 million – an increase of $37.7 million. The majority of the outstanding revenue bonds is related to Higher Education Institutions and is invested in capital assets that generate a future revenue stream to service the related debt. The Division of Unemployment Insurance also has bonds outstanding secured by future employer insurance premiums.

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

The change in net position from the prior fiscal year is another important measure of the State's financial health. The following condensed statement of activities shows that for governmental activities, expenses and transfers-out were greater than revenues and transfers-in which resulted in a decrease to net position of $1,973.9 million. Program revenues for governmental activities decreased by $544.2 million (4.7 percent). General revenues for governmental activities increased by $337.0 million (2.9 percent) due to increased tax collections. Expenses for governmental activities increased by $1,502.3 million (6.5 percent) from the prior fiscal year due to the increase in accrued pension expense.

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

(Amounts in Thousands)

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

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

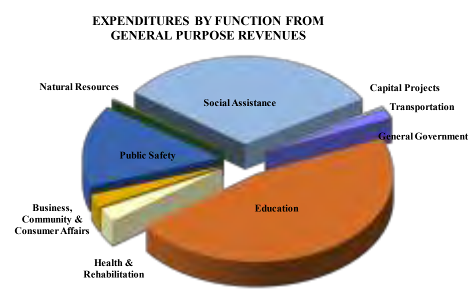
Including all prior period and accounting change adjustments, the net position decreased $2,293.5 million, or 14.7 percent, from the prior year. This is primarily attributable to the increase in total expenses of $2,835.1 due to the increase in accrued pension expense of $2,654.4 million from $420.3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

FUND-LEVEL FINANCIAL ANALYSIS

Governmental Funds:

Governmental fund assets exceeded liabilities resulting in total fund balance of $6,363.5 million as compared to the prior fiscal year amount of $6,609.4 million. The fund balance for all governmental funds decreased by $245.9 million from the prior fiscal year which was comprised of decreases in the Resource Extraction Fund, the Highway Users Tax fund (HUTF), the Capital Projects Fund, and the State Education Fund, which were partially offset by increases in the General Fund and Other Governmental Funds. The fund balance of the General Fund increased by $77.4 million compared to the prior fiscal year due primarily to increases in individual and sales and use tax collections. General Fund revenues increased by 0.1 percent and expenditures increased by 0.1 percent relative to the prior fiscal year, resulting in $336.4 million excess of revenues over expenditures for Fiscal Year 2017. State law requires that the General Purpose Revenue Fund portion of the General Fund maintain a reserve of 6.5 percent of General Purpose Revenue Fund appropriations. House Bill 16-1419 temporarily reduced the reserve requirement from 6.5 percent to 5.6 percent for Fiscal Year 2016, which increased to 6.0 percent for Fiscal Year 2017. The General Purpose Revenue Fund had $444.9 million on a GAAP basis to fund this reserve for Fiscal Year 2017. The fund balance of the Resource Extraction Fund decreased $69.1 million due to declines in long-term loans receivables balances from the financing of local government water projects as compared to the prior year. The HUTF fund balance decreased by $50.7 million due primarily to increases in capital outlay compared to the prior fiscal year. The Capital Projects Fund decreased by $138.1 million due to a decrease in funding (transfer-in) from the General Purpose Revenue Fund. The State Education Fund decreased by $202.3 million primarily due to a planned spend-down of fund balance to maintain funding levels for education. The fund balance of the State Education fund has decreased over the last four fiscal years following a one-time transfer of $1.1 billion from the General Fund Surplus Fund in Fiscal Year 2013. The Other Governmental Funds increased by $136.8 million, due primarily to revenue increases across all Special Revenue Funds combined with smaller relative increases in expenditures.

General Fund

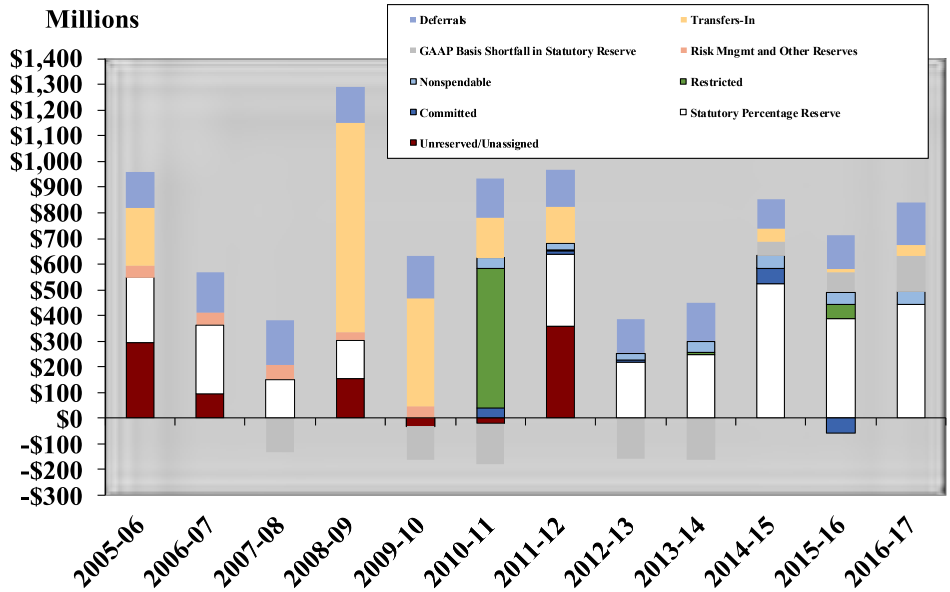


The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was $1,154.0 million.

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

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

GENERAL FUND - FUND BALANCE[1]



[1] Beginning in Fiscal Year 2011, the implementation of GASB Statement No. 54 modified the required fund balance classifications. As a result, Risk Management and other Special Purpose Funds became part of General Fund fund balance. The General Purpose Revenue portion of the General Fund primarily comprises the Statutory Reserve and Unassigned balances, and the Special Purpose Revenue portion of the General Fund the remaining balances.

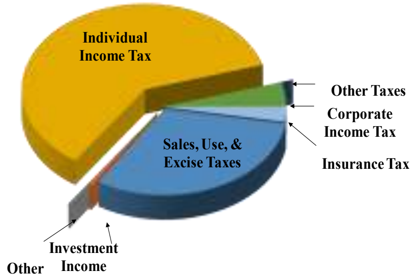
General Fund Components & Legal Reserve Requirement

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

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

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

GENERAL-PURPOSE REVENUES BY SOURCE



On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2017 and 2016 were $9,969.3 million (see page 185) and $9,637.7 million, respectively. For Fiscal Year 2017, total general-funded appropriations were limited to 5.0 percent of personal income with certain adjustments. The primary adjustments are for changes in federal mandates, lawsuits against the State, and most transfers not appropriated by department. The limit is controlled through the legislative budget process.

The special purpose portion of the General Fund's fund balance totaled $644.2 million at June 30, 2017. This comprises the State Public School Fund, Risk Management activities and Other Special Purpose Funds.

As required by Senate Bills 03-196 and 03-197, the State converted to cash basis accounting for certain expenditures in Fiscal Year 2003 and subsequent years. House Bill 09-1367 also deferred certain Office of Information Technology (OIT) expenditures into the subsequent year. These changes result in an ongoing difference between the GAAP fund balance and the budgetary basis fund balance of the General Fund. During Fiscal Year 2017, the State met the statutory required reserve on a budgetary basis but not a GAAP basis. The statutorily required process of deferring expenditures moved $98.5 million of payroll, $186.3 million of Medicaid, and $0.6 million of OIT expenditures into Fiscal Year 2017. Revenues related to the deferral of the Medicaid expenditures totaling $120.7 million were also deferred. In total, $33.8 million more (net expenditure and revenue deferrals) was deferred into Fiscal Year 2017 compared to Fiscal Year 2016.

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

Resource Extraction Fund

The fund balance of the Resource Extraction Fund decreased by $69.1 million, or 5.3 percent, from the prior fiscal year. Revenues of the fund, including severance taxes, mineral leasing, and fees associated with regulation of mining activities, decreased by $5.9 million, or 2.9 percent. Expenditures include distributions to local governments, regulatory costs, and construction loans made to local governments and special districts to enhance the use of water resources of the State. A significant portion, $350.8 million, of the fund's total fund balance of $1,241.9 million, relates to long-term loans receivable from the financing of local government water projects by the Water Projects Fund. The balance of the loans receivable decreased by $66.8 million, or 16.0 percent, compared to the prior fiscal year.

Highway Users Tax Fund

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

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

Capital Projects Fund

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

State Education Fund

The fund balance of the State Education Fund declined by $202.3 million (66.5 percent) during Fiscal Year 2017. The fund balance has declined each year since Fiscal Year 2013, which was the last year for a significant transfer-in from the General Fund, which was $1,073.5 million. The fund balance decline is due to efforts to maintain funding levels for public education during a time of statewide budget constraints. The majority of revenues for the fund are derived from a fixed percentage of certain taxpayer tax liabilities, which totaled $540.0 million and was an overall increase of $17.4 million relative to the prior fiscal year; an increase in revenues from individual and fiduciary income taxes of $21.4 million combined with a decrease in corporate income taxes of $4.0 million. Additionally, $25.3 million was transferred from the General Fund, which was consistent with the transfer made from the General Fund in the prior fiscal year. Expenditures of the fund are limited by a constitutional amendment to certain educational programs meeting growth requirements in other programs. Expenditures of the fund totaled $718.4 million and $886.1 million in Fiscal Year 2017 and 2016, respectively.

Proprietary Funds:

Higher Education Institutions

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

Unemployment Insurance

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

Unemployment insurance premiums collected increased $42.6 million relative to the prior fiscal year due to an increase in rates. However, Colorado statutes require management to adjust unemployment insurance premium tax rates when the fund's cash balance exceeds or is below established thresholds. Statutes were amended in the 2012 special legislative session to allow UI to issue bonds through the Colorado Housing and Finance Authority. UI bonds serve to stabilize insurance premium taxes that employers are required to pay through special assessments. The fund did not reports bonds payable liability as of June 30, 2017. The fund's cash and pooled cash balance was $808.1 million, an increase of $50.7 million, or 6.7 percent, compared to the prior fiscal year.

State Lottery

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

TABOR Revenue, Debt, and Tax-Increase Limits

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

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

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

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

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

In the first three years of operations under TABOR, the State did not exceed the revenue limitation. In Fiscal Years 1997 through 2001, State revenues exceeded the TABOR limitation by $139.0 million, $563.2 million, $679.6 million, $941.1 million, and $927.2 million, respectively. The economic downturn in Fiscal Years 2002 and 2003 and adjustments for inaccurate population estimates applied in Fiscal Year 2004 precluded TABOR refunds in those years. The State was required to refund $41.1 million in Fiscal Year 2005.

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

The basis for the ESRC is the highest adjusted TABOR revenue during the five-year excess revenue retention period; the highest adjusted TABOR revenue occurred in Fiscal Year 2008, and the ratchet down provision does not apply to the ESRC.

For Fiscal Year 2017, State revenues subject to TABOR were $12,891.7 million, which was $436.2 million under the ESRC, and $2,130.0 million over the retention limit. Absent Referendum C, the State would have been required to refund the amount exceeding the retention limit. At the end of Fiscal Year 2017, total refunds were $3,450.6 million since the inception of TABOR. At June 30, 2017, the State reported total TABOR refunds payable of $21.8 million.

During Fiscal Year 2017, Fort Lewis College re-qualified as a TABOR-exempt enterprise, which resulted in a TABOR revenue decrease of $19.4 million related to this change in the TABOR district. As required by TABOR, the State Controller makes the qualification of new enterprises and disqualification of existing TABOR enterprises neutral in the excess revenue calculation.

Referendum C

Referendum C, approved by the voters in the November 2005 election, contained the following provisions:

- The State shall be authorized to retain and spend all revenues in excess of the limit on spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constitutes a voter approved revenue change.

- After July 1, 2010, the limit on fiscal year spending is effectively raised to the highest population and inflation adjusted nonexempt revenue amount in the period from July 1, 2005, and before July 1, 2010. This provision disables the ratchet down provision during the five-year period.

- A General Fund Exempt Account is created within the General Fund to consist of the retained revenues for each Fiscal Year. The Legislature shall appropriate the moneys in the account for health care, education (including related capital projects), firefighter and police pension funding, and strategic transportation projects. Spending from the General Fund Exempt Account is limited to five percent of personal income, with certain adjustments.

- The Director of Research of the Legislative Council shall report the amount of revenues retained with a description of how the retained revenues were expended.

- The State retained $3,593.6 million during the five-year refund time-out period (Fiscal Years 2006 through 2010) authorized by Referendum C, and $13,309.8 million from Fiscal Years 2011 through 2017 due to the increasing ESRC as compared to TABOR limit, for a total of $16,903.4 million of retained Referendum C revenue.

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

ANALYSIS OF BUDGET VARIANCES

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

Differences Between Original and Final Budgets

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

- Department of Corrections – The department had a net decrease of $8.2 million (1.1 percent) primarily comprised of a $4.9 million decrease for community programs and external capacity sustainability.

- Department of Health Care Policy and Financing – The department had a net decrease of $27.3 million (1.0 percent) primarily comprised of a $12.1 million decrease for Medicaid funding and a $13.2 million decrease for behavioral health payments.

- Colorado Judicial Branch – The department had a net increase of $5.1 million (1.0 percent) primarily comprised of a $25.3 million increase for appellate and trial court programs and a $22.7 million decrease for personal services including health, life and dental costs.

- Department of Revenue – The department had a net increase of $17.0 million (8.8 percent) primarily comprised of an increase of $100.4 million for old age pension and a decrease of $83.6 million for nonappropriated transfers to the marijuana tax cash fund.

- Department of Treasury – The department had a net decrease of $6.7 million (4.2 percent) comprising a $6.7 million decrease for senior citizen and disabled veteran property tax exemption.

Differences Between Final Budget and Actual Expenditures

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

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

- Department of Corrections – The department reverted $1.9 million (0.2 percent) primarily comprised of $0.5 million for vehicle lease payments and $0.5 million for the purchase of medical services.

- Department of Health Care Policy and Financing – The department reverted $93.3 million (3.6 percent) primarily comprised of $73.4 million for medical and long-term care services for Medicaid eligible individuals and $11.1 million for behavioral health payments.

- Department of Human Services – The department reverted $5.3 million (0.6 percent) primarily comprised of $1.4 million for home care allowance and home care allowance grants and $0.8 million for services to indigent mentally ill clients.

- Colorado Judicial Branch – The department reverted $3.6 million (0.7 percent) primarily comprised of
- $1.9 million for court costs, jury costs, and court appointed counsel.

- Department of Revenue – The department reverted $5.3 million (2.5 percent) primarily comprised of $4.1 million for old age heat, fuel and property tax assistance grants.

- Department of Treasury - The department reverted $2.2 million (1.4 percent) for reimbursement to county treasurers.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's net investment in capital assets at June 30, 2017, was $21.1 billion ($16.4 billion in Fiscal Year 2016). Included in this amount were $17.5 billion of depreciable capital assets after reduction for $11.6 billion of accumulated depreciation. Also included was $4.0 billion of land, construction in progress, and non-depreciable infrastructure and other assets. The State added $940.6 million and $849.1 million of capital assets in Fiscal Year 2017 and 2016, respectively. Of the Fiscal Year 2017 additions, $218.6 million was recorded by governmental funds and $722.0 million was recorded by business-type activities. General-purpose revenues funded $84.5 million of capital and controlled maintenance expenditures during Fiscal Year 2017 and the balance of capital asset additions was funded by federal funds, cash funds, or borrowing. The table below provides information on the State's capital assets by asset type for both governmental and business-type activities.

The State's capital assets at June 30, 2017 and 2016, were (see Note 5 for additional detail):

(Amounts in Millions)

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

The State is constitutionally prohibited from issuing general obligation debt except to fund buildings for State use, to defend the State or the U.S. in time of war, or to provide for unforeseen revenue shortfalls. Except for exempt enterprises, TABOR requires a vote of the people for the creation of any debt unless existing cash reserves are irrevocably pledged to service the debt. TABOR does allow debt issuance to refinance a borrowing at a lower interest rate. These requirements limit management's ability to address revenue shortfalls by borrowing for capital expenditures. However, the State has issued Certificates of Participation (COPs) secured by buildings and vehicles and has issued revenue bonds that are secured by pledges of future revenues. In some instances the debt-financed asset generates the pledged revenue stream; in other instances, such as the Transportation Revenue Anticipation Notes (TRANs), the pledged revenue stream is future federal revenues and State highway users taxes. Through the Colorado Housing and Finance Authority, the Division of Unemployment Insurance, a TABOR designated enterprise, issued bonds to spread the impact of the increased premiums resulting from the recession. The bonds will be repaid through employer insurance premiums collected over the life of the bonds.

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

Fiscal Year 2016-17

(Amounts in Millions)

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

Fiscal Year 2015-16

(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 150.7	$ 17.1	$ 127.9	$ 2.7	$1,205.2	$ 675.1	$1,483.8	$ 694.9
Business-Type Activities	57.1	10.0	4,320.6	2,755.6	372.7	110.0	$4,750.4	$2,875.6
Total	$ 207.8	$ 27.1	$4,448.5	$2,758.3	$1,577.9	$ 785.1	$6,234.2	$3,570.5

For Fiscal Year 2017, the total principal amount of capital leases, revenue bonds, and COPs was 39.1 percent of noncapital assets, as compared to 39.6 percent in the prior year. This percentage declined because noncapital assets increased 1.1 percent while the principal amount of capital leases, revenue bonds, and COPs did not change significantly. The decrease in governmental activities was related to principal payments on the Department of Transportation's Transportation Revenue Anticipation Notes ($128.2 million) and the fact that there were no significant new issuances of COPs. Business-type activities increased primarily due to additional financing of capital projects by Higher Education Institutions. Total per capita borrowing including bonds, Certificates of Participation, mortgages, notes, and capital leases was $1,138, $1,159 (restated), $1,203 (restated), $1,200 and $1,159 per person in Fiscal Years 2017, 2016, 2015, 2014 and 2013, respectively.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

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

- Newly Created TABOR-Exempt Enterprise – The Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) was created within the Department of Health Care Policy and Financing. CHASE is responsible for the collection of the new Healthcare Affordability and Sustainability Fee, which replaces the Hospital Provider Fee. Because CHASE is an enterprise for purposes of the Taxpayer's Bill of Rights (TABOR), its revenue does not count against the state Fiscal year spending limit (Referendum C cap) beginning in Fiscal Year 2018.

- Public Employees Retirement Association Reforms – In Fiscal Year 2017, the PERA Board took a more conservative approach to future market conditions by lowering the long-term rate of return expectation from 7.5 percent to 7.25 percent. In addition, based on an experience study conducted that showed PERA members are living longer and thus receiving benefits for a longer period, the Board adopted different mortality tables for each division. Further, based on GASB pension standards that require future benefit obligations to be measured at a lower discount rate when certain conditions exist, a change in the blended discount rate from 5.73 to 5.18 was applied. This change in the blended discount rate along with the changes in actuarial assumptions contributed to a significant increase in the net pension liability from $10,252.1 million in Fiscal Year 2016 to $17,779.4 million in Fiscal Year 2017. The funded ratio of the PERA State Division Trust Fund has gradually decreased from 73.3 percent in Fiscal Year 2007 to 42.6 percent in Fiscal Year 2017. Since Fiscal Year 2014, the PERA Judicial Division Trust Fund funded ratio has also gradually decreased from 71.3 percent to 53.2 percent. In response to the continued decreases of funding ratios, both the Governor and the PERA board have put forth reform plans, and we expect other reform plan proposals. The PERA Board endorsed a comprehensive package of reforms designed to reduce the overall risk profile of the plan and to improve PERA's funded status. These changes include modifying of benefits of current retirees, members, and future members; increasing of employer and employee contributions into the fund; and ensuring the equitable alignment of contributions and service credit with the benefits paid out. Contributions would be made on gross pay rather than net pay, and the definition of full-time service accrual would be modified so that future PERA members earn service credit for part-time work based on the percentage of full-time employment actually worked. Any changes to PERA funding must be proposed and passed through the legislature and signed by the governor, and the issue will be thoroughly debated in future legislative sessions.

- Changes in Other Post-Employment Benefits (OPEB) Reporting – GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will be effective beginning in Fiscal Year 2018. The standard will require, for purposes of governmental financial reporting, the State to recognize a liability for its proportionate share of the net OPEB liability (of all employers for benefits provided through the OPEB plan) — the collective net OPEB liability. The State will also be required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. In addition, the standard will require additional footnote disclosures about the pension trust fund in the financial statements.

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

- Cash Basis Accounting – For Fiscal Year 2003 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June paydates until July (after Fiscal Year-end). During Fiscal Year 2008, similar treatment was extended to certain Old Age Pension, Medicare, and Children's Basic Health Plan expenditures. In Fiscal Year 2009, this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the paydate shift beginning in Fiscal Year 2011 to all information technology staff formerly paid by the General Purpose Revenue Fund. Each of these items causes the outflow of resources to be deferred into the following year for General Fund budget purposes. As a result, the State does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities ($120.7 million net of related deferred revenue in Fiscal Year 2017) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. In Fiscal Year 2012, legislation was passed to eliminate the deferral of June pay dates until July for employees paid on a biweekly basis beginning in Fiscal Year 2013. Departures from generally accepted accounting principles (GAAP) such as this could adversely affect the State's credit rating. It will be difficult for the State to return to the GAAP basis of accounting for budgetary expenditures because of the significant one-time budgetary impact of recording payroll, Medicaid, and other expenditures that were previously deferred.

- General Fund Liquidity – The General Purpose Revenue Fund shows a cash balance of $54.1 million at June 30, 2017, providing apparent liquidity. The General Purpose Revenue Fund taxes receivable increased by $73.9 million to $1,509.5 million, tax refunds payable increased by $44.9 million to $837.8

million, and deferred inflows related to the tax receivables that are not expected to be collected within the next year increased by $5.7 million to $224.0 million. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. If the State's economy experiences another downturn, tax receivables will likely decline (due to declining personal income) and tax refunds will likely increase (due to higher than required estimated tax and withholding payments) putting additional pressure on the fund balance of the General Purpose Revenue Fund. The General Fund legally has access to short-term borrowing from the cash balances of other funds. However, those transfers become increasingly difficult as accessible cash fund balances are depleted from transfers in prior years.

- Debt Service – In Fiscal Year 2011, the Bridge Enterprise within the Department of Transportation issued $300.0 million of enterprise fund revenue bonds to be paid from fees. Debt service over the next five years averages $18.2 million for interest. Principal payments will start in Fiscal Year 2024-2025. Also, in previous years, the State entered into lease purchase agreements for all or a portion of various construction projects including the Ralph L. Carr Justice Center, the Colorado History Center, a prison, a hospital building, a number of school buildings in local school districts, and the office consolidation at the Department of Agriculture. The average debt service over the next five years is $99.9 million for these lease purchase agreements. The majority of the revenue streams to cover the debt service payments comprise cash sources, as there is no general obligation associated with these lease purchases and the investors' sole recourse is the leased asset. However, if the revenue streams intended to fund this debt service do not materialize, the State will need to find other ways to pay for the service-potential represented by these capital assets.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2017

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,567,219	$ 2,846,015	$ 5,413,234	$ 295,562
Investments	-	549,079	549,079	-
Taxes Receivable, net	1,325,689	125,258	1,450,947	-
Contributions Receivable, net	-	-	-	67,684
Other Receivables, net	717,660	490,427	1,208,087	81,376
Due From Other Governments	524,240	136,231	660,471	3,122
Internal Balances	26,262	(26,262)	-	-
Due From Component Units	154	23,041	23,195	-
Inventories	54,152	59,196	113,348	-
Prepaids, Advances and Deposits	72,047	31,679	103,726	2,248
Total Current Assets	5,287,423	4,234,664	9,522,087	449,992
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,493,996	241,268	1,735,264	119,062
Restricted Investments	867,572	95,280	962,852	107,680
Restricted Receivables	587,580	38,605	626,185	1,600
Investments	255,069	2,097,484	2,352,553	2,717,708
Contributions Receivable, net	-	-	-	165,193
Other Long-Term Assets	614,932	129,350	744,282	932,330
Depreciable Capital Assets and Infrastructure, net	9,994,890	7,502,858	17,497,748	166,140
Land and Nondepreciable Capital Assets	2,041,812	1,921,788	3,963,600	25,393
Capital Assets Held as Investments	42,899	-	42,899	-
Total Noncurrent Assets	15,898,750	12,026,633	27,925,383	4,235,106
TOTAL ASSETS	21,186,173	16,261,297	37,447,470	4,685,098
DEFERRED OUTFLOW OF RESOURCES:	3,503,643	2,332,443	5,836,086	5,035
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	886,992	-	886,992	-
Accounts Payable and Accrued Liabilities	1,165,137	786,944	1,952,081	34,852
TABOR Refund Liability (Note 2B)	21,807	-	21,807	-
Due To Other Governments	395,627	46,765	442,392	413
Due To Component Units	-	1,249	1,249	-
Unearned Revenue	126,307	328,261	454,568	-
Accrued Compensated Absences	11,865	25,381	37,246	-
Claims and Judgments Payable	46,369	-	46,369	-
Leases Payable	28,254	7,292	35,546	-
Notes, Bonds, and COPs Payable	46,990	146,604	193,594	40,700
Other Current Liabilities	27,678	134,584	162,262	156,438
Total Current Liabilities	2,757,026	1,477,080	4,234,106	232,403
Noncurrent Liabilities:				
Deposits Held In Custody For Others	116	20	136	431,510
Accrued Compensated Absences	158,435	317,070	475,505	-
Claims and Judgments Payable	260,535	37,361	297,896	-
Capital Lease Payable	113,899	42,599	156,498	-
Derivative Instrument Liability	-	9,251	9,251	-
Notes, Bonds, and COPs Payable	1,266,507	4,638,363	5,904,870	529,800
Due to Component Units	-	1,678	1,678	-
Net Pension Liability	10,919,603	6,934,505	17,854,108	4,095
Other Postemployment Benefits	-	343,570	343,570	-
Other Long-Term Liabilities	407,912	15,863	423,775	111,541
Total Noncurrent Liabilities	13,127,007	12,340,280	25,467,287	1,076,946
TOTAL LIABILITIES	15,884,033	13,817,360	29,701,393	1,309,349
DEFERRED INFLOW OF RESOURCES:	98,746	206,047	304,793	321
NET POSITION:				
Net investment in Capital Assets:	14,071,021	6,982,288	21,053,309	191,607
Restricted for:				
Construction and Highway Maintenance	915,033	-	915,033	-
Education	107,012	504,096	611,108	-
Unemployment Insurance	-	911,183	911,183	-
Debt Service	79,966	28,429	108,395	-
Emergencies	194,369	34,000	228,369	-
Permanent Funds and Endowments:				
Expendable	7,643	165,637	173,280	1,298,784
Nonexpendable	1,020,225	91,878	1,112,103	1,018,297
Other Purposes	671,306	65,961	737,267	671,855
Unrestricted	(8,359,538)	(4,213,139)	(12,572,677)	199,920
TOTAL NET POSITION	$ 8,707,037	$ 4,570,333	$ 13,277,370	$ 3,380,463

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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

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

Special Items
(Transfers-Out) / Transfers-In
Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Fiscal Year Beginning
Prior Period Adjustment (See Note 15A)
Accounting Changes (See Note 15B)

Net Position - Fiscal Year Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (326,155)	$ -	$ (326,155)	
(504,706)	-	(504,706)	
(5,411,154)	-	(5,411,154)	
(632,031)	-	(632,031)	
(2,566,077)	-	(2,566,077)	
7,316	-	7,316	
(3,348,809)	-	(3,348,809)	
(719,878)	-	(719,878)	
(58,764)	-	(58,764)	
(13,560,258)	-	(13,560,258)	
-	(1,038,861)	(1,038,861)	
-	168,830	168,830	
-	62,436	62,436	
-	(58,844)	(58,844)	
-	33,324	33,324	
-	115,051	115,051	
-	(718,064)	(718,064)	
(13,560,258)	(718,064)	(14,278,322)	
-	-	-	31,914
-	-	-	140,657
-	-	-	84,103
-	-	-	21,349
-	-	-	4,637
-	-	-	(3,902)
-	-	-	278,758
3,151,679	-	3,151,679	-
321,419	-	321,419	-
6,291,376	-	6,291,376	-
432,802	-	432,802	-
452,042	-	452,042	-
495,909	-	495,909	-
44,091	-	44,091	-
629,081	-	629,081	-
376	-	376	-
16,987	-	16,987	82,673
103,476	-	103,476	-
-	(808)	(808)	-
(353,647)	353,647	-	-
766	-	766	-
11,586,357	352,839	11,939,196	82,673
(1,973,901)	(365,225)	(2,339,126)	361,431
10,589,266	4,981,653	15,570,919	3,019,032
91,672	545	92,217	-
-	(46,640)	(46,640)	-
$ 8,707,037	$ 4,570,333	$ 13,277,370	$ 3,380,463

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 212,527	$ 779,973	$ 65,115
Taxes Receivable, net	1,509,492	9,668	-
Other Receivables, net	614,577	21,522	3,416
Due From Other Governments	467,442	10,387	-
Due From Other Funds	86,167	17,070	5,037
Due From Component Units	154	-	-
Inventories	8,503	35,114	9,334
Prepaids, Advances and Deposits	39,460	16,677	679
Restricted Assets:			
Restricted Cash and Pooled Cash	443,662	108,151	497,654
Restricted Investments	-	-	90,122
Restricted Receivables	92	-	587,488
Investments	14,080	-	-
Other Long-Term Assets	709	350,796	9,793
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,396,865	$ 1,349,358	$ 1,268,638
DEFERRED OUTFLOW OF RESOURCES:	677	-	-
LIABILITIES:			
Tax Refunds Payable	$ 837,817	46,651	$ 2,255
Accounts Payable and Accrued Liabilities	757,304	16,983	217,069
TABOR Refund Liability (Note 2B)	21,807	-	-
Due To Other Governments	305,422	33,727	34,317
Due To Other Funds	50,088	481	1,565
Unearned Revenue	26,224	9,651	31,207
Claims and Judgments Payable	282	-	8
Other Current Liabilities	18,478	-	32
Deposits Held In Custody For Others	1	-	-
TOTAL LIABILITIES	2,017,423	107,493	286,453
DEFERRED INFLOW OF RESOURCES:	226,101	2	1,465
FUND BALANCES:			
Nonspendable:			
Inventories	8,503	35,114	9,334
Permanent Fund Principal	-	-	-
Prepaids	39,348	16,677	679
Restricted	442,249	79,173	917,778
Committed	646,700	1,110,899	52,929
Assigned	17,218	-	-
TOTAL FUND BALANCES	1,154,018	1,241,863	980,720
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,397,542	$ 1,349,358	$ 1,268,638

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 251,174	$ -	$ 1,220,272	$ 2,529,061
-	-	33,487	1,552,647
1,140	-	76,093	716,748
1,959	-	44,397	524,185
10	-	7,689	115,973
-	-	-	154
-	-	331	53,282
3,431	112	6,787	67,146
-	118,179	326,350	1,493,996
-	-	777,450	867,572
-	-	-	587,580
3,844	-	237,145	255,069
37	-	25,738	387,073
-	-	112,290	112,290
$ 261,595	$ 118,291	$ 2,868,029	$ 9,262,776
-	-	-	677
$ -	$ -	$ 269	$ 886,992
11,262	16,160	114,285	1,133,063
-	-	-	21,807
-	-	22,161	395,627
2,042	-	35,059	89,235
-	-	53,558	120,640
-	-	89	379
167	-	4,646	23,323
-	-	115	116
13,471	16,160	230,182	2,671,182
-	-	1,200	228,768
-	-	331	53,282
-	-	1,122,480	1,122,480
3,431	112	6,787	67,034
5	102,019	237,650	1,778,874
244,688	-	1,269,399	3,324,615
-	-	-	17,218
248,124	102,131	2,636,647	6,363,503
$ 261,595	$ 118,291	$ 2,868,029	$ 9,263,453

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

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET POSITION TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 2,529,061	$ 38,152	$ -	$ -	$ -	$ 6	$ -	$ 2,567,219
Taxes Receivable, net	1,552,647	-	-	-	-	(226,958)	-	1,325,689
Other Receivables, net	716,748	912	-	-	-	-	-	717,660
Due From Other Governments	524,185	55	-	-	-	-	-	524,240
Due From Other Funds	115,973	1,804	-	-	-	-	(117,777)	-
Internal Balances	-	-	-	-	-	-	26,262	26,262
Due From Component Units	154	-	-	-	-	-	-	154
Inventories	53,282	870	-	-	-	-	-	54,152
Prepaids, Advances and Deposits	67,146	4,901	-	-	-	-	-	72,047
Total Current Assets	5,559,196	46,694	-	-	-	(226,952)	(91,515)	5,287,423
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,493,996	-	-	-	-	-	-	1,493,996
Restricted Investments	867,572	-	-	-	-	-	-	867,572
Restricted Receivables	587,580	-	-	-	-	-	-	587,580
Investments	255,069	-	-	-	-	-	-	255,069
Other Long-Term Assets	387,073	-	-	-	-	227,859	-	614,932
Depreciable Capital Assets and Infrastructure, net	-	137,584	9,857,306	-	-	-	-	9,994,890
Land and Nondepreciable Capital Assets	-	910	2,040,902	-	-	-	-	2,041,812
Capital Assets Held as Investments	112,290	-	(69,391)	-	-	-	-	42,899
Total Noncurrent Assets	3,703,580	138,494	11,828,817	-	-	227,859	-	15,898,750
TOTAL ASSETS	9,262,776	185,188	11,828,817	-	-	907	(91,515)	21,186,173
DEFERRED OUTFLOW OF RESOURCES:	677	211,672	-	3,291,294	-	-	-	3,503,643
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	886,992	-	-	-	-	-	-	886,992
Accounts Payable and Accrued Liabilities	1,133,063	24,476	-	7,338	-	-	260	1,165,137
TABOR Refund Liability (Note 2B)	21,807	-	-	-	-	-	-	21,807
Due To Other Governments	395,627	-	-	-	-	-	-	395,627
Due To Other Funds	89,235	2,540	-	-	-	-	(91,775)	-
Unearned Revenue	120,640	5,840	-	-	-	(173)	-	126,307
Compensated Absences Payable	-	488	-	-	-	11,377	-	11,865
Claims and Judgments Payable	379	-	-	-	37,488	8,502	-	46,369
Leases Payable	-	21,457	-	6,797	-	-	-	28,254
Notes, Bonds, and COPs Payable	-	-	-	46,990	-	-	-	46,990
Other Current Liabilities	23,323	54	-	-	-	4,301	-	27,678
Total Current Liabilities	2,671,066	54,855	-	61,125	37,488	24,007	(91,515)	2,757,026
Noncurrent Liabilities:								
Deposits Held In Custody For Others	116	-	-	-	-	-	-	116
Accrued Compensated Absences	-	9,639	-	-	-	148,796	-	158,435
Claims and Judgments Payable	-	-	-	-	120,791	139,744	-	260,535
Capital Lease Payable	-	81,434	-	32,465	-	-	-	113,899
Notes, Bonds, and COPs Payable	-	-	-	1,266,507	-	-	-	1,266,507
Net Pension Liability	-	646,191	-	-	-	10,273,412	-	10,919,603
Other Long-Term Liabilities	-	-	-	-	-	407,912	-	407,912
Total Noncurrent Liabilities	116	737,264	-	1,298,972	120,791	10,969,864	-	13,127,007
TOTAL LIABILITIES	2,671,182	792,119	-	1,360,097	158,279	10,993,871	(91,515)	15,884,033
DEFERRED INFLOW OF RESOURCES:	228,768	5,855	-	-	-	(135,877)	-	98,746
NET POSITION:								
Net investment in Capital Assets:	112,288	35,601	11,828,817	2,094,315	-	-	-	14,071,021
Restricted for:								
Construction and Highway Maintenance	915,033	-	-	-	-	-	-	915,033
Education	107,012	-	-	-	-	-	-	107,012
Debt Service	79,966	-	-	-	-	-	-	79,966
Emergencies	194,369	-	-	-	-	-	-	194,369
Permanent Funds and Endowments:								
Expendable	7,643	-	-	-	-	-	-	7,643
Nonexpendable	1,020,225	-	-	-	-	-	-	1,020,225
Other Purposes	671,306	-	-	-	-	-	-	671,306
Unrestricted	3,255,661	(436,715)	-	(163,118)	(158,279)	(10,857,087)	-	(8,359,538)
TOTAL NET POSITION	$ 6,363,503	$ (401,114)	$ 11,828,817	$ 1,931,197	$ (158,279)	$ (10,857,087)	$ -	$ 8,707,037

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

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

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

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

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

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

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

(E) Other measurement focus adjustments include:

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

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

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

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 6,208,993	$ -	$ -
Corporate Income	467,411	-	-
Sales and Use	3,085,580	-	-
Excise	102,784	-	629,082
Other Taxes	291,107	64,949	376
Licenses, Permits, and Fines	31,883	3,039	392,445
Charges for Goods and Services	74,027	6,653	143,666
Rents	262	-	3,037
Investment Income (Loss)	18,957	13,779	2,769
Federal Grants and Contracts	7,554,003	109,964	843,438
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	242,150	2,939	67,782
TOTAL REVENUES	18,077,157	201,323	2,082,595
EXPENDITURES:			
Current:			
General Government	228,874	-	62,984
Business, Community, and Consumer Affairs	161,079	8,172	-
Education	788,499	-	-
Health and Rehabilitation	631,512	533	11,862
Justice	1,392,189	-	128,525
Natural Resources	39,894	58,902	-
Social Assistance	8,473,261	-	-
Transportation	-	-	1,361,221
Capital Outlay	22,398	1,905	84,846
Intergovernmental:			
Cities	92,874	67,492	260,710
Counties	1,355,135	49,816	234,563
School Districts	4,405,287	1,919	-
Special Districts	68,360	23,903	67,459
Federal	271	1,157	14
Other	24,118	4,920	1,196
Debt Service	56,981	12	-
TOTAL EXPENDITURES	17,740,732	218,731	2,213,380
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	336,425	(17,408)	(130,785)
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,171,116	4,711	83,715
Transfers-Out	(4,435,958)	(56,380)	(148,017)
Face Amount of Bond/COP Issuance	-	-	128,665
Bond/COP Premium/Discount	-	-	13,878
Capital Lease Proceeds	891	-	-
Sale of Capital Assets	(5)	-	-
Insurance Recoveries	4,967	-	1,843
TOTAL OTHER FINANCING SOURCES (USES)	(258,989)	(51,669)	80,084
NET CHANGE IN FUND BALANCES	77,436	(69,077)	(50,701)
FUND BALANCE, FISCAL YEAR BEGINNING	1,076,582	1,310,940	1,031,421
Prior Period Adjustment (See Note 15A)	-	-	-
FUND BALANCE, FISCAL YEAR END	$ 1,154,018	$ 1,241,863	$ 980,720

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 498,112	$ -	$ 6,707,105
-	41,888	-	509,299
-	-	64,306	3,149,886
-	-	217,326	949,192
1,632	-	161,570	519,634
5	-	409,910	837,282
-	-	787,038	1,011,384
-	-	129,013	132,312
365	1,450	8,685	46,005
10,996	-	166,935	8,685,336
-	-	766	766
-	-	63,663	63,663
14	187	25,023	338,095
13,012	541,637	2,034,235	22,949,959
24,309	-	27,280	343,447
1,641	-	282,157	453,049
1,330	47,476	32,075	869,380
370	-	125,461	769,738
5,369	-	179,025	1,705,108
85	-	14,422	113,303
4,102	-	880,779	9,358,142
-	-	2,815	1,364,036
66,374	-	13,302	188,825
-	-	70,099	491,175
-	-	100,791	1,740,305
-	670,929	43,177	5,121,312
-	-	12,160	171,882
-	-	149	1,591
-	-	51,378	81,612
1,818	-	179,895	238,706
105,398	718,405	2,014,965	23,011,611
(92,386)	(176,768)	19,270	(61,652)
99,088	25,321	413,464	4,797,415
(145,894)	(50,862)	(305,824)	(5,142,935)
-	-	-	128,665
-	-	-	13,878
-	-	-	891
-	-	15,086	15,081
1,122	-	2	7,934
(45,684)	(25,541)	122,728	(179,071)
(138,070)	(202,309)	141,998	(240,723)
386,194	304,440	2,499,848	6,609,425
-	-	(5,199)	(5,199)
$ 248,124	$ 102,131	$ 2,636,647	$ 6,363,503

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

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 6,707,105	$ -	$ -	$ -	$ 28,586	$ 6,735,691
Corporate Income	509,299	-	-	-	(34,609)	474,690
Sales and Use	3,149,886	-	-	-	1,793	3,151,679
Excise	949,192	-	-	-	1,309	950,501
Other Taxes	519,634	-	-	-	19,089	538,723
Licenses, Permits, and Fines	837,282	-	-	-	162	837,444
Charges for Goods and Services	1,011,384	-	-	-	(1)	1,011,383
Rents	132,312	-	-	-	-	132,312
Investment Income (Loss)	46,005	(164)	-	-	(164)	45,677
Federal Grants and Contracts	8,685,336	-	-	-	-	8,685,336
Additions to Permanent Funds	766	-	-	-	-	766
Unclaimed Property Receipts	63,663	-	-	-	-	63,663
Other	338,095	-	-	-	1,237	339,332
TOTAL REVENUES	22,949,959	(164)	-	-	17,402	22,967,197
EXPENDITURES:						
Current:						
General Government	343,447	19,825	18,710	-	120,645	502,627
Business, Community, and Consumer Affairs	453,049	20,616	2,595	-	132,646	608,906
Education	869,380	1,013	36,525	-	56,622	963,540
Health and Rehabilitation	769,738	6,397	11,575	-	250,575	1,038,285
Justice	1,705,108	15,490	47,021	-	904,478	2,672,097
Natural Resources	113,303	8,308	2,189	-	42,119	165,919
Social Assistance	9,358,142	38,655	12,678	-	78,078	9,487,553
Transportation	1,364,036	7,558	373,066	-	181,061	1,925,721
Capital Outlay	188,825	-	(689,868)	-	-	(501,043)
Intergovernmental:						
Cities	491,175	-	-	-	-	491,175
Counties	1,740,305	-	-	-	-	1,740,305
School Districts	5,121,312	-	-	-	-	5,121,312
Special Districts	171,882	-	-	-	-	171,882
Federal	1,591	-	-	-	-	1,591
Other	81,612	-	-	-	-	81,612
Debt Service	238,706	2,313	-	(178,778)	-	62,241
TOTAL EXPENDITURES	23,011,611	120,175	(185,509)	(178,778)	1,766,224	24,533,723
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(61,652)	(120,339)	185,509	178,778	(1,748,822)	(1,566,526)
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,797,415	6,183	-	-	-	4,803,598
Transfers-Out	(5,142,935)	(5,395)	-	-	-	(5,148,330)
Face Amount of Bond/COP Issuance	128,665	-	-	(128,665)	-	-
Bond/COP Premium/Discount	13,878	-	-	(12,495)	-	1,383
Capital Lease Proceeds	891	-	-	(891)	-	-
Sale of Capital Assets	15,081	-	(83,563)	-	-	(68,482)
Insurance Recoveries	7,934	-	-	-	-	7,934
TOTAL OTHER FINANCING SOURCES (USES)	(179,071)	788	(83,563)	(142,051)	-	(403,897)
Internal Service Fund Charges to BTAs	-	(3,478)	-	-	-	(3,478)
NET CHANGE FOR THE YEAR	(240,723)	(123,029)	101,946	36,727	(1,748,822)	(1,973,901)
Prior Period Adjustment (See Note 15A)	(5,199)	-	-	-	96,871	91,672
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ (245,922)	$ (123,029)	$ 101,946	$ 36,727	$ (1,651,951)	$ (1,882,229)

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

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

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

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

(B) The following adjustments relate to capital assets:

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

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

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

(D) Other measurement focus adjustments include:

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,288,490	$ 808,093
Investments	548,376	-
Premiums Receivable, net	-	125,258
Student and Other Receivables, net	438,087	2,997
Due From Other Governments	113,175	6,852
Due From Other Funds	11,140	1
Due From Component Units	23,041	-
Inventories	38,742	-
Prepaids, Advances and Deposits	20,820	-
Total Current Assets	2,481,871	943,201
Noncurrent Assets:		
Restricted Cash and Pooled Cash	149,688	-
Restricted Investments	95,280	-
Restricted Receivables	-	-
Investments	2,065,149	-
Other Long-Term Assets	127,364	-
Depreciable Capital Assets and Infrastructure, net	6,386,101	7,575
Land and Nondepreciable Capital Assets	1,258,806	-
Total Noncurrent Assets	10,082,388	7,575
TOTAL ASSETS	12,564,259	950,776
DEFERRED OUTFLOW OF RESOURCES:	2,080,339	12,029
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	702,004	1,263
Due To Other Governments	-	1
Due To Other Funds	4,807	-
Due To Component Units	1,249	-
Unearned Revenue	274,681	-
Compensated Absences Payable	23,861	-
Leases Payable	6,817	-
Notes, Bonds, and COPs Payable	145,564	-
Other Current Liabilities	80,056	15,510
Total Current Liabilities	1,239,039	16,774
Noncurrent Liabilities:		
Due to Other Funds	-	-
Deposits Held In Custody For Others	-	-
Accrued Compensated Absences	304,088	-
Claims and Judgments Payable	37,361	-
Capital Lease Payable	39,262	-
Derivative Instrument Liability	9,251	-
Notes, Bonds, and COPs Payable	4,110,915	-
Due to Component Units	1,678	-
Net Pension Liability	6,151,824	27,049
Other Postemployment Benefits	343,570	-
Other Long-Term Liabilities	15,832	-
Total Noncurrent Liabilities	11,013,781	27,049
TOTAL LIABILITIES	12,252,820	43,823
DEFERRED INFLOW OF RESOURCES:	49,191	224
NET POSITION:		
Net investment in Capital Assets:	5,526,513	7,575
Restricted for:		
Education	504,096	-
Unemployment Insurance	-	911,183
Debt Service	10,160	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	165,637	-
Nonexpendable	91,878	-
Other Purposes	-	-
Unrestricted	(3,955,697)	-
TOTAL NET POSITION	$ 2,342,587	$ 918,758

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 47,468	$ 701,964	$ 2,846,015	$ 38,152
-	703	549,079	-
-	-	125,258	-
21,153	28,190	490,427	912
-	16,204	136,231	55
-	4,968	16,109	1,804
-	-	23,041	-
1,446	19,008	59,196	870
4,496	6,363	31,679	4,901
74,563	777,400	4,277,035	46,694
-	91,580	241,268	-
-	-	95,280	-
-	38,605	38,605	-
-	32,335	2,097,484	-
-	1,986	129,350	-
286	1,108,896	7,502,858	137,584
-	662,982	1,921,788	910
286	1,936,384	12,026,633	138,494
74,849	2,713,784	16,303,668	185,188
12,888	227,187	2,332,443	211,672
3,173	54,844	761,284	24,476
41	46,723	46,765	-
32,743	9,111	46,661	2,540
-	-	1,249	-
-	53,580	328,261	5,840
1	1,519	25,381	488
-	475	7,292	21,457
-	1,040	146,604	-
35,576	3,442	134,584	54
71,534	170,734	1,498,081	54,855
-	21,370	21,370	-
-	20	20	-
750	12,232	317,070	9,639
-	-	37,361	-
-	3,337	42,599	81,434
-	-	9,251	-
-	527,448	4,638,363	-
-	-	1,678	-
41,111	714,521	6,934,505	646,191
-	-	343,570	-
31	-	15,863	-
41,892	1,278,928	12,361,650	737,264
113,426	1,449,662	13,859,731	792,119
1,427	155,205	206,047	5,855
286	1,447,914	6,982,288	35,601
-	-	504,096	-
-	-	911,183	-
-	18,269	28,429	-
-	34,000	34,000	-
-	-	165,637	-
-	-	91,878	-
-	65,961	65,961	-
(27,402)	(230,040)	(4,213,139)	(436,715)
$ (27,116)	$ 1,336,104	$ 4,570,333	$ (401,114)

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

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 646,337
License and Permits	-	110
Tuition and Fees	2,936,317	-
Scholarship Allowance for Tuition and Fees	(619,032)	-
Sales of Goods and Services	2,192,564	-
Scholarship Allowance for Sales of Goods & Services	(24,179)	-
Investment Income (Loss)	1,544	-
Rental Income	16,017	-
Gifts and Donations	42,706	-
Federal Grants and Contracts	1,044,199	20,232
Intergovernmental Revenue	7,566	-
Other	406,623	-
TOTAL OPERATING REVENUES	6,004,325	666,679
OPERATING EXPENSES:		
Salaries and Fringe Benefits	5,508,651	21,095
Operating and Travel	1,533,465	493,744
Cost of Goods Sold	136,716	-
Depreciation and Amortization	423,358	2,379
Intergovernmental Distributions	32,778	-
Debt Service	-	-
Prizes and Awards	440	-
TOTAL OPERATING EXPENSES	7,635,408	517,218
OPERATING INCOME (LOSS)	(1,631,083)	149,461
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	1,479	3,643
Investment Income (Loss)	231,195	17,399
Rental Income	13,431	1
Gifts and Donations	221,577	-
Intergovernmental Distributions	(25,561)	-
Federal Grants and Contracts	260,174	-
Gain/(Loss) on Sale or Impairment of Capital Assets	133	-
Insurance Recoveries from Prior Year Impairments	488	-
Debt Service	(163,595)	(1,674)
Other Expenses	(1,731)	-
Other Revenues	18,067	-
TOTAL NONOPERATING REVENUES (EXPENSES)	555,657	19,369
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,075,426)	168,830
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	40,371	-
Special Items	(808)	-
Transfers-In	408,584	-
Transfers-Out	(5,440)	(18)
TOTAL CONTRIBUTIONS AND TRANSFERS	442,707	(18)
CHANGE IN NET POSITION	(632,719)	168,812
NET POSITION - FISCAL YEAR BEGINNING	3,021,946	749,946
Prior Period Adjustments (See Note 15A)	-	-
Accounting Changes (See Note 15B)	(46,640)	-
NET POSITION - FISCAL YEAR ENDING	$ 2,342,587	$ 918,758

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

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

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

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 2,347,814	$ -
Fees for Service	2,258,475	6,158
Receipts for Interfund Services	-	-
Sales of Products	69,118	527
Gifts, Grants, and Contracts	1,527,892	17,985
Loan and Note Repayments	514,939	-
Unemployment Insurance Premiums	-	647,563
Income from Property	29,449	1
Other Sources	157,436	-
Cash Payments to or for:		
Employees	(4,353,132)	(12,192)
Suppliers	(1,472,571)	(9,936)
Payments for Interfund Services	-	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(489,455)
Scholarships	(112,405)	-
Others for Student Loans and Loan Losses	(486,119)	-
Other Governments	(32,778)	-
Other	(118,253)	(3)
NET CASH PROVIDED BY OPERATING ACTIVITIES	329,865	160,648
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	3,192,090	12
Transfers-Out	(2,920,242)	(31)
Receipt of Deposits Held in Custody	590,021	-
Release of Deposits Held in Custody	(587,146)	(12)
Gifts and Grants for Other Than Capital Purposes	221,347	-
Intergovernmental Distributions	(25,561)	-
NonCapital Debt Proceeds	130,892	239
NonCapital Debt Service Payments	(162,092)	(638)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	439,309	(430)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(890,432)	(57)
Capital Contributions	107,758	-
Capital Gifts, Grants, and Contracts	15,883	-
Proceeds from Sale of Capital Assets	34,273	-
Capital Debt Proceeds	214,313	125,603
Capital Debt Service Payments	(358,109)	(252,481)
Capital Lease Payments	(18,967)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(895,281)	(126,935)

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 1,594	$ 2,349,408	$ -
-	279,074	2,543,707	4,892
-	9,002	9,002	354,833
555,334	64,742	689,721	1,344
-	446,243	1,992,120	395
-	-	514,939	-
-	-	647,563	-
-	16,820	46,270	15,350
898	88,681	247,015	3,715
(9,691)	(218,802)	(4,593,817)	(206,363)
(29,259)	(168,386)	(1,680,152)	(113,759)
(381)	(5,125)	(5,506)	(40,366)
(384,906)	(7,414)	(392,320)	(605)
-	-	(489,455)	-
-	-	(112,405)	-
-	-	(486,119)	-
-	(13,142)	(45,920)	(1)
(700)	(304,507)	(423,463)	(99)
131,295	188,780	810,588	19,336
703	43,667	3,236,472	6,831
(70,417)	(31,172)	(3,021,862)	(6,043)
-	1,054	591,075	200
-	(1,053)	(588,211)	(417)
-	1,147	222,494	-
(64,464)	-	(90,025)	-
-	3,132	134,263	172
-	(3,678)	(166,408)	(172)
(134,178)	13,097	317,798	571
(52)	(321,619)	(1,212,160)	(133,096)
-	-	107,758	-
-	-	15,883	-
-	190,803	225,076	129,437
-	171,842	511,758	-
-	(10,153)	(620,743)	(54)
-	(606)	(19,573)	(24,043)
(52)	30,267	(992,001)	(27,756)

(Continued)

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

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	106,422	17,402
Proceeds from Sale/Maturity of Investments	4,434,642	-
Purchases of Investments	(4,674,881)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	123,010	(3)
NET CASH FROM INVESTING ACTIVITIES	(10,807)	17,399
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(136,914)	50,682
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,621,732	757,411
Prior Period Adjustment/Accounting Change (See Note 15A and 15B)	(46,640)	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,438,178	$ 808,093
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (1,631,083)	$ 149,461
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by Operating Activities:		
Depreciation	423,358	2,379
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	296,020	3,645
(Gain)/Loss on Disposal of Capital and Other Assets	362	-
Compensated Absences and Accrued Pension Expense	1,068,089	9,030
Interest and Other Expense in Operating Income	38,402	1
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred		
Inflows Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	89,078	(2,236)
(Increase) Decrease in Inventories	(468)	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	(2,667)	-
Increase (Decrease) in Accounts Payable	(2,366)	(2,404)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	51,140	772
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 329,865	$ 160,648
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	27	-
Capital Assets Acquired by Grants or Donations and Payable Increases	62,562	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	23,588	-
Loss on Disposal of Capital and Other Assets	20,471	-
Disposal of Capital Assets	17,699	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	35,693	399
Assumption of Capital Lease Obligation or Mortgage	2,207	-
Financed Debt Issuance Costs	395	-
Fair Value Change in Derivative Instrument	(3,971)	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
669	13,535	138,028	66
-	16,298	4,450,940	-
-	(18,647)	(4,693,528)	-
(354)	(4,479)	118,174	(230)
315	6,707	13,614	(164)
(2,620)	238,851	149,999	(8,013)
50,088	554,148	2,983,379	46,165
-	545	(46,095)	-
$ 47,468	$ 793,544	$ 3,087,283	$ 38,152
$ 127,313	(11,318)	$ (1,365,627)	$ (134,224)
197	32,286	458,220	28,864
-	(5,434)	(5,434)	-
-	55,449	355,114	420
-	(15)	347	-
6,194	117,041	1,200,354	124,816
-	(38,320)	83	310
(72)	21,525	108,295	15,500
25	(4,007)	(4,450)	(157)
118	(299)	(2,848)	(821)
(364)	(286)	(5,420)	(6,597)
(2,116)	22,158	71,954	(8,775)
$ 131,295	$ 188,780	$ 810,588	$ 19,336
-	902	929	2,093
-	170	62,732	-
-	110	23,698	-
-	60,252	80,723	10,376
-	-	17,699	-
-	2,927	39,019	144
-	-	2,207	17,852
-	-	395	-
-	-	(3,971)	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

(DOLLARS IN THOUSANDS)	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 82,697	$ 203,676	$ 581,518
Investments	-	235	-
Taxes Receivable, net	-	-	179,823
Other Receivables, net	223	10,788	355
Due From Other Funds	3,649	8,246	14,098
Inventories	-	-	5
Noncurrent Assets:			
Investments:			
Government Securities	15,849	21,941	-
Corporate Bonds	10,917	-	-
Repurchase Agreements	-	2,506	-
Asset Backed Securities	4,808	-	-
Mutual Funds	26,264	6,482,118	-
Other Investments	19,135	911,248	-
Other Long-Term Assets	-	-	11,371
TOTAL ASSETS	163,542	7,640,758	$ 787,170
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	3,836
Accounts Payable and Accrued Liabilities	19,512	9,575	1,206
Due To Other Governments	-	-	319,366
Due To Other Funds	-	73	-
Unearned Revenue	-	8,356	-
Compensated Absences Payable	15	-	-
Claims and Judgments Payable	16,077	-	36
Other Current Liabilities	-	-	426,847
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	4,343	35,506
Accrued Compensated Absences	35	-	-
Other Long-Term Liabilities	-	-	373
TOTAL LIABILITIES	35,639	22,347	$ 787,170
NET POSITION:			
Held in Trust for:			
Pension/Benefit Plan Participants	127,903	-	
Individuals, Organizations, and Other Entities	-	7,618,411	
TOTAL NET POSITION	$ 127,903	$ 7,618,411	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,209,344
Member Contributions	87,153	-
Employer Contributions	301,665	-
Investment Income/(Loss)	3,431	675,134
Unclaimed Property Receipts	-	38,796
Other Additions	2,853	3,669
Transfers-In	1,237	-
TOTAL ADDITIONS	396,339	1,926,943
DEDUCTIONS:		
Distributions to Participants	3,231	285,210
Health Insurance Premiums Paid	154,867	-
Health Insurance Claims Paid	182,716	-
Other Benefits Plan Expense	30,393	-
Payments in Accordance with Trust Agreements	-	743,138
Other Deductions	22,881	-
Transfers-Out	73	23
TOTAL DEDUCTIONS	394,161	1,028,371
CHANGE IN NET POSITION	2,178	898,572
NET POSITION - FISCAL YEAR BEGINNING	54,190	6,719,839
Accounting Changes (See Note 15B)	71,535	-
NET POSITION - FISCAL YEAR ENDING	$ 127,903	$ 7,618,411

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2017

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 231,658	$ 26,013
Contributions Receivable, net	-	46,217
Other Receivables, net	79,120	-
Due From Other Governments	2,719	-
Prepaids, Advances and Deposits	-	540
Total Current Assets	313,497	72,770
Noncurrent Assets:		
Restricted Cash and Pooled Cash	109,252	-
Restricted Investments	107,680	-
Restricted Receivables	1,600	-
Investments	-	1,739,866
Contributions Receivable, net	-	76,711
Other Long-Term Assets	929,794	-
Depreciable Capital Assets and Infrastructure, net	34	1,583
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,148,360	1,818,160
TOTAL ASSETS	1,461,857	1,890,930
DEFERRED OUTFLOW OF RESOURCES:	5,035	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	13,381	13,775
Due To Other Governments	413	-
Notes, Bonds, and COPs Payable	40,700	-
Other Current Liabilities	137,640	18,323
Total Current Liabilities	192,134	32,098
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	381,859
Notes, Bonds, and COPs Payable	478,065	-
Net Pension Liability	4,095	-
Other Long-Term Liabilities	80,553	21,060
Total Noncurrent Liabilities	562,713	402,919
TOTAL LIABILITIES	754,847	435,017
DEFERRED INFLOW OF RESOURCES:	321	-
NET POSITION:		
Net investment in Capital Assets:	34	1,583
Restricted for:		
Expendable	-	847,611
Nonexpendable	-	546,822
Other Purposes	669,401	-
Unrestricted	42,289	59,897
TOTAL NET POSITION	$ 711,724	$ 1,455,913

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

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

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

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

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ 1,900	$ -	$ -	$ 30,682
-	-	-	9,954	9,954
-	-	-	(1,414)	6,119
-	-	-	1,660	1,660
108,068	15,320	6,492	-	315,916
-	-	-	-	5,985
397	810	403	-	3,692
108,465	18,030	6,895	10,200	374,008
-	-	-	-	1,623
3,848	7,392	1,079	6,799	62,994
9	-	45	5,861	6,083
-	-	-	-	23,606
49,052	24,327	9,664	-	222,494
52,909	31,719	10,788	12,660	316,800
55,556	(13,689)	(3,893)	(2,460)	57,208
51,204	42,858	11,165	116	265,997
-	-	-	76	76
-	-	-	991	991
-	-	-	(3,224)	(3,224)
-	-	-	(2,028)	(2,028)
-	-	-	1,326	1,326
51,204	42,858	11,165	(2,743)	263,138
106,760	29,169	7,272	(5,203)	320,346
-	-	-	-	41,085
-	-	-	-	41,085
106,760	29,169	7,272	(5,203)	361,431
456,591	283,644	113,393	221,200	3,019,032
$ 563,351	$ 312,813	$ 120,665	$ 215,997	$ 3,380,463

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 30,682			
Sales of Goods and Services	9,954			
Investment Income (Loss)	6,119	(6,119)		
Rental Income	1,660			
Gifts and Donations	315,916	(315,916)		
Federal Grants and Contracts	5,985	(5,985)		
Other	3,692	(3,492)		
TOTAL OPERATING REVENUES	374,008	(331,512)	42,496	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,623			
Operating and Travel	62,994			
Depreciation and Amortization	6,083			
Debt Service	23,606	3,223		
Foundation Program Distributions	222,494			
Other Expenses	-	2,028		
TOTAL OPERATING EXPENSES	316,800	5,251	322,051	EXPENSES
OPERATING INCOME (LOSS)	57,208			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	265,997	(265,997)		
Gifts and Donations	76	(76)		
Federal Grants and Contracts	991	(991)		
Debt Service	(3,224)	3,224		
Other Expenses	(2,028)	2,028		
Other Revenues	1,326	(1,326)		
TOTAL NONOPERATING REVENUES (EXPENSES)	263,138	(263,138)		
		555,996	555,996	OPERATING GRANTS & CONTRIBUTIONS
		2,317	2,317	CAPITAL GRANTS & CONTRIBUTIONS
		82,673	82,673	UNRESTRICTED INVESTMENT EARNINGS
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	320,346			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	41,085	(41,085)		
Special Items	-			
TOTAL CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:	41,085	(41,085)	-	SPECIAL AND/OR EXTRAORDINARY ITEM
CHANGE IN NET POSITION	361,431		361,431	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	3,019,032		3,019,032	NET POSITION - FISCAL YEAR BEGINNING
NET POSITION - FISCAL YEAR ENDING	$ 3,380,463		$ 3,380,463	NET POSITION - FISCAL YEAR ENDING

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. NEW ACCOUNTING STANDARDS

During Fiscal Years 2016 and 2017, the State implemented GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. While the State as the primary government implemented GASB Statement No. 73 during Fiscal Year 2016, certain provisions of the Statement apply to the University of Colorado's Alternate Medicare Plan (AMP) during Fiscal Year 2017. In addition, since the Colorado Water Resources and Power Development Authority's (CWRPDA) year-end is December 31, 2016, certain provisions of GASB Statement No. 73 related to CWRPDA were implemented during Fiscal Year 2017.

GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The new standard replaces Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement No. 43, and Statement No. 50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27. Colorado State University System has the following four OPEB plans held in trust that fall under the scope of GASB Statement No. 74: (1) Retiree Medical Premium Refund Plan (RMPR), (2) Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS), (3) Umbrella RX Plan (URX), and (4) Long-Term Disability Insurance Plan (LTD).

GASB Statement No. 77 – Tax Abatement Disclosures. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by GASB Statement No. 77 encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues.

GASB Statement No. 82 – Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25, GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, and GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

B. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report all nonfiduciary activities of the primary government and its component units. Fiduciary activities of the primary government and its component units are excluded from the government-wide statements because those resources are not available to fund the programs of the government. The government-wide statements include the *Statement of Net Position* and the *Statement of Activities*; these statements show the financial position and changes in financial position from the prior year. (See additional discussion in Basis of Presentation below)

C. REPORTING ENTITY

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

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

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

Discretely Presented Component Units:

The following entities qualify as major discretely presented component units:

- Colorado Water Resources and Power Development Authority
- University of Colorado Foundation
- Colorado State University Foundation
- Colorado School of Mines Foundation
- University of Northern Colorado Foundation

Other Component Units (Nonmajor):

The following entities qualify as nonmajor discretely presented component units:

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

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

Component Unit (Non Foundation)	Board Appointment	Ability to Impose Will	Financial Benefit/Burden Relationship
Colorado Water Resources and Power Development Authority	Appointment by the Governor, with consent of the Senate.	Water projects are subject to General Assembly authorization.	The Authority can enter into agreements in name of the State, while the State is required to develop project use plans for the Authority at no cost. The State may also appropriate funds in order for the Authority to meet its debt service requirements.
Denver Metropolitan Major League Stadium District	Appointment by the Governor, with consent of the Senate.	Board members serve at the pleasure of the Governor.	None.
Colorado Venture Capital Authority	Appointment by the Governor or legislature.	Bond issuance is contingent on legislative approval.	The Authority was capitalized based on general-purpose revenue tax credits.
HLC @ Metro, Inc.	Appointment by the State through the Metropolitan State University of Denver Board of Trustees.	The Board of Trustees of the Metropolitan State University of Denver controls and supervises the board of HLC @ Metro, Inc.	Metro State University of Denver has guaranteed the debt of HLC @ Metro, Inc.

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

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

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

University of Colorado Foundation
1800 Grant Street, Suite 725
Denver, Colorado 80203

Colorado State University Foundation
410 University Services Center
Fort Collins, Colorado 80523-9100

Colorado School of Mines Foundation
P. O. Box 4005
Golden, Colorado 80402-4005

University of Northern Colorado Foundation
1620 Reservoir Road
Greeley, Colorado 80631

Denver Metropolitan Major League Baseball Stadium District
2195 Blake Street, Suite 300
Denver, Colorado 80205

Colorado Venture Capital Authority
1625 Broadway, Suite 2700
Denver, Colorado 80202

HLC @ Metro, Inc.
1512 Larimer St., Suite 800
Denver, Colorado 80202

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

The following related organizations, for which the State appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14, as amended by GASB Statements No. 39 and 61:

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

Even though the appointment of governing boards of these authorities is similar to those included in the reporting entity, the State cannot impose its will upon these entities or it does not have a financial benefit or burden relationship with them. Detailed financial information may be obtained directly from these organizations.

Various college and university foundations exist for the benefit of the related State institutions of higher education, but they do not meet all of the GASB Statement No. 39 requirements for inclusion as component units. These entities are included in the various note disclosures if they qualify as related parties or if omitting them would be misleading.

Blended Component Units:

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

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

Joint Operating Agreement:

The State has entered a joint operating agreement with the Huerfano County Hospital District to provide patient care at the Colorado State Veterans Nursing Home at Walsenburg. The facility is owned by the State, but it is operated by the Hospital District under a twenty-year contract that is renewable at the District's option for successive ten-year terms up to 99 years from the original commencement date in November 1993.

The State's contract with the Huerfano County Hospital District states that the District is responsible for funding the operating deficits of the Nursing Home; however, since the State owns the Nursing Home, it retains ultimate financial responsibility for the Home. Only the State's share of assets, liabilities, revenues, and expenses associated with the joint operation are shown in these financial statements. These include the land, building, and some of the equipment for the Nursing Home as well as revenues and expenses associated with the State's on-site contract administrator. The State's pass-through of U.S. Veterans Administration's funds to the District is also shown as revenue and expense of the State.

D. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The government-wide statements show the segregation between the primary government and its component units. The primary government is further subdivided between governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities include proprietary funds financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

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

Some of the State's component units have fiscal year-ends that differ from the State's fiscal year-end, and as a result amounts receivable and payable between the primary government and component units may not be equal. Amounts shown as receivable and payable between the primary government and the component units are primarily with the four major foundations, which are reported as component units and have matching fiscal year ends, but also include amounts related to component units not deemed material for discrete reporting.

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

E. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

The Governmental Accounting Standards Board has defined major funds based on percentage thresholds; however, it allows presentation of any fund as a major fund when that fund is particularly important to financial statement users. The Capital Projects Fund, the State Education Fund, the Unemployment Insurance Fund, and the Lottery Fund do not meet the percentage threshold requirements, but they are presented as major funds under the discretion provided by the standard. The State's component units are reported as major except for the Denver Metropolitan Major League Baseball Stadium District, the Colorado Venture Capital Authority, and HLC @ Metro, Inc., which are presented as nonmajor component units.

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

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

Resource Extraction

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

Highway Users Tax Fund

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

Capital Projects Fund

Transactions related to resources obtained and used for acquisition, construction, or improvement of State owned facilities and certain equipment are accounted for in the Capital Projects Fund, unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund. A combining schedule of the components of the Capital

Projects Fund is presented as supplementary information to segregate regular (primarily general-funded) and special (primarily cash-funded) capital construction.

State Education Fund

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

PROPRIETARY FUND TYPE:

Higher Education Institutions

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

Unemployment Insurance

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

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

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

Capital Projects

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

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPE:

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

Pension and Other Employee Benefit Trust Funds

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

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources.

Social Assistance

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

Transportation

Department of Transportation.

Component Units

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and uses proprietary fund accounting for its operations. The Authority's financial information is presented as of December 31, 2016.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while the Colorado Venture Capital Authority, a nonmajor component unit, applies applicable GASB pronouncements. The financial information for the Denver Metropolitan Major League Baseball Stadium District and the Colorado Venture Capital Authority are presented as of December 31, 2016.

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

F. BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

All transactions and balances of governmental funds are presented on the modified accrual basis of accounting consistent with the flow of current financial resources measurement focus and the requirements of Governmental Accounting Standards Board Interpretation No. 6. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The State defines revenues as available if they are expected to be collected within one year. Historical data, adjusted for economic trends, are used to estimate the following revenue accruals:

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

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

Expenditures are recognized in governmental funds when:

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

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

Proprietary and Fiduciary Funds

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

Component Units

The Colorado Water Resources and Power Development Authority uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred.

G. ACCOUNTING POLICIES AFFECTING SPECIFIC ASSETS, LIABILITIES, AND NET POSITION

CASH AND POOLED CASH

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

RECEIVABLES

Component Units

The University of Colorado Foundation, the Colorado State University Foundation, the Colorado School of Mines Foundation, and the University of Northern Colorado Foundation all record unconditional promises to give as revenue and receivable in the period that the pledge is made. The University of Colorado Foundation, the Colorado State University Foundation, the Colorado School of Mines Foundation and the University of Northern Colorado Foundation use the allowance method to determine the uncollectible portion of unconditional contributions receivable. The Colorado School of Mines Foundation and the University of Northern Colorado Foundation recognize conditional promises to give as revenue and receivable when the conditions on which the pledges are dependent, are substantially met.

INVENTORIES

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

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

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

INVESTMENTS

Primary Government

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

Component Units

Marketable equity and debt investments of the University of Colorado Foundation are presented at fair value based on quoted market prices; alternative investment fair values are based on national security exchange closing prices, if marketable, and on the prorata share of the net assets of the investment, if not marketable. Realized and unrealized gains and losses are included in the change in net position.

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

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

CAPITAL ASSETS

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

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

(Amounts in Dollars)

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

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

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	3	50
Buildings	3	70
Leasehold Improvements	3	50
Vehicles and Equipment	1	50
Software	2	20
Library Books	3	20
Other Capital Assets	3	25
Infrastructure	20	75

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

The State capitalizes interest incurred during the construction of capital assets that are reported in enterprise funds.

UNEARNED REVENUE AND DEFERRED INFLOWS

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

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

ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to the individual's accrued balance on July 1, 1988, plus 360 additional hours. Employees that exceed the limit at June 30 are required to convert five hours of unused sick leave to one hour of annual leave. Employees or their survivors are paid for one-fourth of their unused sick leave upon retirement or death.

Annual leave is earned at increasing rates based on employment longevity. No classified employee is allowed to accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100 percent of their annual leave balance upon leaving State service.

In accordance with GASB Interpretation No. 6, compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. For all other fund types, both current and long-term portions are recorded as individual fund liabilities. On the government-wide *Statement of Net Position,* all compensated absence liabilities are reported.

Component Units

The Colorado Water Resources and Power Development Authority recognizes unused vacation and sick leave benefits as they are earned.

INSURANCE

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

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

NET POSITION AND FUND BALANCES

In the financial statements, assets and deferred outflows in excess of liabilities and deferred inflows are presented in one of two ways depending on the measurement focus used in reporting the fund.

On the government-wide *Statement of Net Position,* the proprietary funds' *Statement of Net Position,* and the fiduciary funds' *Statement of Fiduciary Net Position,* net position is segregated into restricted and unrestricted balances. Restrictions are limitations on how the net position may be used. Restrictions may be placed on net position by the external party that provided the resources, by the State Constitution, or by the nature of the asset (such as, in the case of capital assets).

The following paragraphs describe the restrictions reported in the three financial statement types cited above:

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

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

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

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

The net position of Higher Education Institutions, a major proprietary fund, is restricted for educational purposes that primarily include student loans and scholarships restricted by the federal government and other sponsoring entities, and revenue balances pledged for auxiliary facility debt as a result of bond covenants. Balances related to various instructional, research and academic support programs, and capital projects may also be restricted based on requirements of donors and sponsors. Finally, Article XVIII, Section 9 of the State Constitution, also known as Amendment 50, requires that specified gaming receipts only be used for instructional purposes and scholarship programs.

<u>Restricted for Unemployment Insurance</u> – The entire net position balance of the Unemployment Insurance Fund is reported as restricted, because federal regulations limit nearly all the balance to paying unemployment insurance claims.

<u>Restricted for Debt Service</u> – The net position of the Debt Service Fund, a nonmajor governmental fund, is restricted to be used only for upcoming principal and interest payments. The net position in governmental activities is found in the Department of Personnel & Administration and in the Department of Treasury on behalf of the Build Excellent Schools Today (BEST) program. The Higher Education Institutions Fund also reports certain balances restricted for principal and interest payments on revenue-bonded debt.

<u>Restricted for Emergencies</u> – The General Assembly designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve for emergencies three percent or more of fiscal year spending. Fiscal year spending is defined in TABOR as all spending and reserve increases, except for spending from certain excluded revenues and enterprises. State properties and the Unclaimed Property Trust Fund included as part of the required reserve are not represented in this amount. (See Note 2B for more information on the current year amount of the emergency reserve.)

<u>Restricted Permanent Funds and Endowments</u> – This item is segregated into two components. The restricted balances reported as nonexpendable are related to the principal portion of governmental Permanent Funds, such as the State Lands Fund, amounts dedicated to fund capital construction activity, and the endowment portion of the Higher Education Institutions Fund that must be maintained in perpetuity. The restricted balances reported as expendable are primarily the earnings on the related principal balances. In general, these earnings can only be used for education program purposes.

<u>Restricted for Other Purposes</u> – The State operates certain funds that were established at the direction of the federal government, the courts, the State Constitution, or other external parties. The most significant purposes include:

- Settlements in various funds that have been directed by the courts for specific uses in environmental remediation and consumer protection cases.
- Gaming activities pursuant to Article XVIII, Section 9 of the State Constitution restricted to provide an operating reserve for historic preservation purposes, and for distribution to support local and State community colleges.
- Federal moneys held for mining reclamation, housing programs, and scholarship trusts.
- Aviation Fund moneys collected pursuant to Article X, Section 18 of the State Constitution.
- Lottery proceeds for parks and outdoor projects as directed by Article XXVII of the State Constitution.
- Tobacco taxes for health related programs pursuant to Article X, Section 21 of the State Constitution.

On the *Balance Sheet – Governmental Funds,* assets in excess of liabilities are reported as fund balances and are segregated between spendable and nonspendable amounts, as follows:

<u>Nonspendable</u> – This fund balance category consists of inventories; prepaid expenditures such as advances to counties for social assistance programs, local entities for species conservation, and to Colorado cities and special districts from emergency management funds; permanent funds related to state lands, and the corpus of other permanent funds.

Spendable amounts are segregated into categories based on the degree to which the uses of resources are constrained. The categorization, in part, is a result of the State's spending prioritization policy. When an expenditure is incurred that could be funded from either restricted or unrestricted sources, it is the State's general policy that unrestricted dollars are spent first, and within unrestricted sources funding is allocated first from unassigned, then assigned, and then committed resources. However, in certain circumstances restricted and/or committed resources are spent without regard to other available funding sources, including transfers:

- to pay indirect costs,
- to fund programs operating in the General Purpose Revenue Fund,

- to support health-related programs funded by tobacco tax,
- to support programs partially funded by Highway Users' Tax funds, and
- other situations that are not individually significant.

Spendable fund balance classifications include:

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

Restrictions are in place on the *Balance Sheet – Governmental Funds* to reflect the restrictions discussed for the government-wide *Statement of Net Position*, except for Permanent Funds that are presented as Nonspendable. The emergency reserve is restricted in the Labor Fund, a nonmajor Other Special Revenue Fund, the Colorado Water Conservation Board Construction Fund and the Severance Tax Perpetual Base Fund in Resource Extraction, and the Controlled Maintenance Trust Fund within special-purpose General Funds. Gaming proceeds are restricted in the Gaming Fund, a nonmajor Other Special Revenue Fund, and funds legally required to be held for debt service in the Debt Service Fund, an Other Governmental Fund, while the remaining restrictions are represented in various funds.

In addition to restrictions on the government-wide *Statement of Net Position*, the *Balance Sheet – Governmental Funds* includes restrictions for other financing arrangements under which the proceeds are restricted to the purpose of the issuance. The unspent proceeds are primarily related to public school construction under the Building Excellent Schools Today (BEST) program, in the Special Purpose General Fund.

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

In the General Purpose Revenue Fund, the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(1)(d) to reserve six percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the reserve when revenues were projected to be inadequate to fund appropriations and the reserve. The reserve is applicable for both GAAP and budget basis purposes. The GAAP based fund balance was not sufficient to report the entire reserve as Committed fund balance. As a result, only the remaining GAAP fund balance of $444.9 million was committed for this purpose.

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

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

Assigned – This classification represents the portion of the General Purpose Revenue Fund fund balance related to certain Fiscal Year 2016-17 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

Unassigned – This classification is the residual classification in the General Fund, and is not shown in other governmental funds, unless the fund balance is a deficit. For Fiscal Year 2016-17, there was no unassigned fund balance, because of the shortfall in the statutory reserve discussed in the Committed section of this note.

H. ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/ EXPENSES

PROGRAM REVENUES

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

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

INDIRECT COST ALLOCATION

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

The Plan uses allocation statistics from Fiscal Year 2013-14 and costs from the Fiscal Year 2015-16 Appropriations bill that were incorporated in State agency budgets for Fiscal Year 2016-17. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position*. However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the (Transfers-Out)/Transfers-In line item at the bottom of the *Statement of Activities.*

OPERATING REVENUES AND EXPENSES

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

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

- Interest earnings and expenses of proprietary funds, for which the core business activity is lending, are reported as operating revenues and expenses on the *Statement of Revenues, Expenses, and Changes in Net Position* but are reported as investing activities on the *Statement of Cash Flows.*

- Some rents, fines, donations, and certain grants and contracts are reported as nonoperating revenues on the *Statement of Revenues, Expenses, and Changes in Net Position*, but are reported as cash from operations on the *Statement of Cash Flows.*

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

NOTE 2 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

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

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

The State Controller is generally required by statute to restrict the subsequent year appropriation whether or not an overexpenditure is approved. Such a restriction requires the agency to seek a supplemental appropriation from the General Assembly, earn adequate cash or federal revenue to cover the expenditure in the following year, and/or reduce their subsequent year's expenditures.

Per Colorado Revised Statutes 24-75-109(2)(b), neither the Governor nor the State Controller is allowed to approve any overexpenditure in excess of the unencumbered balance of the fund from which the overexpenditure is made.

Total overexpenditures at June 30, 2017, were $32.1 million as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this line item by $6.8 million of cash funds and $0.4 million of reappropriated cash funds. This appropriation pays for the majority of Medicaid services rendered for clients. The overexpenditures occurred as a result of higher than expected utilization of services by Medicaid clients.
- Behavioral Health Fee-for-Service – This appropriation line pays for Medicaid covered Behavioral Health services that are paid on a fee-for-service basis to providers. An unexpected increase in utilization is the cause of the general fund overexpenditure of this line in the amount of $9.8 million.
- Children's Basic Health Plan Medical and Dental Costs – The Children's Basic Health Plan Medical and Dental Costs appropriation covers expenditures for services rendered for CHP+ clients. The cash overexpenditure in the amount of $0.8 million cash funds occurred as a result of a recoupment for dates of services in a prior fiscal year that the department was not expecting to be made this fiscal year.
- Public School Health Services – The Public School Health Services appropriation covers expenditures for Medicaid services provided by school districts. The department believes that the $0.5 million cash fund overexpenditure is due to unexpected increase in Medicaid utilization. The cash funds within this appropriation are certified as public expenditures incurred by the districts and are eligible for federal financial participation under Medicaid.
- Regional Centers – This appropriation line pays for Home and Community Based Services Developmental Disabilities Waiver (HCBS-DD) claims and Intermediate Care Facility (ICF) expenditures for Medicaid

clients in State run Regional Centers. The $1.5 million general fund overexpenditure is related to both of these activities being higher than expected.

Approved Department of Human Services Overexpenditures Other Than Medicaid Subject to the $1.0 Million Limit:

- Early Intervention Services – This appropriation covers services for Community Centered Boards (CCB). This $0.7 million general fund overexpenditure occurred as a result of unanticipated and significant caseload growth during the last quarter of the year, and also the increase in utilization of CCBs conducting birth through two years of age evaluations that local school districts were unable to complete within the required time frame.

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

- None at June 30, 2017

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

- Disaster Emergency Fund – The Department of Public Safety had a deficit fund balance in this fund in the amount of $3.2 million related to the department receiving a large FEMA reimbursement of prior year expenditures therefore a reduction to current year revenue was made to refund the funds back to the Governor's Office that exceeded current year expenditures.

- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $2.0 million. Pursuant to C.R.S. 43-4-806 (4), the Transportation Commission loaned monies to the High Performance Transportation Enterprise. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater. The deficit this year has decreased from last year's amount of $2.9 million.

- Aviation Fund – The Department of Transportation had a deficit fund balance in this fund in the amount of $0.7 million related to lower than anticipated tax revenues resulting from low fuel prices. The deficit this year has decreased from last year's amount of $5.2 million.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2017-18 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of Department of Health Care Policy and Financing Medicaid activity as of June 30, 2017:

- Health Care Expansion Fund - $0.4 million
- Hospital Provider Fee Cash Fund - $5.1 million
- Medicaid Buy-In Cash Fund - $0.2 million

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

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

In the 2005 general election, voters approved Referendum C, a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five fiscal years from 2005-06 through 2009-10. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) which began in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The beginning base for the ESRC was the highest adjusted TABOR revenue during the five-year period, which occurred in Fiscal Year 2007-08.

In Fiscal Year 2014-15 a TABOR refund was due to taxpayers. Revenue subject to TABOR that year was $12,530.8 million, which exceeded the ESRC of $12,361.0 million by $169.7 million. The total refund payable triggered by the excess revenue was $169.7 million plus $3.6 million of understated and un-refunded amounts from prior years, or $173.3 million. Since Fiscal Year 2014-15, various corrections to revenue for that year have resulted in a $14.2 million reduction in the amount originally calculated. Since Fiscal Year 2014-15, $137.3 million of refunds have been issued, and at the end of Fiscal Year 2016-17 the remaining amount payable to taxpayers is $21.8 million.

Revenue in Fiscal Year 2016-17 subject to the ESRC was $12,891.7 million, which is $436.2 million under the $13,327.8 million ERSC, and $2,130.0 million over the original TABOR limit.

Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $16,903.4 million (unadjusted for prior year errors) – $3,593.6 million during the initial five year revenue retention period, and an additional $13,309.8 million as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2016-17.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2016-17 that amount was $386.7 million.

At June 30, 2017, the financial net positions, or fund balances of the following funds, were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $83,000,000 set in the Long Appropriations Act. Only $78,401,470 of this fund's balance was restricted since, at June 30, 2017 its net assets were less than $83 million. The assets restricted were net cash of $66,645,034 and investments, excluding unrealized gains, of $11,756,436.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund – $33,000,000.
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund – $33,000,000.
- Controlled Maintenance Trust Fund, a portion of the major General Fund – $68,328,000 set in the Long Appropriations Act. Only $49,967,282 of this fund's net assets were restricted, all of it cash, since at June 30, 2017 its net assets were less than $68,328,000. During the fiscal year, $20,125,000 was transferred from the Controlled Maintenance Trust Fund to the Disaster Emergency Fund, through four executive orders, to pay for the costs of fighting wildfires across the State.
- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund – $5,000,000.
- The 2016 legislative session Long Appropriations Act designated up to $142,272,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2016 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated and designated in the Long Appropriations Act, or available in the designated funds as detailed above, the amount restricted for the reserve was $11,108,952 less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

NOTE 3 – CASH AND RECEIVABLES

CASH AND POOLED CASH

Primary Government

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

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

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

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $6,632.4 million ($6,635.7 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2017, the treasurer had invested $6,770.2 million (fair value) of the pool and held no certificates of deposit.

The State had an accounting system cash deposit balance of $1,466.2 million in the Treasurer's pool as of June 30, 2017. Under the GASB Statement No. 40 definitions, $54.5 million of the State's total bank balance of $1,522.3 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

Component Units

The Colorado Water Resources and Power Development Authority had cash deposits of $1.2 million with bank balances of $1.2 million at December 31, 2016. Of the booked amount, $250,000 was federally insured. The Authority also reported as cash and cash equivalents $29.0 million held by the State Treasurer, $291.5 million held in COLOTRUST (Colorado Local Government Liquid Asset Trust) and $19.3 million held in a third party, short-term, prime investment fund. COLOTRUST is a local government investment vehicle that qualifies as 2a7-like investment pool, where the value of each share is maintained at $1.00. COLOTRUST and the third party investment fund have credit quality ratings of AAA, while cash held by the State Treasurer is not rated for credit quality.

NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

In the proprietary fund types, noncash transactions occur that do not affect the fund-level *Statement of Cash Flows – All Proprietary Funds*. These transactions are summarized at the bottom of the fund-level statement and the related combining statements. In order for a transaction to be reported as noncash, it must affect real accounts (that is, accounts shown on the *Statement of Net Position*) and be reported outside of the Cash Flows from Operating

Activities section of the *Statement of Cash Flows.* The following general types of transaction are reported as noncash:

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general-purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Higher Education Institutions and certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*
- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.
- Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 4 shows the combined effect of these two sources of unrealized gains or losses.
- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the *Statement of Net Position*, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, and gain/(loss) on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Position.* Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and the related liability balances reported on the *Statement of Net* Position. Therefore, these transactions are reported as noncash.
- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.
- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Position* also includes a real account, either asset or liability, that is measured at fair value, but does not represent a current cash transaction.

RECEIVABLES

Primary Government

The Taxes Receivable of $1,450.9 million shown on the government-wide *Statement of Net Position* in current assets primarily comprises the following:

- $1,509.5 million in the General Purpose Revenue Fund, mainly self-assessed income and sales tax. This amount includes $227.0 million of Taxes Receivable expected to be collected after one year that are reclassified on the *Governmental Funds Balance Sheet Reconciled to Statement of Net Position* so they can be reported as Other Long-Term Assets on the government-wide *Statement of Net Position*.
- $125.3 million of unemployment insurance premiums receivable primarily recorded in the Unemployment Insurance Fund.

- $33.5 million recorded in nonmajor special revenue funds which include approximately $12.3 million from gaming tax, $11.8 million from insurance premium tax, and $10.9 million from tobacco tax.

The Restricted Receivables of $587.6 million shown for Governmental Activities on the government-wide *Statement of Net Position* in noncurrent assets related primarily to $56.6 million of Taxes Receivable, $47.2 million of Other Receivables, and $483.7 million of intergovernmental receivables recorded in the Highway Users Tax Fund and State Highway Fund. All three items were reported as Restricted Receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund and State Highway Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

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

- $614.6 million of receivables recorded in the General Fund, of which $17.3 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $651.0 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $3.7 million of patient receivables.
- $438.1 million of student and other receivables of Higher Education Institutions.
- $76.1 million recorded by Other Governmental Funds includes $40.2 million of tobacco settlement revenues expected within the following year and $7.8 million of rent and royalty receivables recorded by the State Lands Fund.
- $21.5 million recorded by the Resource Extraction Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $922.5 million at December 31, 2016. During 2016, the Authority made new loans of $132.6 million and canceled or received repayments for existing loans of $101.1 million.

University of Colorado Foundation contributions receivable of $46.2 million and $76.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2017, the amount reported as contributions receivable totals $135.6 million of unconditional promises to give which were offset by a $10.4 million allowance for uncollectible contributions and a $2.3 million unamortized pledge discount using discount rates ranging from 0.41 percent to 4.96 percent.

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

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

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

INVENTORIES

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

- $66.4 million of resale inventories, of which, Resource Extraction recorded $35.1 million, and Higher Education Institutions recorded $27.8 million, and
- $23.4 million of consumable supplies inventories, of which, $10.9 million was recorded by the Higher Education Institutions, $9.1 million was recorded by the Highway Users Tax Fund, $2.2 million by the General Purpose Revenue Fund, and $0.7 million by Parks and Wildlife, a nonmajor enterprise fund, and
- $16.9 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund.

PREPAIDS, ADVANCES, AND DEPOSITS

Prepaids, Advances, and Deposits of $103.7 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $17.3 million advanced to Colorado counties by the General Purpose Revenue Fund primarily related to social assistance programs.
- $16.1 million in advances to Colorado cities and special districts by the Division of Homeland Security and Emergency Management.
- $15.2 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $13.1 million prepaid by Higher Educational Institutions, of which $7.2 million primarily related to cash payments for library subscriptions at Colorado State University.
- $4.5 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.

OTHER LONG-TERM ASSETS

The $744.3 million shown as Other Long-Term Assets on the government-wide *Statement of Net Position* is primarily long-term taxes receivable and long-term loans. Long-term taxes receivable of $227.0 million recorded in the General Purpose Revenue Fund are not included as Other Long-Term Assets on the *Balance Sheet – Governmental Funds* but are shown in Taxes Receivable.

The $387.1 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($9.8 million), a major special revenue fund, and the Resource Extraction Fund ($350.8 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

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

The $129.4 million shown as Other Long-term Assets on the *Statement of Net Position – Proprietary Funds* is primarily student loans issued by Higher Education Institutions but also includes livestock.

NOTE 4 – INVESTMENTS

Primary Government

The State holds investments both for its own benefit and as an agent for certain entities as provided by statute. The State does not invest its funds with any external investment pool. Funds not required for immediate payment of expenditures are administered by the authorized custodian of the funds or pooled and invested by the State Treasurer. The fair value of most of the State's investments are determined from quoted market prices except for money market investments that are reported at amortized cost, which approximates market.

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

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

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

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2016-17, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $4.6 million, for the Unclaimed Property Tourism Trust Fund of $356,670 and for the Major Medical Fund of $77,374. For the Treasurer's pooled cash fund, the State Treasurer realized a gain from the sale of investments of $99,865.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2017 and 2016, the treasurer had $78.4 million and $85.9 million at fair value, respectively, of GOCO's funds on deposit and invested.

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

As provided by State statute, the State Treasurer held $8.6 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $4.3 million as of June 30, 2017. See Note 18 for additional details.

Excluding fiduciary funds, the State recognized $1,489,159 of net realized gains from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2016-17.

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

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits (Note 3)	$ 1,466,158
Investments:	
Governmental Activities	7,892,858
Business-Type Activities	2,741,843
Fiduciary Activities	7,495,021
Total	$ 19,595,880
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 6,281,125
Add: Warrants Payable Included in Cash	219,986
Total Cash and Pooled Cash	6,501,111
Add: Restricted Cash	1,735,264
Add: Restricted Investments	962,852
Add: Investments	10,396,653
Total	$ 19,595,880

Custodial Credit Risk

The State Treasurer's investment policy requires all securities to be held by the State Treasurer or a third party custodian designated by the Treasurer with each security evidenced by a safekeeping receipt. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the State's name.

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

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The $5.5 million is reported in the Public School Buildings Fund, a Special Purpose General Fund. Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The Other category of the Treasurer's pool primarily consists of World Bank supranational loans for $684.5 million. The *Other* category of the Other Governmental funds comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for BEST issuances ($79.4 million) reported in the Debt Service Fund, an Other Governmental Fund and $3.2 million related to investments in the Public School Fund.

None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
INVESTMENT TYPE				
U.S. Government Securities	$ 2,087,279	$ -	$ 310,441	$ 2,397,720
Commercial Paper	$ 746,131	$ -	$ -	746,131
Corporate Bonds	$ 2,397,218	$ -	$ 299,970	2,697,188
Asset Backed Securities	$ 577,902	$ -	$ 161,919	739,821
Mortgages Securities	$ 2,078	$ 8,608	$ 159,648	170,334
Mutual Funds	$ 265,000	$ -	$ 2,724	267,724
Other	$ 694,608	$ 5,472	$ 173,860	873,940
TOTAL INVESTMENTS	$ 6,770,216	$ 14,080	$ 1,108,562	$ 7,892,858

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: a variety of investments held by the University of Colorado Foundation ($391.7 million), the Colorado State University Foundation ($13.6 million), and the Colorado School of Mines Foundation ($34.4 million); money market funds ($362.2 million); equity trusts ($346.5 million); fixed income trusts ($42.9 million); municipal bonds and securities ($16.7 million) and other investments ($17.6 million).

The *Other* category of the Other Enterprise funds primarily comprises the Bridge Enterprise trustee's holdings that include unexpended proceeds of $18.3 million from prior years of bond issuances.

The table below also shows the fair value of securities held by these funds that are subject to custodial credit risk.

(Amounts in Thousands)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 394,895	$ -	$ 394,895	$ 38,025
Commercial Paper	1,996	-	1,996	-
Corporate Bonds	283,860	-	283,860	10,917
Repurchase Agreements	20,226	-	20,226	2,506
Asset Backed Securities	110,488	-	110,488	4,808
Mortgages Securities	26,656	-	26,656	-
Mutual Funds	657,129	551	657,680	6,508,382
Other	1,225,581	20,461	1,246,042	930,383
TOTAL INVESTMENTS	$ 2,720,831	$ 21,012	$ 2,741,843	$ 7,495,021
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 290	$ -	$ 290	$ 15,849
Corporate Bonds	449	-	449	10,917
Repurchase Agreements	-	-	-	2,506
Asset Backed Securities	-	-	-	4,808
Mutual Funds	14,512	-	14,512	-
Other	36,985	-	36,985	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 52,236	$ -	$ 52,236	$ 34,080

Credit Quality Risk

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

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

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

In addition to the amounts shown in the following table:

Certain trustees, as discussed under Custodial Credit Risk, have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments.

CREDIT QUALITY RATINGS
(Amounts In Thousands)

Credit Quality Rating	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds & Other	Total
Treasurer's Pool:										
Long-term Ratings										
Aaa/AAA/AAA	$ 684,548	$ -	$ 65,042	$ -	$ 577,902	$ -	$ -	$ -	$ 265,000	$ 1,592,492
Aa/AA/AA	310,875	-	915,332	-	2,078	-	-	-	10,060	1,238,345
A/A/A	894,448	746,131	1,381,668	-	-	-	-	-	-	3,022,247
Baa/BBB/BBB	-	-	35,175	-	-	-	-	-	-	35,175
Total T-Pool	**1,889,871**	**746,131**	**2,397,217**	**-**	**579,980**	**-**	**-**	**-**	**275,060**	**5,888,259**
Higher Education Institutions:										
Long-term Ratings										
Aaa/AAA/AAA	3,929	-	21,623	-	76,556	371,532	-	-	12,115	485,755
Aa/AA/AA	161,767	-	53,900	-	27,241	-	-	-	9,034	251,942
A/A/A	-	-	117,626	-	4,865	-	-	-	307	122,798
Baa/BBB/BBB	-	-	92,712	-	3,889	-	-	-	-	96,601
Ba/BB/BB	-	-	2,786	-	206	-	-	-	-	2,992
B/B/B	-	-	-	-	434	-	-	-	-	434
Caa/CCC/CCC	-	-	1,006	-	1,067	-	-	-	-	2,073
Ca/D/DDD	-	-	1,612	-	196	-	-	-	-	1,808
Short-term Ratings										
P1/MIG1/A-1/F-1	-	1,996	-	-	-	-	-	-	-	1,996
Unrated	64,744	-	5,636	20,226	18,431	155	127,534	-	429	237,155
Total Higher Ed	**230,440**	**1,996**	**296,901**	**20,226**	**132,885**	**371,687**	**127,534**	**-**	**21,885**	**1,203,554**
Fiduciary Funds:										
Long-term Ratings										
Aaa/AAA/AAA	-	-	-	2,506	-	-	-	-	-	2,506
Unrated	-	-	-	-	-	4,561,541	2,679,108	152,717	-	7,393,366
Total Fiduciary	**-**	**-**	**-**	**2,506**	**-**	**4,561,541**	**2,679,108**	**152,717**	**-**	**7,395,872**
All Other Funds:										
Long-term Ratings										
Aaa/AAA/AAA	-	-	41,235	-	161,919	2,448	-	-	-	205,602
Aa/AA/AA	113,496	-	178,559	-	155,377	827	-	-	4,331	452,590
A/A/A	-	-	71,925	-	-	-	-	-	-	71,925
Baa/BBB/BBB	-	-	8,251	-	-	-	-	-	-	8,251
Unrated	-	-	-	-	8,608	7,366	6,852	-	4,271	27,097
Total Other	**113,496**	**-**	**299,970**	**-**	**325,904**	**10,641**	**6,852**	**-**	**8,602**	**765,465**
Total	**$ 2,233,807**	**$ 748,127**	**$ 2,994,088**	**$ 22,732**	**$ 1,038,769**	**$ 4,943,869**	**$ 2,813,494**	**$ 152,717**	**$ 305,547**	**$ 15,253,150**

Interest Rate Risk

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

The University of Colorado operates a treasury function separate from the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated, a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to no more than ten years, based on the credit quality rating.

State statute requires the State Treasurer to formulate investment policies regarding liquidity, maturity, and diversification for each fund or pool of funds in the State Treasurer's custody. The State Treasurer's formal investment policy requires a portion of the investment pool to have a maximum maturity of one year and the balance of the pool to have maximum maturity of five years. The policy also sets maturity limits for the Unclaimed Property Tourism Promotion Trust Fund (1 - 30 years).

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds for $269.7 million with a duration of 8.3 years and a short-term inflation protected securities index fund for $70.2 million with a duration of 2.6 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the funds.

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

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

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 2,087,279	1.463	$ 80,785	5.256	$ 15,849	6.630	$ 332,382	12.866
Commercial Paper	746,131	0.100	1,996	0.071	-	-	-	-
Corporate Bonds	2,397,218	3.054	129,188	4.800	10,917	2.000	299,970	7.307
Asset Backed Securities	579,981	2.161	60,608	3.600	4,808	0.930	321,567	4.407
Money Market Mutual Funds	265,000	-	-	-	-	-	-	-
Municipal Bonds	10,060	4.000	-	-	-	-	3,211	3.000
Other	684,548	0.147	18,808	6.023	-	-	-	-
Total Investments	$ 6,770,217		$ 291,385		$ 31,574		$ 957,130	

The University of Colorado manages interest rate risk in its Treasurer's pool using a measure of duration. The University's Investment Advisory Committee recommends limits on the duration of fixed income securities using Callan Associates Incorporated data.

The University of Colorado holds repurchase agreements of $20.2 million to provide temporary investment of funds restricted for capital construction projects. The repurchase agreements are over-collateralized and the counterparty to the agreements is required to provide additional collateral should the market value of securities held as collateral decline below 104 percent for U.S. Treasuries and GNMA obligations or 105 percent for FHLMC and FNMA obligations. As a result, the University does not have interest rate risk associated with these agreements. The $20.2 million is not shown in the following duration table, however, the duration associated with the repurchase agreements is 1.495 years.

Certain trustees, as discussed under Custodial Credit Risk, have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The trustees' investment in the pool is not segregated, but is a share in the overall pool.

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Government Securities	$ 331,156	7.772
Municipal Bonds	3,282	13.269
Corporate Bonds	153,660	8.298
Guaranteed Investment Contract	5,165	13.522
Asset Backed Securities	49,880	11.454
Bond Mutual Funds	127,337	3.339
Colorado School of Mines:		
Bond Mutual Fund-1	$ 962	6.700
Bond Mutual Fund-2	715	2.200
Bond Mutual Fund-3	446	0.600
Colorado Mesa University:		
U.S. Government Securities	$ 487	3.177
Corporate Bonds	1,013	3.987
Taxable Municipal Bonds	483	4.297
Money Market Mutual Funds	121	0.003
Bond Mutual Funds	197	3.500
Private Purpose Trust Funds:		
CollegeInvest:		
Bond Mutual Fund-1	$ 757,582	6.700
Bond Mutual Fund-2	815,203	6.100
Bond Mutual Fund-3	521,288	0.112
Bond Mutual Fund-4	432,882	1.900
Bond Mutual Fund-5	220,417	7.800
Bond Mutual Fund-6	60,395	4.500
Bond Mutual Fund-7	48,496	6.100
Bond Mutual Fund-8	4,247	6.000

Foreign Currency Risk

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

Concentration of Credit Risk

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

Unrealized Gains and Losses

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. With the implementation of GASB Statement No. 54, unrealized gains are not identified as a separate component of fund balance. The following schedule shows the State's net unrealized gains and (losses) for all funds by fund category.

(Amounts in Thousands)

	Fiscal Year 2016-17	Fiscal Year 2015-16
Governmental Activities:		
Major Funds		
General - General Purpose	$ (4,898)	$ 2,525
General - Special Purpose	(3,892)	2,224
Resource Extraction	(5,845)	2,384
Highway Users Tax	(5,465)	2,350
Capital Projects-Regular	(2,070)	910
Capital Projects-Special	(36)	17
State Education	(2,142)	(188)
NonMajor Funds:		
State Lands	(23,461)	21,717
Other Permanent Trusts	(65)	35
Labor	(1,526)	(573)
Gaming	(851)	378
Tobacco Impact Mitigation	(890)	517
Resource Management	(99)	47
Environment Health Protection	(869)	422
Other Special Revenue	(2,925)	1,712
Unclaimed Property	(6,081)	5,018
Information Technology	(178)	81
Administrative Courts	(8)	5
Legal Services	(42)	20
Other Internal Service	(2)	1
Business-Type Activities:		
Major Funds		
Higher Education Institutions	123,010	(72,406)
Unemployment Insurance	(3)	-
Lottery	(354)	208
NonMajor Funds:		
CollegeInvest	(580)	429
Wildlife	(958)	482
College Assist	(883)	515
Correctional Industries	(36)	21
State Nursing Homes	(125)	54
Prison Canteens	(43)	23
Petroleum Storage Tank	(23)	8
Transportation Enterprise	(1,796)	610
Other Enterprise Activities	(35)	13
Fiduciary:		
Pension/Benefits Trust	(35)	(232)
Private Purpose Trust	422,254	(189,164)
	$ 479,048	$(219,837)

Fair Value Measurements

To the extent available, the State's investments are recorded at fair value as of June 30, 2017. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

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

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

The following table summarizes the State's investments within the fair value hierarchy at June 30, 2017:

(Amounts in Thousands)

		Fair Value Measurements Using		
	Fair Value as of 6/30/2016 (in thousands)	Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Government Securities	$ 2,830,639	$ 2,253,061	$ 577,578	$ -
Commercial Paper	748,128	-	748,128	-
Corporate Bonds	2,991,966	70,425	2,890,192	31,349
Corporate Equities	11,575	11,575	-	-
Repurchase Agreements	2,506	-	-	2,506
Asset-backed Securities	855,118	6,484	847,728	906
Mortgages	196,990	26,169	157,942	12,879
Mutual Funds	7,433,786	7,431,559	2,061	166
Money Market Funds	758,652	758,546	-	106
Other - Uncategorized	1,523,520	1,962	822,962	698,596
Total Investments by Fair Value Level	$ 17,352,880	$ 10,559,781	$ 6,046,591	$ 746,508

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using market prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Below are the primary inputs and valuation techniques used for Level 3 Other - Uncategorized.

Other – Uncategorized Investments

The Colorado School of Mines and Colorado State University interest in Foundation investments are managed by their respective Foundations on behalf of each institution, and are reflected in each Foundation's Long-term Investment Pool (LTIP). The investments totaling $34.4 million for the School of Mines and $13.6 million for Colorado State University represent a share of the Foundation's LTIP and therefore, the institutions do not own any specific investments. As such, the fair value measurements for the investments were reported as Level 3 inputs. The investments are under each Foundation's LTIP policy. This policy requires funds to be managed in a diversified manner to reduce risks with the goal of providing a steady stream of funding. The LTIP must be over a broad investment spectrum in order to create a mix of potential returns that, in the aggregate, would achieve the overall portfolio objectives. This diversification is to ensure that adverse or unexpected developments arising in one security or asset class will not have a significant detrimental impact on the entire portfolio.

The Treasurer's Pool held investments totaling $684.5 million representing loans with World Bank discount notes and World Bank's International Bank for Reconstruction and Development.

The State Treasurer had investments totaling $87.1 million representing Certificates of Participation (COPs) proceeds held by the trustee on behalf of the State. There is no market price associated with these investments. The State Treasurer also had investments totaling $8.6 million represent taxes paid to counties on behalf of property owners in Colorado. The value shown is the outstanding balance owed to the State at June 30, 2017, and there is no market price associated with these investments.

The valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) is presented on the following table.

(Amounts in Thousands)

Investments Measured at the Net Asset Value (NAV)	
Fixed Income Trust	42,923
Equity Trust	346,474
Money Market Funds	362,057
Repurchase agreements	5,165
Guaranteed Investment Contracts	20,226
Total Investments Measured at the NAV	$ 776,845

Component Units

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

Component Units – Non-Foundations

Except for certain guaranteed investment contracts (which are excluded), the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by State statute as described at the beginning of this Note 4. The Authority's repurchase agreements, which are not held in the Authority's name, were all subject to custodial credit risk because its trustee is considered both the purchaser and custodian of the investments.

The table below reflects the credit quality risk associated with investments of the Colorado Water Resources and Power Development Authority as of December 31, 2016. All existing repurchase agreements specify a collateralization rate between 103 percent and 105 percent. U.S. Treasuries and obligations guaranteed by the U.S. Government that collateralize the repurchase agreements are exempt from credit risk disclosure under GASB 40, therefore a rating agency assessment is not required.

(Amounts in Thousands)

	Carrying Value	Exempt From Disclosure	NSRO Rating
COLOTRUST PLUS	$ 291,468		AAA
Federated Prime Obligations Fund	19,250		AAA
U.S. Treasury Notes - SLGS	84,041	X	
Repurchase Agreements - Collateralized:			
U.S. Treasuries or Obligations - Guaranteed	13,570	X	
Government Agencies	10,070		AAA
Total	$ 418,399		

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service, and holding those investments to maturity. The Authority had $107.7 million of investments subject to interest rate risk with the following maturities: one year or less – eight percent, two to five years – 31 percent, six to ten years – 28 percent, eleven to fifteen years – 27 percent, and sixteen years or more – six percent.

The Colorado Water Resources and Power Development Authority did not have investments subject to concentration of credit risk, including repurchase agreements that represent five percent or more of total investments. Investments in local government investment pools, money market mutual funds and direct obligations of the U.S. government are exempt from concentration of credit risk disclosure.

The Colorado Water Resources and Power Development Authority had $19.3 million in investments valued using quoted market prices (Level 1 inputs). Certain investments, such as the Repurchase Agreements, U.S. Treasury Notes, State and Local Government Securities, and COLOTRUST are exempt from being measured at fair value and thus are excluded from the fair value hierarchy.

The Colorado Venture Capital Authority, a nonmajor component unit, holds investments in two limited partnerships, Colorado Fund I, LP and Colorado Fund II, LP, which do not have stated credit ratings. Measured with Net Asset Value, investments in these partnerships were $50.5 million as of December 31, 2016. The Authority's investment portfolio is exposed to credit and concentration of credit risk as it invests solely in the partnerships in accordance with the partnership agreements and statute. The portfolio is also exposed to interest rate risk as amounts in excess of those required to fund capital contributions under the terms of the funds' partnership agreement are held as bank deposits in a FDIC insured financial institution with the State Treasury. The portfolio is not exposed to custodial or foreign currency risks. The Authority had deposits held by the State Treasury of $11.6 million. The State Treasurer's pool is reflected in the Primary Government section of this Note 4.

The Denver Metropolitan Major League Baseball Stadium District maintains all of its cash and cash equivalents with one Denver bank and has accounts receivable due from the District's lessee, resulting in a concentration of credit risk with respect to these financial instruments. Management of the District believes its risk of exposure with respect to cash and cash equivalents is adequately covered by the Public Deposit Protection Act (PDPA) and FDIC insurance. Under the provisions of GASB Statement No. 40, deposits collateralized under PDPA are not deemed to be exposed to custodial credit risk. The District's cash deposits had bank balances of $7.9 million as of December 31, 2016. Since deposits are highly liquid, management of the District believes the interest rate risk associated with its deposits is minimal. The District does not hold any debt securities and therefore is not exposed to credit quality risk.

Component Units – Foundations

The four Higher Education Institution foundations reported as component units on the *Statement of Net Position – Component Units* do not classify investments according to risk because they prepare their financial statements under standards set by the Financial Accounting Standards Board.

At June 30, 2017, the University of Colorado Foundation held $354.9 million of domestic equity securities, $443.2 million of international equity securities, $205.4 million of fixed income securities and $653.0 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, commodities and other investments. The foundation has adopted FASB guidance in valuing its investments. Ninety percent of the Foundation's alternative investments, or $587.9 million, are carried at net asset value and do not fall in the fair value hierarchy. See the following table.

		Fair Value Measurements Using		
	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Cash and cash equivalents	$ 31,068,549	$ 31,068,549	$	$
Domestic equities	354,928,136	354,928,136		
International equities	443,189,440	443,189,440		
Fixed income	205,381,641	19,877,874	185,503,767	
Alternative				
Private equity	45,030,039		45,030,039	
Venture capital	332,863			332,863
Commodities	19,030,665	19,030,665		
Other	727,647		504,125	223,522
Assets held under split-interest agreements	39,420,319	36,366,233	3,054,086	
Beneficial interests in charitable trusts	8,016,375			8,016,375
Total Investments by Fair Value Level	$ 1,147,125,674	$ 904,460,897	$ 234,092,017	$ 8,572,760
Alternative Investments Measured at the Net Asset Value (NAV)				
Real estate	$ 70,818,052			
Private equity	238,712,087			
Long/short hedged equity	23,789,292			
Absolute returns	176,028,610			
Venture capital	67,143,686			
Commodities	11,393,075			
Total Investments Measured at the NAV	587,884,802			
Total Investments	$ 1,735,010,476			

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

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

	Fair Value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Investments by Fair Value Level					
Cash equilvalents	$ 1,771,417	$ 1,771,417	$	$	$
Public Equities					
United States	82,839,610	81,780,769			1,058,841
International	18,146,395				18,146,395
Emerging Markets	26,844,156				26,844,156
Global	83,443,171	22,032,229			61,410,942
Fixed income	100,321,559	72,221,384			28,100,175
Other/Global Assets	20,137,764	20,137,764			
Alternative investments					
Hedge Funds	60,945,698				60,945,698
Private Markets	55,740,228				55,740,228
Short duration	41,972,555	41,972,555			
Student-managed investments	1,002,520	1,002,520			
Total Investments by Fair Value Level	$ 493,165,073	$ 240,918,638	$ -	$ -	$ 252,246,435

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 4.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. At June 30, 2017 the CSMF held $321.4 million of investments consisting of $291.8 million held as a long-term investment pool, $11.7 million in beneficial interests in endowments, $13.8 million in split-interest agreements, and $4.0 million in gift annuity agreements.

	Fair Value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Long-term investments				
Managed domestic equity funds	$ 76,802,509	$ 54,520,644	$ 22,281,865	$
International equities	72,893,048	27,817,745	45,075,303	
Fixed income - mutual funds	18,033,615	18,033,615		
Cash equivalent funds	8,530,784		8,530,784	
Long/short hedge funds	62,436,527		48,461,403	13,975,124
Private equity/venture capital	53,146,333			53,146,333
Chartiable trusts	29,538,206	28,974,486	449,004	114,716
Total Investments by Fair Value Level	$ 321,381,022	$ 129,346,490	$ 124,798,359	$ 67,236,173

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

	Fair Value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Cash equivalent mutual funds	$ 390,986	$ 390,986	$	$
Equities	47,995,736	47,995,736		
Fixed income	19,619,610	16,013,625	3,605,985	
Student-managed funds	2,555,542		2,555,542	
Stock/bond mixed mutual funds	971,189	971,189		
Alternative Investments				
Limited partnerships	5,395,964	5,395,964		
Commodities	3,732,740	3,732,740		
Other equities	1,001,165	1,001,165		
Beneficial interest in long-term trusts	7,490,883			7,490,883
Total Investments by Fair Value Level	$ 89,153,815	$ 75,501,405	$ 6,161,527	$ 7,490,883

TREASURER'S INVESTMENT POOL

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

NOTE 5 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2017, the State capitalized $21.5 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Higher Education Institutions in the amount of $20.9 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

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

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	110,898	$ 2,547	$ -	$ 2,701	$ 116,146
Land Improvements	7,276	-	98	-	7,374
Collections	10,996	34	-	-	11,030
Other Capital Assets	1,810	326	-	-	2,136
Construction in Progress (CIP)	757,300	617,469	(433,501)	(14,758)	926,510
Infrastructure	963,630	-	15,580	(594)	978,616
Total Capital Assets Not Being Depreciated	1,851,910	620,376	(417,823)	(12,651)	2,041,812
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	50,062	1,645	6,734	(76)	58,365
Buildings	3,176,516	19,470	38,895	(5,068)	3,229,813
Software	308,600	134,512	52,424	(13,893)	481,643
Vehicles and Equipment	908,346	69,326	1,974	(34,637)	945,009
Library Materials and Collections	5,746	353	-	(86)	6,013
Other Capital Assets	37,334	9	-	-	37,343
Infrastructure	11,423,942	103	317,796	(70,460)	11,671,381
Total Capital Assets Being Depreciated	15,910,546	225,418	417,823	(124,220)	16,429,567
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(32,155)	(2,473)	-	269	(34,359)
Buildings	(954,894)	(83,992)	-	297	(1,038,589)
Software	(213,462)	(27,388)	-	7,098	(233,752)
Vehicles and Equipment	(555,707)	(65,168)	-	31,875	(589,000)
Library Materials and Collections	(4,077)	(415)	-	86	(4,406)
Other Capital Assets	(35,018)	(1,193)	-	-	(36,211)
Infrastructure	(4,106,155)	(350,030)	-	724	(4,455,461)
Total Accumulated Depreciation	(5,901,468)	(530,659)	-	40,349	(6,391,778)
Total Capital Assets Being Depreciated, net	10,009,078	(305,241)	417,823	(83,871)	10,037,789
TOTAL GOVERNMENTAL ACTIVITIES	11,860,988	315,135	-	(96,522)	12,079,601
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	549,313	39,978	-	(87)	589,204
Land Improvements	16,882	-	-	-	16,882
Collections	26,940	1,375	63	(207)	28,171
Construction in Progress (CIP)	1,005,911	922,723	(693,687)	(19,822)	1,215,125
Other Capital Assets	15,461	-	-	-	15,461
Infrastructure	37,934	-	19,011	-	56,945
Total Capital Assets Not Being Depreciated	1,652,441	964,076	(674,613)	(20,116)	1,921,788
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	712,868	2,794	33,559	(5,698)	743,523
Buildings	8,363,225	79,833	547,773	(8,125)	8,982,706
Software	227,674	4,428	2,039	(14,833)	219,308
Vehicles and Equipment	1,082,996	96,708	9,624	(39,791)	1,149,537
Library Materials and Collections	556,570	23,835	-	(3,213)	577,192
Other Capital Assets	4,146	-	-	-	4,146
Infrastructure	854,972	66,917	81,618	(6,459)	997,048
Total Capital Assets Being Depreciated	11,802,451	274,515	674,613	(78,119)	12,673,460
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(367,462)	(34,026)	-	5,116	(396,372)
Buildings	(2,951,843)	(280,847)	-	(12,530)	(3,245,220)
Software	(171,928)	(19,466)	-	13,618	(177,776)
Vehicles and Equipment	(783,078)	(83,638)	-	29,943	(836,773)
Library Materials and Collections	(423,168)	(22,573)	-	3,380	(442,361)
Other Capital Assets	(1,723)	(129)	-	33	(1,819)
Infrastructure	(53,023)	(17,542)	-	284	(70,281)
Total Accumulated Depreciation	(4,752,225)	(458,221)	-	39,844	(5,170,602)
Total Capital Assets Being Depreciated, net	7,050,226	(183,706)	674,613	(38,275)	7,502,858
TOTAL BUSINESS-TYPE ACTIVITIES	8,702,667	780,370	-	(58,391)	9,424,646
TOTAL CAPITAL ASSETS, NET	$ 20,563,655	$ 1,095,505	$ -	$ (154,913)	$ 21,504,247

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

(Amounts in Thousands)

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

Component Units

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $145.8 million, net of accumulated depreciation of $90.2 million, at December 31, 2016. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

HLC @ Metro, Inc., a nonmajor component unit, reported $38.4 million of depreciable capital assets net of depreciation. A nondepreciable capital asset for the use of land at below market rent, under an agreement with Metropolitan State University of Denver, carries a value of $4.8 million.

NOTE 6 – PENSION SYSTEM AND OBLIGATIONS

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan description

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

Benefits Provided

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

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

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

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

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

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

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

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

Contributions

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

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Employer Contribution Rate[1]	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)[1]	(1.02)%	(1.02)%	(1.02)%	(1.02)%	(1.02)%	(1.02)%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411[1]	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., § 24-51-411[1]	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF[1]	**16.43%**	**17.33%**	**17.33%**	**18.23%**	**18.23%**	**19.13%**

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

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

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

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

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

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

At June 30, 2017, the State reported a liability of $17.8 billion for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll-forward the total pension liability to December 31, 2016. The State's proportion of the net pension liability was based on the State's contributions to the SDTF and the JDTF for the calendar year 2016 relative to the total contributions of participating employers to the SDTF and the JDTF.

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

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources for the SDTF related to pensions from the following sources:

(Amounts in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 174,349	$ -
Changes of assumptions and other inputs	4,462,363	53,989
Net difference between projected and actual earnings on pension plan investments	581,464	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	87,815	108,818
Contributions subsequent to the measurement date	262,162	-
	$ 5,568,153	$ 162,807

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

(Amounts in Thousands)

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

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources for the JDTF related to pensions from the following sources:

(Amounts in Thousands)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference between expected and actual experience	$	20,439	$	-
Changes of assumptions and other inputs		49,048		2
Net difference between projected and actual earnings on pension plan investments		11,721		-
Changes in proportion and differences between contributions recognized and proportionate share of contributions		5,952		-
Contributions subsequent to the measurement date		5,552		-
	$	92,712	$	2

$5.6 million reported as deferred outflows of resources related to pensions for the JDTF, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Amounts in Thousands)

Fiscal Year Ended June 30		
2018	$	34,397
2019		25,916
2020		18,523
2021		8,322
2022		-
Thereafter		-

Actuarial Assumptions

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

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

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

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

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuations for the SDTF and the JDTF were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

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

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class for the SDTF and the JDTF are summarized in the following table:

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

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

Discount Rate

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

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to

have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's and the JDTF's fiduciary net position were projected to be depleted in 2039 and 2036, respectively and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 for the SDTF and through 2036 for the JDTF and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 for the SDTF and after 2036 for the JDTF to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent for the SDTF and 5.18 percent for the JDTF.

For the SDTF, as of the prior measurement date, the projection test indicated the trust's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

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

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

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

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

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

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

Pension plan fiduciary net position

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

Other Pension Contributions

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. During fiscal year 2016-2017, the Department of Local Affairs transferred $4.2 million to the association for pension contributions and premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (see Note RSI-3) following the notes to the financial statements, presents multiyear trend information, when available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Primary Government

PERA Health Care Trust Fund

The PERA Health Care Program is a cost-sharing multiple employer plan. It began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Title 24, Article 51, Part 12 of the Colorado Revised Statutes establishes the Fund and authorizes PERA to administer and subsidize a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit.

Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year of service less than 20 years.

An additional implicit subsidy exists for participating retirees who have not participated in Social Security and who are not otherwise eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2016, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.29 billion, a funded ratio of 17.4 percent, and a 30-year amortization period.

The apportionment of the contribution to the Health Care Trust Fund is established under Title 24, Article 51, Section 208(1)(f) of the Colorado Revised Statutes. Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of $28.7 million, $28.3 million, $27.4 million, $26.8 million, and $24.9 million in Fiscal Years 2016-17, 2015-16, 2014-15, 2013-14, and 2012-13 respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered health care plans in 2016. As of December 31, 2016, there were 55,789 participants, including spouses and dependents, from all contributors to the plan.

The Health Care Trust Fund began providing dental and vision plans to its participants in 2001. The participants pay the premiums for the coverage, and there is no subsidy provided for the dental and vision plans.

In the December 31, 2016, actuarial valuation, the entry age normal level percentage of pay actuarial cost method allocation basis was used. The actuarial assumptions included a 7.25 percent investment rate of return, and an aggregate 3.50 percent projection of salary increases, both assuming a 2.40 percent inflation rate and real wage growth of 1.10 percent. Medical claims are projected to increase annually by 5.00 percent based on different subsidy and premium options. The UAAL is being amortized as a level percentage of payroll on a level percent closed and layered basis over 30 years. Except for the discount rate, these assumptions primarily affect plan assets available, rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

The financial statements for the PERA Health Care Trust Fund can be found within PERA's financial statements as referenced at the beginning of Note 1.

University of Colorado – Other Postemployment Benefits Plan

The University Post-Retirement Health Care & Life Insurance Benefits Plan is a single-employer defined benefit healthcare plan administered by the University of Colorado. The University's plan provides medical, prescription drug, dental and life insurance benefits for employees who retire from the University, as well as their spouses, dependents, and survivors. The University's Board of Regents has the authority to establish and amend benefits provisions.

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2016-17, the University contributed $14.9 million to the plan. Plan members contributed 0.24 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 0.93 percent of covered payroll.

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the University Post-retirement Health Care & Life Insurance Benefits Plan:

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

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016-17	$ 69,366	21.5%	$ 343,570
2015-16	$ 61,704	23.3%	$ 289,133
2014-15	$ 62,461	26.1%	$ 241,779

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $625.0 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $625.0 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $1.6 billion, and the ratio of UAAL to covered payroll was 38.9 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a 4.5 percent investment rate of return, and health care trend rates ranging from 6.5 to 11.0 percent in 2016, down to 4.5 percent in 2030. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare qualifying trust plans. The Retiree Medical Premium Refund Plan (RMPR) is open to new members and provides a monthly subsidy for medical premiums of up to $200 per month for employees who retire from the University and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) is closed to new members and provides a monthly subsidy for medical premiums of up to $484 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) closed to new members and supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) is open to new members and provides a monthly income replacement benefit for employees still on disability after the 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

Colorado State University issues a publicly available financial report that includes financial statements and required supplementary information for all of the plans. That report may be obtained by going to:
http://leg.colorado.gov/sites/default/files/documents/audits/1716f-a_csu_system.pdf

The contribution requirements of all plan members and the University are established by the University's Board of Governors. The required contribution for the RMPR, URX, and LTD plans is set by the University in consultation with outside benefit consultants, underwriters, and actuaries. The subsidy amount under the RMPS increases annually in alignment with the increase in the cost of individual coverage under the lowest cost medical option. For Fiscal Year 2016-17, the University contributed $1.3 million to the RMPR at a contribution rate of 1.18 percent of covered earnings, $2.0 million to the RMPS at a 15.09 percent contribution rate, and $0.2 million to the URX at a 1.83 percent contribution rate. Employees contributed $1.5 million at a 0.32 percent contribution rate to the LTD plan. Members of the RMPS, RMPR, and URX plans are not required to make contributions, however members of the LTD plan are required to contribute. As of June 30, 2017, RMPR had 4,599 active members, 68 terminated but eligible members, and 384 retired members or beneficiaries receiving benefits; the RMPS had 172 active members, 172 terminated but eligible members, and 495 retired members or beneficiaries receiving benefits; the URX had 172 active members, 172 terminated but eligible members, and 366 retired members or beneficiaries receiving benefits; and LTD had 5,272 active members and 42 retired members or beneficiaries receiving benefits.

All four plans are on a full accrual basis of accounting. Plan assets are recorded at quoted market prices and contributions benefits and refunds are recorded in the month incurred. Administrative costs are financed as direct expenditures of the trust.

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

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

The RMPR and LTD plans used the entry age normal actuarial cost method, while the RMPS and URX plans use the unit credit method. All four plans used a 5.3 percent investment rate of return, and used a 3 percent inflation adjustment. The LTD plan also assumed a 4 percent salary increase, while the RMPR, RMPS and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR assumed no health care cost trend adjustment, and RMPS and URX assumed an annual healthcare cost trend initial rate of 7 percent declining to an ultimate rate of 5 percent. The LTD does not use a healthcare trend rate because it provides income replacement not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years. Regarding amortization periods, 21 years remain on the closed periods for the RMPS and URX and 30 years remain for the RMPR and LTD open periods.

Other Programs

The State provides employees with a limited amount of Basic Life and Accidental Death and Dismemberment coverage underwritten by Minnesota Life at no cost to the employee. Through the same company, the State also provides access to group Optional Life and Accidental Death and Dismemberment coverage with premiums paid by the employee.

Component Units

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

NOTE 8 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. The State uses a self-funded approach for certain employee and state-official medical claims. The State's contribution to the premium is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's Salary Reduction Plan Document. Effective July 1, 2013, premiums also included a fee to implement a statewide wellness program. During Fiscal Year 2016-17, covered employees who elected to participate in the wellness plan received a monthly health insurance premium credit of $10 or $20 depending on the level of participation.

The State offers two statewide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

The Public Employees Retirement Association (PERA) covers short-term disability claims for State employees eligible under its retirement plan (see Note 6). The Group Benefit Plans Fund provides short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

The Group Benefit Plans short-term disability program provides an employee with 60 percent of their pay beginning after 30 days of disability or exhausting their sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability.

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2016, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $6,000 in 2015, for total contributions of $24,000. Contributions and earnings are tax deferred. At December 31, 2016, the plan had net position of $751.7 million and 17,921 participants.

C. OTHER RETIREMENT PLANS

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. Title 24, Article 51, Part 14 of the Colorado Revised Statutes, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. In calendar year 2016, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $6,000 in 2016, for total contributions of $24,000. Contributions and earnings are tax deferred. On December 31, 2016, the plan had net position of $2,829.7 million and 68,752 accounts.

PERA Defined Contribution Retirement Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Title 24, Article 51, Part 15 of the Colorado Revised Statutes, assigns the authority to establish Plan provisions to the PERA Board of Trustees.

Contribution requirements are established under Title 24, Article 51, Section 1505 of the Colorado Revised Statutes. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. The contribution rate was restored from the temporary increase in Fiscal Years 2010-11 and 2011-12 to 10.5 percent (12.5 percent for State Troopers). Additionally, the State of Colorado is required to contribute AED and SAED to the State Division as shown in the following table. The rates in the following table are expressed as a percentage of salary as defined in Title 24, Article 51, Section 101 (42) of the Colorado Revised Statutes.

	Fiscal Year 2014	Fiscal Year 2015		Fiscal Year 2016		
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Amortization Equalization Disbursement (AED) as specified in C.R.S., Section 24-51-411	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the State Division	7.30%	8.20%	8.20%	9.10%	9.10%	10.00%

Participating employees of the PERA defined contribution plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA defined contribution plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the Colorado Revised Statutes. As a result, forfeitures do not reduce pension expense. At December 31, 2016, the plan had a net position of $167.4 million and 5,761 participants.

The financial statements for the PERA Deferred Compensation Plan, the PERA 401k Plan, and the PERA Defined Contribution Plan can be found within PERA's financial statements as referenced at the beginning of Note 6.

Higher Education Optional Retirement Plans

Legislation in 1992 authorized State institutions of higher education the option of offering other retirement plans to their employees. At that time, certain employees had the choice of retaining their membership in PERA. As a result of the legislation, some employees of various institutions may be covered under defined contribution plans such as the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), the Variable

Annuity Life Insurance Corporation (VALIC), or other similar plans. Generally these plans are available to faculty or other staff members who are not part of the State's classified employee system. Faculty members at the University of Colorado are also covered under Social Security.

Other State Retirement Plans

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

TERMINATION BENEFITS

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is for 5 calendar years. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In fiscal year 2016-17, 38 employees participated in the program at a present value accrued cost of $4.6 million, with an assumed discount rate of 5 percent.

Component Units

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

NOTE 9 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. Per statute, individual Department property claims have a $5,000 deductible per occurrence. Claims brought under state law are limited to $350,000 per person and $990,000 per accident pursuant to the Colorado Governmental Immunity Act, CRS 24-10-101. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Workers compensation losses are self-insured per the Risk Management Act (CRS 24-30-1501); the State has purchased $50.0 million of excess insurance per occurrence ($10.0 million deductible). Property claims are self insured as well; $450.0 million of property loss insurance ($500,000 deductible). The State has also purchased excess liability coverage for automotive liability outside Colorado $5.0 million per occurrence ($2.0 million deductible), and $10.0 million of employee dishonesty and theft loss coverage ($250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the State, except for the University of Colorado, Colorado State University (not including CSU-Pueblo), the University of Northern Colorado, Fort Lewis College, Colorado Mesa University, Western State Colorado University, Adams State University, and component units participate in the State Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for non-incremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate.

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

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

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $375,000 per individual. In Fiscal Year 2016-17, the State recovered approximately $1.5 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State's contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded approximately $15.6 million of insurance recoveries during Fiscal Year 2016-17. Of that amount approximately $8.8 million was related to asset impairments that occurred in prior years. The remaining $6.7 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $1.5 million, as noted above), a Pension and Other Employee Benefits Fund, and $2.2 million by Higher Education in the Higher Education Institutions Fund.

The University of Colorado is self-insured for workers' compensation, auto, and general and property liability. An actuarial projection is performed to estimate the self-insured plan's undiscounted liabilities. The University purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $1.5 million per worker's compensation claim, and $1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $350,000 per person and $990,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2016-17, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The University manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $325,000 per person and $11.1 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2016-17 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $325,494 from the stop-loss insurance carrier for individual claims in excess of the threshold over the previous three years. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than $500,000 per claimant, $1.5 million per occurrence, and $8.0 million in aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2016-17, however, the University collected $1,021,965 from the stop-loss insurance carrier for individual claims in excess of the threshold over the previous three years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $275,000. The related liability is based on underwriting review of claims history and current data. The University is self-insured for worker's compensation up to $500,000 per occurrence and has purchased reinsurance for individual claims up to statutory limits. There was no significant reduction in insurance coverage in Fiscal Year 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 per occurrence with excess insurance purchased for claims up to $10.0 million and additional insurance purchased for up to $15.0 million, for a total of $25.0 million per occurrence. The University is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. The University carries cyber risk liability insurance up to $5.0 million ($100,000 deductible for cyber extortion; $20,000 deductible for foreign notification; and $10,000 deductible for crisis management and public relations). The University also purchased $1.0 million of international liability insurance, $25.0 million of aviation liability insurance ($1,000 deductible for each occurrence), and $1.0 million per occurrence of unmanned aerial vehicles liability insurance. The University also carries liability, professional liability, and pollution liability for the Center for Environmental Management Federal Lands operations, including prescribed burn operations, which includes a primary layer of $2.0 million aggregate, an umbrella layer of $5.0 million, and an excess layer of $5.0 million. There were no significant reductions in insurance coverage in Fiscal Year 2016-17, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The University has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($25,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $1.0 million of employee fraud insurance ($5,000 deductible), $500.0 million of property insurance ($25,000 deductible), and $2.0 million umbrella liability ($10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2016-17, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased $500,000 of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The College retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2016-17, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College has purchased blanket building and personal property insurance of $489.6 million ($10,000 deductible), $2.0 million of general liability ($0 deductible), $7.0 million of fine arts insurance ($2,500 deductible). The College has also purchased $1.0 million of employee dishonesty insurance ($10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $1.0 million of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2016-17, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased $2.0 million of general liability insurance ($0 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance of $2.0 million ($1,000 deductible for accidents and acts of nature, $10,000 for loss to property). Before Fiscal Year 2012-13, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2012-13. There were no significant reductions in insurance coverage in Fiscal Year 2016-17, and the amount of settlements has not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of $500,000 ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of $1.0 million ($0 deductible) and $2.0 million aggregate. Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2016-17	24,926	3,054	4,095	23,885
2015-16	27,429	1,767	4,270	24,926
2014-15	23,395	10,599	6,565	27,429
Workers' Compensation				
2016-17	133,672	35,984	35,263	134,393
2015-16	130,357	36,072	32,757	133,672
2014-15	120,600	43,642	33,885	130,357
Group Benefit Plans:				
2016-17	15,766	201,105	200,794	16,077
2015-16	14,717	188,021	186,972	15,766
2014-15	14,248	183,548	183,079	14,717
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2016-17	16,726	7,388	7,995	16,119
2015-16	13,858	10,180	7,312	16,726
2014-15	14,445	8,684	9,271	13,858
University of Colorado Denver:				
Graduate Medical Education Health Benefits Program				
2016-17	1,666	10,357	9,714	2,309
2015-16	1,799	7,233	7,366	1,666
2014-15	1,711	7,644	7,556	1,799
Medical Malpractice				
2016-17	11,469	1,006	3,047	9,428
2015-16	9,498	2,883	912	11,469
2014-15	7,139	4,060	1,701	9,498
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2016-17	26,760	54,124	50,967	29,917
2015-16	28,660	46,728	48,628	26,760
2014-15	33,555	40,237	45,132	28,660
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2016-17	355	(172)	48	135
2015-16	56	367	68	355
2014-15	81	32	57	56
Fort Lewis College:				
Worker's Compensation				
2016-17	-	5	3	2
2015-16	13	15	28	-
2014-15	21	24	32	13
General Liability				
2016-17	39	3	39	3
2015-16	-	44	5	39
2014-15	-	-	-	-

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
Colorado Mesa University:				
Workers' Compensation				
2016-17	220	(130)	54	36
2015-16	28	220	28	220
2014-15	17	50	39	28
General Liability				
2016-17	3	10	13	-
2015-16	-	35	32	3
2014-15	-	548	548	-
Western State Colorado University:				
Workers' Compensation				
2016-17	-	-	-	-
2015-16	-	-	-	-
2014-15	14	(11)	3	-
General Liability				
2016-17	-	-	-	-
2015-16	-	-	-	-
2014-15	-	-	-	-

Component Units

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability. There were no significant reductions in insurance coverage and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

NOTE 10 – LEASES AND SHORT-TERM DEBT

LEASE COMMITMENTS

Primary Government

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as non-cancellable for financial reporting purposes.

At June 30, 2017, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 5,559	$ 117,967	$ 338,348
Business-Type Activities	-	34,330	49,793
Total	$ 5,559	$ 152,297	$ 388,141

At June 30, 2017, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 21	$ 183	$ 204
Business-Type Activities	$ -	$ 145	145
Total	$ 21	$ 329	$ 350

During the year ended June 30, 2017, the State incurred no contingent rentals related to capital and operating leases.

For Fiscal Year 2016-17, the State recorded building and land rent of $57.5 million for governmental-type activities, $23.7 million for business-type activities and $35,297 for fiduciary activities. The State also recorded equipment and vehicle rental expenditures of $13.7 million and $39.1 million for governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State's fleet management program.

The State recorded $3.6 million of capital lease interest costs for governmental activities and $1.7 million for business-type activities in Fiscal Year 2016-17.

The State entered into approximately $23.0 million of capital leases related to the State's fleet management program, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2017, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases			
			Governmental Activities		Business-Type Activities	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Principal	Interest	Principal	Interest
2018	$ 52,896	$ 26,877	$ 28,254	$ 3,297	$ 7,292	$ 1,475
2019	46,880	$ 21,577	$ 23,067	$ 2,739	$ 5,798	$ 1,302
2020	35,408	$ 17,917	$ 20,234	$ 2,257	$ 5,051	$ 1,147
2021	31,758	$ 13,155	$ 17,484	$ 1,844	$ 3,917	$ 1,002
2022	29,142	$ 10,777	$ 16,623	$ 1,463	$ 3,880	$ 902
2023 to 2027	88,129	$ 28,039	$ 33,323	$ 3,008	$ 19,793	$ 2,262
2028 to 2032	2,836	$ 8,159	$ 3,168	$ 242	$ 4,160	$ 315
2033 to 2037	1,466	$ 661	$ -	$ -	$ -	$ -
2038 to 2042	739	$ 534	$ -	$ -	$ -	$ -
2043 to 2047	721	$ 449	$ -	$ -	$ -	$ -
2048 to 2052	661	$ 179	$ -	$ -	$ -	$ -
2053 to 2057	661	$ -	$ -	$ -	$ -	$ -
Thereafter	2,062	$ -	$ -	$ -	$ -	$ -
Present Value of Minimum Lease Payments And Imputed Interest	$ 293,359	$ 128,324	$ 142,153	$ 14,850	$ 49,891	$ 8,405

Component Units

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2018. Total rental expense for the year ended December 31, 2016, was $140,432. The total minimum rental commitment as of December 31, 2016, is $244,785.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2022. The total lease expense for the year ended June 30, 2017 was $152,095. The total lease commitment under the leases was $614,000 at June 30, 2017.

SHORT-TERM DEBT

On July 26, 2016 the State Treasurer issued $600.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2016A. The notes were due and payable on June 27, 2017, at a coupon rate of 2.167 percent. The total interest related to this issuance was $12.0 million; however, the notes were issued at a premium of $8.6 million, resulting in net interest costs (including the cost of issuance) of $3.6 million and a yield of 0.598 percent. The notes were issued for cash management purposes and were repaid by June 27, 2017, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On July 21, 2016, the State Treasurer issued $275.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2016A. The notes were due and payable on June 29, 2017, at a coupon rate of 3.091 percent. The total interest related to this issuance was $8.0 million; however, the notes were issued at a premium of $6.4 million, resulting in net interest costs (including cost of issuance) of $1.8 million or 0.585 percent. The notes matured on June 29, 2017, and were repaid.

On January 12, 2017, the State Treasurer issued $375.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2016B. The notes were due and payable on June 29, 2017, at a coupon rate of 3.933 percent. The total interest related to this issuance was $6.8 million; however, the notes were issued at a premium of $5.3 million, resulting in net interest costs (including cost of issuance) of $1.6 million or 0.867 percent. The notes matured on June 29, 2017, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2017:

(Amount in Thousands)

	Beginning Balance July 1	Changes		Ending Balance June 30
		Additions	Reductions	
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 600,000	$ (600,000)	$ -
Education Loan Anticipation Notes	-	650,000	(650,000)	-
Total Governmental Activities Short-Term Financing	-	1,250,000	(1,250,000)	-
Total Short-Term Financing	$ -	$ 1,250,000	$ (1,250,000)	$ -

NOTE 11 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Primary Government

Various institutions of higher education, the State Nursing Homes, History Colorado, the Judicial Branch, and the Departments of Corrections, Transportation, Agriculture, Treasury, and Labor and Employment have outstanding notes, bonds, and/or Certificates of Participation (COPs) for the purchase of equipment or to construct facilities or infrastructure. Except for the Department of Corrections which receives Capital Projects Fund appropriations for lease payments related to COPs, specific user revenues are pledged for the payments of interest and future retirement of the obligations. The State is not allowed by its Constitution to issue general obligation debt except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies; additional restrictive limitations related to the valuation of taxable property also apply.

Collectively, the State's business-type activities had $1,661.9 million in available net revenue after operating expenses to meet the $296.2 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 17.)

During Fiscal Year 2016-17 the State recorded $250.6 million of interest costs, of which $59.6 million was recorded by governmental activities and $190.9 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $4.5 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $17.3 million of interest on Certificates of Participation issued by the Judicial Branch, $29.8 million of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program and $3.3 million of interest on Education and General Fund Tax and Revenue Anticipation Notes issued by the State Treasurer. The business-type activities interest cost primarily comprises $165.7 million of interest on revenue bonds issued by institutions of higher education, $13 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $9.8 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $2.1 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2017, are as follows:

(Amounts in Thousands)

	Governmental Activities							
Fiscal	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ -	$ -	$ 2,135	$ 231	$ 44,855	$ 52,318	$ 46,990	$ 52,549
2019	-	-	2,175	187	49,455	50,610	51,630	50,797
2020	-	-	2,220	142	30,805	49,163	33,025	49,305
2021	-	-	2,270	95	31,925	47,895	34,195	47,990
2022	-	-	2,315	48	33,185	46,266	35,500	46,314
2023 to 2027	-	-	-	-	287,755	207,489	287,755	207,489
2028 to 2032	-	-	-	-	379,335	146,371	379,335	146,371
2033 to 2037	-	-	-	-	245,185	78,500	245,185	78,500
2038 to 2042	-	-	-	-	107,060	33,294	107,060	33,294
2043 to 2047	-	-	-	-	57,295	5,761	57,295	5,761
Subtotals	-	-	11,115	703	1,266,855	717,667	1,277,970	718,370
Unamortized Prem/Discount	-	-	-	-	35,527	-	35,527	-
Totals	$ -	$ -	$ 11,115	$ 703	$ 1,302,382	$ 717,667	$ 1,313,497	$ 718,370

(Amounts in Thousands)

Business-Type Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Mortgages Payable Principal	Mortgages Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2018	$ 121,298	$ 186,946	$ 1,184	$ 1,200	$ 342	$ 459	$ 22,805	$ 14,546	$ 145,629	$ 203,151
2019	126,974	186,071	91	1,177	357	444	23,760	13,398	151,182	201,090
2020	132,404	180,808	134	1,174	372	429	24,660	12,239	157,570	194,650
2021	137,087	175,613	37	1,171	387	414	25,815	11,086	163,326	188,284
2022	140,946	170,172	37	1,171	404	397	27,085	9,814	168,472	181,554
2023 to 2027	763,167	757,919	48,703	7,311	2,290	1,716	137,760	28,840	951,920	795,786
2028 to 2032	806,538	572,930	-	-	2,817	1,189	51,570	4,525	860,925	578,644
2033 to 2037	806,240	372,786	-	-	4,248	164	-	-	810,488	372,950
2038 to 2042	601,280	185,370	-	-	-	-	-	-	601,280	185,370
2043 to 2047	220,065	78,974	-	-	-	-	-	-	220,065	78,974
2048 to 2052	109,405	42,587	-	-	-	-	-	-	109,405	42,587
2053 to 2057	113,800	15,241	-	-	-	-	-	-	113,800	15,241
Subtotals	4,079,204	2,925,417	50,186	13,204	11,217	5,212	313,455	94,448	4,454,062	3,038,281
Unamortized Prem/Discount	279,904	-	(7)	-	-	-	33,314	-	313,211	-
Unaccreted Interest	(6,911)	-	-	-	-	-	-	-	(6,911)	-
Totals	$ 4,352,197	$ 2,925,417	$ 50,179	$ 13,204	$ 11,217	$ 5,212	$ 346,769	$ 94,448	$ 4,760,362	$ 3,038,281

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs on its variable rate debt. See Note 14 for additional information.

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

Assuming current interest rates are applied over the term of the debt, at June 30, 2017, the Colorado School of Mines' aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Colorado School of Mines' Interest Rate Swap Agreement

Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2018	$ 975	$ 314	$ 1,061	$ 2,350
2019	550	308	1,041	1,899
2020	575	303	1,025	1,903
2021	575	299	1,009	1,883
2022	850	293	989	2,132
2023 to 2027	5,025	1,345	4,545	10,915
2028 to 2032	12,900	975	3,293	17,168
2033 to 2037	14,335	410	1,385	16,130
2038 to 2042	3,075	11	35	3,121
Totals	$ 38,860	$ 4,258	$ 14,383	$ 57,501

The original principal amount of the State's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

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

Component Units

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2016, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2017	$ 40,700	$ 22,427	$ 63,127
2018	39,790	20,744	60,534
2019	38,730	18,954	57,684
2020	34,085	17,198	51,283
2021	32,425	15,652	48,077
2022 to 2026	152,585	57,073	209,658
2027 to 2031	108,080	30,062	138,142
2032 to 2036	59,510	9,877	69,387
2037 to 2041	9,790	1,952	11,742
2042 to 2046	3,070	259	3,329
Total Future Payments	$ 518,765	$ 194,198	$ 712,963

The original principal amount for the outstanding bonds was $875.3 million. Total interest paid during 2016 was $23.6 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds are insured as to payment of principal and interest by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The Water Resources Revenue Bonds, Series 2004B, 2004E and 2005F are insured as to payment of principal and interest by MBIA, Inc. The Water Resources Revenue Bonds Series 2005B, 2009A, 2010A, 2011A and 2013A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The Water Resources Revenue Bonds Series 2014A are insured as to payment of principal and interest by Build America Mutual Assurance Company. The Authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2016, it had $7.3 million of these bonds outstanding.

Metropolitan State University of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.1 million were issued to finance the University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2017, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2018	1,075	3,138	4,213
2019	1,250	3,090	4,340
2020	1,300	3,038	4,338
2021	1,350	2,981	4,331
2022 to 2026	7,395	13,817	21,212
2027 to 2031	8,870	11,425	20,295
2032 to 2036	10,820	8,292	19,112
2037 to 2041	13,285	4,376	17,661
2042 to 2043	7,595	378	7,973
Total Future Payments	$ 52,940	$ 50,535	$ 103,475

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2016-17:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 9,397	$ 6,673	$ (9,310)	$ 6,760	$ 6,644
Accrued Compensated Absences	166,032	17,272	(13,004)	170,300	11,865
Claims and Judgments Payable	322,353	46,369	(61,818)	306,904	46,369
Capital Lease Obligations	150,665	46,309	(54,821)	142,153	28,254
Bonds Payable	127,925	-	(127,925)	-	-
Certificates of Participation	1,205,172	142,543	(45,333)	1,302,382	44,855
Notes, Anticipation Warrants, Mortgages	13,205	2,135	(4,225)	11,115	2,135
Net Pension Liability	6,295,004	4,624,599	-	10,919,603	-
Other Long-Term Liabilities	415,669	255,105	(262,862)	407,912	-
Total Governmental Activities Long-Term Liabilities	8,705,422	5,141,005	(579,298)	13,267,129	140,122
Business-Type Activities					
Deposits Held In Custody For Others	42,420	43,448	(42,400)	43,468	43,448
Accrued Compensated Absences	316,126	56,120	(29,795)	342,451	25,381
Claims and Judgments Payable	39,657	9,002	(11,298)	37,361	-
Capital Lease Obligations	57,126	9,499	(16,734)	49,891	7,292
Derivative Instrument Liabilities	13,222	-	(3,971)	9,251	-
Bonds Payable	4,320,596	542,123	(485,917)	4,376,802	122,274
Certificates of Participation	372,661	22,811	(48,703)	346,769	22,805
Notes, Anticipation Warrants, Mortgages	53,969	15,963	(8,536)	61,396	1,525
Net Pension Liability	3,957,073	2,977,432	-	6,934,505	-
Other Postemployment Benefits	289,133	54,437	-	343,570	-
Other Long-Term Liabilities	30,200	77,565	(90,224)	17,541	-
Total Business-Type Activities Long-Term Liabilities	9,492,183	3,808,400	(737,578)	12,563,005	222,725
Fiduciary Activities					
Deposits Held In Custody For Others	383,445	427,974	(345,963)	465,456	425,607
Accrued Compensated Absences	38	12	-	50	15
Other Long-Term Liabilities	713	373	(713)	373	-
Total Fiduciary Activities Long-Term Liabilities	384,196	428,359	(346,676)	465,879	425,622
Total Primary Government Long-Term Liabilities	$ 18,581,801	$ 9,377,764	$ (1,663,552)	$ 26,296,013	$ 788,469

Accrued compensated absences and net pension liabilities of both governmental activities and the business-type activities are normally liquidated using resources of the fund that are responsible for paying the employee's salary. As a result, the resources of nearly all of the State's funds are used to liquidate the compensated absence and net pension liabilities.

The amounts shown in the schedule above for the changes in Net Pension Liability are netted as increases for the governmental and business type activities because that information is not readily available. See Note 6 for additional pension information.

The amounts shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include short-term borrowing disclosed in Note 10. A current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, Other Post Employment Benefits in business-type activities and Other Long-Term Liabilities in both governmental activities and business type activities.

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See Notes 7 and 9 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

Governmental activities include internal service funds which apply full accrual accounting, and as a result, additions to Capital Lease Obligations shown above include amounts that are not shown as capital lease proceeds on the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds*.

At June 30, 2017, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $407.9 million shown for governmental activities primarily comprises:

- $252.2 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $152.7 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 13 for additional information on pollution remediation obligations).
- $2.9 million of unclaimed property liabilities estimated to be due to claimants.

The $17.5 million (including $1.7 million Due to Component Units) shown for business-type activities primarily comprises $15.8 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and the Alternate Medicare Program at the University of Colorado ($3.0 million and $10.8 million, respectively).

Component Units

Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Water Pollution Control Fund, accounting for $313.5 million, or fifty-five percent, of the $571.7 million total. Long-term liabilities of the Water Operations Fund and the Drinking Water Fund were $129.8 million and $128.4 million, respectively. The Water Pollution Control Fund accounted for fifty-one percent, or $244.0 million, of the bonds payable total of $478.1 million. Sixty-three percent, or $59.2 million, of other long-term liabilities were related to project costs payable – leveraged loans. Changes in long-term liabilities for the Authority in 2016 were as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 594,745	$ 64,535	$ (140,515)	$ 518,765	$ 40,700
Other Long-Term Liabilities	208,985	147,155	(123,647)	232,494	138,869
Total Long-Term Liabilities	$ 803,730	$ 211,690	$ (264,162)	$ 751,259	$ 179,569

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), two charitable lead trusts, a pooled life income fund, charitable remainder trusts held by others, and perpetual trusts. Charitable gift annuity assets are immediately available to the foundation. After termination of charitable remainder trust agreements, the related assets revert to the foundation to create an endowment to support university activities. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Position – Component Units*. Actuarially determined life expectancies and applicable rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift.

Changes in the value of investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. At June 30, 2017, the foundation held $42.8 million of split interest agreement investments with $21.1 million of related liabilities and reported $7.9 million of net beneficial interest in charitable trusts held by others.

At June 30, 2017, the University of Colorado Foundation held $395.5 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Position – Component Units*, this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

At June 30, 2017, the Colorado State University Foundation held $13.6 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units*, this liability is reported as Deposits Held in Custody.

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

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $8.7 million mentioned above and total $4.4 million. At June 30, 2017, CSMF reported $35.5 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

NOTE 13 – DEFEASED DEBT AND POLLUTION REMEDIATION OBLIGATIONS

DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2016-17, debt was defeased in both governmental and business-type activities.

At June 30, 2017, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Treasury	$ 133,435
Department of Corrections	59,045
Business-Type Activities:	
University of Colorado	431,145
Colorado State University	133,375
Colorado School of Mines	31,160
Western State College	34,875
Colorado Mesa University	27,120
Adams State College	16,415
Total	$ 866,570

The Board of Regents of the University of Colorado issued $28,480,000 of its Enterprise Revenue Refunding Bonds, Series 2017A-1 to partially defease its 2012B Enterprise Revenue Bonds. The defeased debt had an interest rate of 5 percent, and the new debt had an interest rate of 2.8 percent. The remaining term of the debt was 17 years and the estimated debt service cash flows decreased by $2,706,544. The defeasance resulted in an economic gain of $2,253,762 and book loss of $3,068,849 that will be amortized as an adjustment of interest expense over the remaining 17 years of the new debt.

The Board of Regents of the University of Colorado issued $38,450,000 of its Enterprise Revenue Refunding Bonds, Series 2017A-1 to partially defease its 2007A Enterprise Refunding Revenue Bonds. The defeased debt had an interest rate of 4.42 percent, and the new debt had an interest rate of 2.27 percent. The remaining term of the debt was 16 years and the estimated debt service cash flows decreased by $4,532,761. The defeasance resulted in an economic gain of $4,336,850 and book gain of $1,341,219 that will be amortized as an adjustment of interest expense over the remaining 16 years of the new debt.

The Board of Governors of Colorado State University issued $22,976,045.26 of its Enterprise Revenue and Refunding Bonds, Series 2016B to partially defease its 2007A, 2007B, and 2008A Enterprise Revenue Bonds. The defeased debt had an interest rate of 4.98 percent, and the new debt had an interest rate of 4.68 percent. The remaining term of the debt was 20 years and the estimated debt service cash flows decreased by $3,512,269.84. The defeasance resulted in an economic gain of $2,233,989.56 and book loss of $528,506.29 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The Board of Governors of Colorado State University issued $1,128,954.74 of its Enterprise Revenue and Refunding Bonds, Series 2016B to partially defease its 2007A Enterprise Revenue Bonds. The defeased debt had an interest rate of 4.98 percent, and the new debt had an interest rate of 4.68 percent. The remaining term of the debt was 20 years and the estimated debt service cash flows decreased by $246,383.10. The defeasance resulted in an economic gain of $152,003.91 and book loss of $18,339.13 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The Board of Trustees of Western State Colorado University issued $26,995,000 of its Auxiliary Facilities Revenue Refunding Bonds, Series 2016 to partially defease its 2009 Revenue Bonds and 2010A Institutional Enterprise Revenue Bonds (Tax-Exempt). The defeased debt had an interest rate of 4.89 percent, and the new debt had an interest rate of 3.69 percent. The remaining term of the debt was 22.75 years and the estimated debt service cash flows decreased by $4,674,916. The defeasance resulted in an economic gain of $3,599,614 and book loss of $3,023,158.13 that will be amortized as an adjustment of interest expense over the remaining 22.75 years of the new debt.

The Board of Trustees of Adams State University issued $7,265,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2017A and 2017B to partially defease its 2009A Auxiliary Facilities Revenue Improvement Bonds, 2009B Auxiliary Facilities Revenue Bonds, and 2012 Institutional Enterprise Revenue Bonds. The defeased debt had an interest rate of 3.3-5 percent, and the new debt had an interest rate of 3.98 percent. The remaining term of the debt was 20 years and estimated debt service cash flows increased by $3,847,639. The defeasance resulted in an economic loss of $481,147 and a book loss of $873,396 that will be amortized as an adjustment of interest expense over the remaining 26 years of the new debt.

POLLUTION REMEDIATION OBLIGATIONS

Various State agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund-level *Statement of Net Position.*

The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government's program to clean up these hazardous waste sites. A hazardous waste site becomes a Superfund site when it is placed on an Environmental Protection Agency (EPA) list that ranks sites according to a process that assesses current or potential health impacts. The following individually significant items are all Superfund sites under the control of the Department of Public Health and Environment (DPHE).

The State's total amount of pollution remediation obligations as of June 30, 2017 was $157.8 million ($5.1 million of which was a current liability). Superfund sites account for approximately $156.9 million ($4.2 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $58.4 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant, estimated at $2.3 million annually. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2017, the State has received $4.7 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $64.7 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction commenced in 2013. Current operating and maintenance costs are estimated at approximately $1.3 million, increasing to approximately $2.6 million in 2028, and continuing into perpetuity. The State's share of the costs to complete the remaining remediation projects is estimated to total $2.7 million through 2018. The department shares these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill located at the headwaters of the Left Hand Creek Watershed in the mountains west of Boulder of approximately $5.7 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. Two remedial design projects on surface and subsurface water have been completed. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $19.1 million related to the clean-up of contamination from mine waste piles and drainage. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2029, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 14 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of assets by the entity that is applicable to a future reporting period, and deferred inflows of resources represent an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2017.

(Amounts in Thousands)

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

A. DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement (the Agreement) in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A Refunding Bonds issued in 2010. The agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the Statement of Net Position, and accordingly, the State recognized a deferred outflow of $2.4 million as of June 30, 2017.

The Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $38.9 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan Stanley), which was 0.82 percent at June 30, 2017. Cash flows between the parties are settled on the net difference. The fair value to the Colorado School of Mines as of June 30, 2017, using Level 2 Significant Other Observable Inputs, was $9.3 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

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

- Termination Risk – Terminating the transaction while the fair value is negative would likely require a termination payment by the School.

- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the swap agreement counterparty's (Morgan Stanley) credit quality rating and the ability of the counterparty to withstand credit market turmoil. As of June 30, 2017, Morgan Stanley's credit rating is A3 by Moody's, and BBB+ by Standards & Poor's.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices.

B. REFUNDING GAINS AND LOSSES

Refunding gains and losses on debt refunding transactions are recorded as deferred inflows or deferred outflows, respectively, and generally amortized over the life of the new debt. On June 30, 2017, deferred outflows in governmental activities related to unamortized refunding losses included $1.0 million in the Department of Transportation and $1.0 million in the Department of Corrections. All of the unamortized refunding gains and losses in business-type activities were in Higher Education Institutions.

C. TIMING DIFFERENCES

Deferred Inflows are recorded for unavailable revenue resulting from timing differences that are primarily related to long-term taxes receivables. The majority of the deferred inflows balance is recognized as revenue over time in the government-wide Statement of Activities.

D. NONEXCHANGE TRANSACTIONS

Deferred inflows are recorded for grant receipts when all of the eligibility requirements for the grant have been met, except the time requirement. As of June 30, 2017, the Department of Health Care Policy and Financing, a governmental activity, held $0.3 million and Colorado State University, a business-type activity, held $0.4 million in receipts awaiting the passage of time.

E. SERVICE CONCESSION ARRANGEMENTS

Service Concession Arrangements are arrangements between a government and a governmental or nongovernmental entity in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. Deferred inflows totaling approximately $139 million were related to Service Concession Arrangements at the High Performance Transportation Enterprise. Refer to Note 19 for additional information on Service Concession Arrangements.

F. PENSIONS

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

NOTE 15 – NET POSITION AND FUND BALANCE

PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES TO NET POSITION

A. PRIOR PERIOD ADJUSTMENTS

The beginning net position/fund balance was restated as a result of the following prior period adjustments:

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

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

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

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

(Amounts in Dollars)

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

B. ACCOUNTING CHANGES

Colorado State University (CSU) implementation of GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans: Beginning fund balance in Fiduciary Assets of the Colorado State University was increased by $71,534,705.99. During Fiscal Year 2017, the bylaws of the Colorado State University Other Post Employment Benefit Trust (Trust) were amended. As a result of this change and further analysis, CSU now reports the Trust as a fiduciary fund. The Trust was established June 27, 2014, as a single-employer other postemployment benefits (OPEB) plan, for the purpose of accumulating and investing assets to fund certain post-retirement medical benefits for retirees and disability income replacement for employees of CSU. The Trust, which is an entity separate from CSU, is for the exclusive purpose of providing funds to pay benefits and for paying expenses of administering the Trust.

University of Colorado (CU) implementation of GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68: Beginning fund balance was reduced by $46,640,000 to record the cumulative effect of GASB 73 adoption. This implementation was for the fiscal year ending June 30, 2017.

(Amounts in Dollars)

	Government-Wide Statements		Fund-Level Statements	
			Major Proprietary Fund	Major Fiduciary Fund
Subject	Governmental Activities	Business-Type Activities	Higher Education Institutions	Pension and Other Employee Benefit Trust
Colorado State University Other Post-Employment Benefits Trust				71,534,706
University of Colorado Alternate Medicare Plan		(46,640,326)	(46,640,326)	
	-	(46,640,326)	(46,640,326)	71,534,706

Component Unit

During 2016, the Colorado Water Resources and Power Development Authority adopted GASB Statement No. 72 – Fair Value Measurement and Application. GASB 72 addresses accounting and financial reporting issues related to fair value measurements and related disclosures. Adoption of GASB 72 had no effect on the Authority's beginning net position as of January 1, 2015 or on the change in net position for the year ended December 31, 2015.

FUND BALANCE

On the *Balance Sheet – Governmental Funds,* the fund balance comprises the following (see Note 1 for additional details.):

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$ 55,440	$ 481,998	$ 17,218
Business, Community and Consumer Affairs	-	57,076	-
Education	386,809	8,108	-
Health and Rehabilitation	-	30,929	-
Justice	-	11,639	-
Natural Resources	-	2,343	-
Social Assistance	-	54,607	-
TOTAL	$ 442,249	$ 646,700	$ 17,218
RESOURCE EXTRACTION:			
General Government	$ 66,000	$ 209	$ -
Business, Community and Consumer Affairs	-	193,228	-
Education	-	2,124	-
Natural Resources	13,173	915,033	-
Social Assistance	-	305	-
TOTAL	$ 79,173	$ 1,110,899	$ -
HIGHWAY USERS TAX:			
General Government	$ 59,707	$ 33,616	$ -
Health and Rehabilitation	3,027	-	-
Justice	865	1,914	-
Transportation	854,179	17,399	-
TOTAL	$ 917,778	$ 52,929	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 236,631	$ -
Business, Community and Consumer Affairs	-	1,632	-
Education	-	3,056	-
Justice	5	1,378	-
Natural Resources	-	57	-
Social Assistance	-	1,934	-
TOTAL	$ 5	$ 244,688	$ -
STATE EDUCATION:			
Education	$ 102,019	$ -	$ -
TOTAL	$ 102,019	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 169,116	$ 586,335	$ -
Business, Community and Consumer Affairs	43,605	219,787	-
Education	-	85,073	-
Health and Rehabilitation	17,822	96,329	-
Justice	-	187,763	-
Natural Resources	6,666	13,303	-
Social Assistance	441	80,809	-
TOTAL	$ 237,650	$ 1,269,399	$ -

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

- $386.8 million in the General Fund in the Education function includes $385.4 million in the School Capital Construction Fund related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $854.2 million in the Highway Users Tax Fund in the Transportation function includes $850.1 million in the State Highway Fund from motor fuels tax and fees pursuant to Article X of the State Constitution and is restricted for highway construction and maintenance.
- $102.0 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.
- $169.1 million in the Other Governmental Funds in the General Government function includes $80.0 million in the Debt Service Fund and $78.4 for the TABOR emergency reserve recorded in the Major Medical Fund.

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

- $482.0 million in the General Fund in the General Government function includes $415.4 million, a portion of the $584.3 million representing the 6 percent statutory reserve available on a GAAP basis (see Note 1).
- $193.2 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function includes $143.2 million in the Local Government Severance Tax Fund from severance tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments.
- $915.0 million in the Resource Extraction Fund in the Natural Resources function includes $465.0 million in the Colorado Water Conservation Board Construction Fund that represents cash balances and loans receivable for loans issued to local governments by the Colorado Water Conservation Board; and $370.9 million in the Severance Tax Perpetual Base Fund for cash and long term severance tax loans receivables.
- $236.6 million in the Capital Projects funds in the General Government function includes $148.9 million in the Regular Capital Construction Fund representing cash and receivables related to appropriated multi-year capital projects.
- $586.3 million in the Other Governmental Funds in the General Government function primarily represents $277.6 million in the Unclaimed Property Funds, $136.9 million in the Marijuana Tax Cash Fund, $75.8 million in Tobacco Litigation Settlement Funds, $50.2 million in the Disaster Emergency Fund and $31.5 million in the Marijuana Cash Fund.
- $219.8 million in Other Governmental Funds in the Business, Community and Consumer Affairs function primarily represents $50.4 million in the Limited Gaming Fund, $32.4 million in the Employment Support Fund, $26.3 million in the Advance Industries Acceleration Fund, $20.8 million in the Mortgage Fraud Custodial Fund and $13.8 million in the Workmen's Compensation Funds.
- $187.8 million in Other Governmental Funds in the Justice function primarily represents $32.7 million in the Consumer Protection Custodial Fund, $15.5 million in the Supreme Court Committee Fund, $11.8 million in the Victims Compensation Fund, and $11.1 million in the Victims Assistance Fund.

STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(1)(d), the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. For Fiscal Year 2016-2017, the reserve is calculated as six percent of General Purpose Revenue Fund appropriations less exceptions pursuant to C.R.S. 24-75-201.1(2). C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2016-17 there was no use of the reserve. As of June 30, 2017, on a legal budgetary basis the reserve was $584.3 million. On a GAAP basis only $444.9 million was available for the reserve (see Note 1).

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at $5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances, boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D, the Hospital Provider Fee Oversight Advisory Board (OAB) has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2016-17, the maximum amount that could be kept in reserve was $68.1 million although the OAB lowered the target reserve to $3 million for that year. The reserve acts as a buffer to minimize the need for mid-year fee increases in the event that expenditures are higher than estimated.

NOTE 16 – INTERFUND TRANSACTIONS

INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2017, were:

DUE FROM OTHER FUNDS (DOLLARS IN THOUSANDS)	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund	$ 41,151	$ 66	$ -
Resource Extraction	-	-	-
Highway Users Tax	-	-	-
Capital Projects	-	-	-
Higher Education Institutions	6,971	415	572
Unemployment Insurance	1	-	-
State Lottery	-	-	-
MAJOR FUNDS SUBTOTAL	48,123	481	572
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Environment and Health Protection	1	-	-
Unclaimed Property	1	-	-
Other Special Revenue	38	-	149
OTHER GOVERNMENTAL FUNDS SUBTOTAL	40	-	149
ENTERPRISE FUNDS:			
Parks and Wildlife	-	-	-
Correctional Industries	-	-	-
State Nursing Homes	-	-	-
Transportation Enterprise	-	-	844
Other Enterprise Activities	-	-	-
OTHER ENTERPRISE FUNDS SUBTOTAL	-	-	844
INTERNAL SERVICE FUNDS:			
Central Services	-	-	-
Information Technology	1,721	-	-
INTERNAL SERVICE FUNDS SUBTOTAL	1,721	-	-
FIDUCIARY FUNDS:			
State Employee Benefit Plans	203	-	-
College Savings Plan	-	-	-
Treasury Agency Funds	-	-	-
FIDUCIARY FUNDS SUBTOTAL	203	-	-
TOTAL	$ 50,087	$ 481	$ 1,565

DUE TO OTHER FUNDS
(DOLLARS IN THOUSANDS)

Capital Projects	Higher Education Institutions	State Lottery	All Other Funds	Total
$ -	$ 636	$ 15,371	28,942	$ 86,166
48	-	-	17,022	17,070
-	-	-	5,037	5,037
-	-	-	10	10
1,960	-	-	1,222	11,140
-	-	-	-	1
-	-	-	-	-
2,008	636	15,371	52,233	119,424
-	-	-	-	1
-	-	-	-	1
-	-	-	7,500	7,687
-	-	-	7,500	7,689
-	-	3,274	-	3,274
-	767	-	-	767
34	-	-	1	35
-	-	-	-	844
-	-	-	48	48
34	767	3,274	49	4,968
-	23	-	-	23
-	-	-	60	1,781
-	23	-	60	1,804
-	3,381	-	65	3,649
-	-	-	8,246	8,246
-	-	14,098	-	14,098
-	3,381	14,098	8,311	25,993
$ 2,042	$ 4,807	$ 32,743	$ 68,153	$ 159,878

All of the material receivables and related payables shown in the schedule are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The General Fund receivable of $28.9 million from All Other Funds is primarily comprised of $15.2 million in payables from the Limited Gaming Fund and $8.5 million from various cash funds to support incurred Medicaid expenditures.

The General Fund receivable of $41.2 million within the General Fund primarily includes $40.5 million in personal services and operating line item reversions payable from the General Purpose Revenue Fund to the State Employee Reserve Fund.

The General Fund receivable of $15.4 million from the State Lottery Fund primarily consists of a payable recorded by the Conservation Trust Fund for $13.1 million, and to the Building Excellent Schools Today Grant Program for approximately $2.3 million.

The Resource Extraction Fund receivable of $17.0 million from All Other Funds primarily consists of $16.4 million of loans from the Division of Parks and Wildlife Fund.

The Treasury Agency Fund receivable of $14.1 million represents the distribution of State Lottery Fund proceeds to the Great Outdoors Colorado Fund.

INTERFUND TRANSFERS

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

TRANSFER-OUT FUND (DOLLARS IN THOUSANDS)	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund	$ 3,816,774	$ 4,343	$ 79,396
Resource Extraction	47,072	-	-
Highway Users Tax	12,797	-	-
Capital Projects	1,571	-	500
State Education	8,990	-	-
Higher Education Institutions	5,440	-	-
Unemployment Insurance	18	-	-
State Lottery	55,664	-	30
MAJOR FUNDS SUBTOTAL	3,948,326	4,343	79,926
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	221	353	-
Gaming	15,673	15	-
Tobacco Impact Mitigation	3,415	-	9
Resource Management	51	-	-
Environment and Health Protection	11,698	-	-
Unclaimed Property	182	-	-
Other Special Revenue	98,784	-	3,780
PERMANENT FUNDS:			
State Lands Trust	79,725	-	-
OTHER GOVERNMENTAL FUNDS SUBTOTAL	209,749	368	3,789
ENTERPRISE FUNDS:			
Parks and Wildlife	4,318	-	-
College Assist	79	-	-
State Fair	112	-	-
Correctional Industries	942	-	-
State Nursing Homes	1,977	-	-
Prison Canteens	79	-	-
Petroleum Storage	10	-	-
Transportation Enterprise	-	-	-
Other Enterprise Activities	411	-	-
OTHER ENTERPRISE FUNDS SUBTOTAL	7,928	-	-
INTERNAL SERVICE FUNDS:			
Central Services	368	-	-
Information Technology	388	-	-
Capitol Complex	719	-	-
Administrative Courts	71	-	-
Legal Services	3,256	-	-
Other Internal Service	215	-	-
INTERNAL SERVICE FUNDS SUBTOTAL	5,017	-	-
FIDUCIARY FUNDS:			
State Employee Benefit Plans	73	-	-
Treasurer's Private Purpose	23	-	-
FIDUCIARY FUNDS SUBTOTAL	96	-	-
TOTAL	$ 4,171,116	$ 4,711	$ 83,715

TRANSFER-IN FUND
(DOLLARS IN THOUSANDS)

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

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Fund. These include $3,597.8 million from the General Purpose Revenue Fund to the State Public School Fund (both within the General Fund), $89.0 million to the Capital Projects funds (for controlled maintenance and capital projects), and $230.2 million to the Higher Education Institutions (primarily for student financial aid, occupational education, and job training).

Additional transfers-out from the General Fund include $79.4 million to the Highway Users Tax Fund and $103.6 million from the State Public School Fund to the Charter School Institute Fund (both within the General Fund). In addition, $25.3 million was transferred to the State Education Fund, and $11.0 million was transferred to the Debt Service Fund for payment on outstanding certificates of participation issued by the Building Excellent Schools Today program.

The Resource Extraction transfer-out to the General Fund includes a $43.7 million transfer from the Mineral Leasing Fund to the State Public School Fund. Transfers to the Higher Education Fund include $7.0 million from the Federal Mineral Leasing Revenues Fund to the Lease-Purchase Cash Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes $132.7 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Capital Projects transfers-out include $138.7 million to Institutions of Higher Education representing spending on state-funded capital projects managed by the institutions.

The State Education Fund transfers-out includes $34.0 million to the Early Literacy Fund in All Other Funds.

The State Lottery transfer-out to the General Fund primarily comprises $55.7 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds. Additionally, $13.3 million was transferred to the Division of Parks and Wildlife in All Other Funds.

The Gaming transfers-out include distributions of limited gaming revenues of $15.7 million to the General Fund and $7.5 million to the Creative Industries Cash Fund and the Advance Industries Acceleration Fund in the Governor's Office of Economic Development and International Trade.

The Tobacco Impact Mitigation Fund includes transfers-out to Higher Education Funds of $15.3 million from the Tobacco Litigation Settlement Moneys Health Education Fund.

The Other Special Revenue transfers-out to the General Fund includes $40.0 million from the Retail Marijuana Excise Tax Fund to the Public School Capital Construction Assistance Fund (a special purpose fund in the General Fund). Additionally, the transfers-out to All Other Funds includes transfers of $31.6 million to the State Lands Trust Fund.

The State Lands Trust transfer-out to the General Fund includes $21.0 million to the State Public School Fund.

NOTE 17 – PLEDGED REVENUE AND DONOR RESTRICTED ENDOWMENTS

PLEDGED REVENUE

Various institutions of higher education, the Department of Labor and Employment, and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2017, the following pledges were in place:

The Department of Transportation Statewide Bridge Enterprise pledged $109.9 million (gross) of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2011, and has a final maturity date of Fiscal Year 2041. The pledged revenue represents 100 percent of the revenue stream, and $607 million of the pledge commitment remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1999 and furthest maturity date of Fiscal Year 2055. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $1.6 billion. Individually significant Higher Education Institution pledges include:

- $1.2 billion (net) pledged by the University of Colorado to secure $127.7 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was issued in Fiscal Year 2016 and has a final maturity date of Fiscal Year 2047. The pledged revenue represents approximately 76.4 percent of the revenue stream, and $2.4 billion of the pledge (principal and interest) remains outstanding.
- $152.3 million (net) pledged by Colorado State University to secure $67.9 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2008 and has a final maturity date of Fiscal Year 2055. The pledged revenue represents 57.5 percent of the total revenue stream, and $1.8 billion of the pledge (principal and interest) remains outstanding.
- $46 million (net) pledged by the Colorado School of Mines to secure $16.5 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 1999 and has a final maturity date of Fiscal Year 2043. The pledged revenue represents approximately 78.6 percent of the revenue stream, and $322.9 million of the pledge (principal and interest) remains outstanding.
- $30.7 million (gross) pledged by Metropolitan State University of Denver to secure $7.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2010 and has a final maturity date of Fiscal Year 2046. The pledged revenue represents 10 percent of the tuition revenue stream and 100 percent of the fee and other revenues revenue stream, and $151.1 million of the pledge (principal and interest) remains outstanding.
- $24.6 million (net) pledged by Colorado Mesa University to secure $14.9 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2010 and has a final maturity date of Fiscal Year 2045. The pledged revenue represents approximately 55.1 percent of the revenue stream and $362.6 million of the pledge (principal and interest) remains outstanding.
- $39.1 million pledged by the University of Northern Colorado to secure $10.4 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The debt issuances had an earliest origination date of Fiscal Year 2008 and furthest maturity date of Fiscal Year 2046. The pledged revenue represents 41.2 percent of the net total auxiliary, extended studies, and student fee revenue streams; 100 percent of gross facility & admin cost recoveries; and 10

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

- $11.8 million pledged by the Auraria Higher Education Center to secure $6.3 million of current principal and interest on debt issued to finance construction of Tivoli Student Union park, coffee lounge, and patio and building parking structures. The debt issuances had an earliest origination date of Fiscal Year 2006 and furthest maturity date of Fiscal Year 2034. The pledged revenue represents 58.4 percent of the net and 100 percent of the gross auxiliary revenue stream. $86.9 million of the pledge (principal and interest) remains outstanding.
- $9.1 million (net) pledged by Colorado State University – Pueblo to secure $5.6 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2008 and has a final maturity date of Fiscal Year 2044. The pledged revenue represents 48.6 percent of the revenue stream, and $179.5 million of the pledge (principal and interest) remains outstanding.
- $7.7 million (net) pledged by the Fort Lewis College to secure $4.1 million of current principal and interest on debt issued to finance construction new residence hall, expansion and renovation of the student center, and various energy conservation improvements. The debt issuances had an earliest origination date of Fiscal Year 2008 and furthest maturity date of Fiscal Year 2038. The pledged revenue represents 35.5 percent of the revenue stream, and $74.2 million of the pledge (principal and interest) remains outstanding.
- $17.8 million (net) pledged by the Western State Colorado University to secure $5.9 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The debt issuances had an earliest origination date of Fiscal Year 2010 and furthest maturity date of Fiscal Year 2045. The pledged revenue represents 39.8 percent of the revenue stream, and $171.7 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements Principal	Interest	Total
Higher Education Institutions	2,170,616	(618,649)	1,551,967	117,118	160,835	277,953
Statewide Bridge Enterprise	109,927	-	109,927	-	18,234	18,234
	$ 2,280,543	$ (618,649)	$ 1,661,894	$ 117,118	$ 179,069	$ 296,187

DONOR RESTRICTED ENDOWMENTS

The State’s donor restricted endowments exist solely in its institutions of higher education. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor restricted endowment appreciation reported by the State’s institutions of higher education totaled $18.4 million.

The University of Colorado reported net appreciation on endowment investments of $15.7 million that was available for spending. The University reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds.* The University spends its investment income in accordance with its established spending policy.

The Colorado School of Mines reported $1.9 million of net appreciation on endowment investments that was available for spending. The School reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The School has an authorized spending rate of 4.5% of the rolling 36-month average market value of the endowment investments.

Colorado State University reported $605,631 of net appreciation on its donor-restricted endowments that was available for spending. The University reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. Expenditures of the University’s investment income on endowment earnings held are authorized by the University President and expended in accordance with that authorization. They are also reported to the Board of Governors.

NOTE 18 – COMPONENT UNITS, SEGMENTS, AND RELATED PARTIES

COMPONENT UNITS

The State reports ten component units under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 14 – The Financial Reporting Entity, Statement No. 39 – Determining Whether Certain Organizations Are Component Units, Statement No. 61 – The Financial Reporting Entity: Omnibus-An Amendment to GASB Statements No. 14 and No. 34, and Statement No. 80 – Blending Requirements for Certain Component Units. The State's component units are separated into major, nonmajor, and blended below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Information Section of the Comprehensive Annual Financial Report.

A. MAJOR COMPONENT UNITS

The *Colorado Water Resources and Power Development Authority's* purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. It is authorized to issue bonds, notes, or other obligations, which constitute its debt and not debt of the State of Colorado. Its primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The Authority incurred $9.5 million in expenses for the State during 2016 for two State departments.

The *University of Colorado Foundation* was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. During Fiscal Year 2016-17, the foundation distributed $139.5 million of gifts and income to or for the benefit of the University of Colorado and other beneficiaries.

The *Colorado State University Foundation* is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2016-17, the foundation transferred $49.1 million to the University.

The *Colorado School of Mines Foundation* is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income. During Fiscal Year 2016-17 the foundation transferred, $24.3 million to the University.

The *University of Northern Colorado Foundation* is a tax-exempt organization incorporated in 1996 to provide program, scholarship and other support to the University of Northern Colorado. The foundation's primary revenue is derived from contributions and investment income. During Fiscal Year 2016-17, the foundation transferred $9.7 million to the University.

B. NONMAJOR COMPONENT UNITS

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

The *Colorado Venture Capital Authority (VCA)* was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the Authority $50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies.

In 2005, the Authority entered into a limited partnership agreement to form Colorado Fund I, LP (Fund I) and committed to provide up to $21.8 million to Fund I. The period of commitment extends over the term of Fund I, originally ending June 2015 and extended to June 2018, and is for investment in businesses meeting criteria established by the Authority, specifically including businesses in the life sciences, information technology, agritechnology, medical device, and retail sectors. As of December 31, 2016, the VCA has contributed approximately $21.8 million, or 100 percent, of its total funding commitment to Fund I.

In 2010 the Authority entered into a limited partnership agreement to form Colorado Fund II, LP (Fund II) and has committed to providing up to $25.4 million over the term of Fund II (through December 2019 unless otherwise terminated). As of December 31, 2016, the VCA has contributed approximately $23.9 million, or 94 percent, of its total funding commitment to Fund II.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver (now Metropolitan State University of Denver) established the *HLC @ Metro, Inc*. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at MSU Denver. The facility, which opened in August 2012, includes a fully functioning hotel and learning laboratory for the University's Hospitality, Tourism, and Events department.

C. BLENDED COMPONENT UNITS

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

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

SEGMENT INFORMATION

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the State's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the State's segments are separately reported on the government-wide *Statement of Activities.* The following paragraphs describe the State's segments.

University of Colorado

CU Medicine, formerly University Physicians Incorporated (UPI), performs the billing, collection, and disbursement functions for professional services rendered as authorized in Section 23-20-114, Colorado Revised Statues 1973.

Campus Village Apartments, LLC (CVA) is organized, operated and dedicated exclusively to the charitable purposes of promoting the general welfare, development, growth and wellbeing of the University, and specifically for the primary purpose of acquiring, constructing, improving, equipping and operating a student housing facility, to include related improvements and amenities.

Auraria Higher Education Center

The Auraria Higher Education Center's parking segment charges students, faculty and staff fees for the use of parking lots and structures. The Center's student facilities segment charges fees to students for the use of its facilities. This segment is part of the Higher Education Institutions Enterprise.

The following page presents condensed financial information for the State's segments.

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2017

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

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

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

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

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

RELATED PARTIES AND ORGANIZATIONS

Primary Government

University of Colorado Denver Anschutz Medical Campus enters into related-party transactions with University of Colorado Health (UCHealth) under contracts that support the University's medical education mission. During Fiscal Year 2016-17, under these contracts, UCHealth paid the University $86.3 million and the University paid UCHealth $10.3 million. At June 30, 2017, the University had accounts receivable from UCHealth for $4.2 million, and had no accounts payable to UCHealth.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust members, who are the University of Colorado, the University of Colorado Hospital Authority, and University Physicians, Inc. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2016-17 the Trust paid medical claims on behalf of the University of $197.1 million. The University contributed $191.5 million to the Trust and its employees contributed $25.2 million. At June 30, 2017, the University had accounts receivable from the Trust for $830,000 and accounts payable to the Trust for $7.0 million.

Colorado State University Research Foundation (CSURF), a related party, is a not-for-profit Colorado corporation, established to aid and assist the Universities governed by the Board of Governors for the Colorado State University System in their research and educational efforts. Support provided by the Foundation to the institutions (Colorado State University and Colorado State University – Pueblo) includes patent administration and licensing, financing the acquisition of research and educational facilities and equipment, and land acquisition and management. Colorado State University paid CSURF $1.5 million in Fiscal Year 2016-17 for leased space, and at June 30, 2017 had total future lease obligations for leased space of $9.6 million. Colorado State University also paid CSURF $3.9 million during the fiscal year for equipment, vehicles, and buildings and had total future lease obligations for leased equipment, vehicles, and buildings of $19.2 million.

The Colorado State University – Pueblo Foundation was established to benefit Colorado State University Pueblo. The Foundation transferred $1.5 million in cash and $31,896 in in-kind transfers to the University in Fiscal Year 2016-17. At June 30, 2017, the University had an account receivable from the Foundation for $3.3 million.

The Adams State University Foundation provides scholarships and work-study grants to students, and program development grants to Adams State University. The Foundation provided $1.5 million in scholarships, grants and operating expense reimbursements during Fiscal Year 2016-17.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2016-17, the Foundation awarded $1.5 million in scholarship funds directly to students and $2.7 million in donations and contributions to Colorado Mesa University. In the same year, Colorado Mesa University made operating transfers to the Colorado Mesa University Foundation for $359,718.

The Colorado Mesa University Real Estate Foundation donated $6.7 million in property to Colorado Mesa University. The University made operating transfers for $6.2 million to the Colorado Mesa University Real Estate Foundation.

The Fort Lewis College Foundation exists to support Fort Lewis College. During Fiscal Year 2016-17 the Foundation funded $894,496 for scholarships and passed through $1.3 million in gifts and pass-through grants for program support. At June 30, 2017, the College had receivables from the Foundation of $200,160.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided $2.8 million of funding to the University in Fiscal Year 2016-17. The foundation also reimbursed the University $348,420 for services provided by University employees and left un-reimbursed $340,094 of these services. At June 30, 2017, the Foundation owed the University $437,206. The University paid the Foundation $127,547 for the lease and operation of the Center for Visual Arts.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The Foundation transferred $4.8 million to the University in Fiscal Year 2016-17.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of the Community College of Aurora, the Community College of Denver, Arapahoe Community College, Front Range Community College, Pikes Peak Community College, Pueblo Community College and Red Rocks Community College, none of these foundations made annual transfers to their related community colleges in excess of $500,000.

In Fiscal Year 2016-17, the Arapahoe Community College Foundation transferred $659,626 in scholarships and grants to Arapahoe Community College. The College provided the Foundation $235,332 in in-kind expense, payments of deposits held in custody, and other payments.

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

The Community College of Denver Foundation provided $636,954 to the Community College of Denver for scholarships and $172,087 in pass through grant funding and support for other activities. The College provided $38,145 of staff time to the Foundation in Fiscal Year 2016-17.

Front Range Community College received $550,411 from the Front Range Community College Foundation for scholarships. Front Range Community College provided $270,093 in personnel and operating support to the Front Range Community College Foundation.

Pikes Peak Community College Foundation provided $1.0 million to Pikes Peak Community College in the form of reimbursements for direct expenditures, financial aid support, capital construction support, and grant funds. The College in turn provided $305,124 of operating support to the Foundation. At June 30, 2017, The College had $305,379 of receivables from the Foundation.

The Pueblo Community College Foundation provided Pueblo Community College $904,576 in the form of scholarships, grants, construction funds, program funding and discretionary funds.

The Red Rocks Community College Foundation provided $904,215 to Red Rocks Community College. Of this amount, $432,281 was for scholarships, $172,564 was for the construction of the Arvada Health Professions and Science Building, and $160,467 was for pass-through grants. The rest of the funds were for other grants, special projects and support of operating expenses. The College provided $280,938 to the Foundation for operating expenses. At June 30, 2017, The College had receivables of $138,602 from the Foundation.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2016-17, the Board funded $30.5 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2017, GOCO owed the Department of Natural Resources $7 million.

Colorado Housing and Finance Authority (CHFA) is a related party to the State in three different activities as follows:

- The Colorado Housing and Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds two CHFA bonds with a face value of $4.3 million as of June 30, 2017. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates of January 1, 2025 and December 1, 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.

- CHFA acts as the fiscal agent for the Revolving Loan Fund and Loan Loss Reserve programs that provide loans for energy efficiency or renewable energy projects. The outstanding loan balance at CHFA on June 30, 2017 was $5.8 million. In Fiscal Year 2016-17, the Energy Office paid CHFA $19,000 in administrative fees for this service.
- Under CRS 8-77-103.5 CHFA is authorized "…to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of $624.8 million. These bonds were paid in full as of May 2017. The Department of Labor and Employment paid CHFA $60,000 in administration fees in Fiscal Year 2016-17 for this arrangement.

Component Units

The Colorado Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2016, VCA's investments in Colorado Fund I and Colorado Fund II totaled $21.6 million and $28.9 million respectively.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

SERVICE CONCESSION ARRANGEMENTS

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

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

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

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

ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund, Institutions of Higher Education, and Colorado Department of Transportation Funds (primarily the Highway Users Tax Fund) include multi-year encumbrances of $75.5 million, $101.0 million and $1.1 billion, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees (formerly the Metropolitan State College of Denver Board of Trustees) approved the incorporation of a special purpose nonprofit corporation to be known as HLC @ Metro, Inc. The HLC @ Metro, Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately $55.0 million in revenue bonds in October 2010, loaning the proceeds to HLC @ Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open to the general public. Should HLC @ Metro, Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due, and HLC @ Metro, Inc. is obligated to repay all payments made on its behalf. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2017, no liability was recorded by the University as HLC @ Metro, Inc. was deemed fully capable of making its debt payments.

CONTINGENCIES

The Colorado Governmental Immunity Act (CGIA) sets upper limits on State liability at $350,000 per individual and $990,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $1.9 billion, of the $7.6 billion outstanding balance of loans in repayment status. An estimated liability of $132 million is calculated based on a default rate of 6.9% of the $1.9 billion. The probability of a material loss is remote, and the State's liability is capped at the net position of the College Assist program of $139 million.

At June 30, 2017, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $167.9 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds. Individual claims exceeding $5.0 million include two claims for income tax refunds of $13.7 million and $22.3 million. While the Court of Appeals ruled in the taxpayer's favor in both claims on November 2, 2017 and November 30, 2017, respectively, the State will file petitions in the Colorado Supreme Court and the Department of Revenue will continue to vigorously defend these claims. The likelihood of an unfavorable outcome is uncertain.

Various notes and bonds have been issued by state school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold state property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $9.1 billion are outstanding. Of this amount, $729 million is covered by private insurance.

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraphs.

Due to unclear guidance provided by the Centers for Medicare and Medicaid Services (CMS), the Department of Health Care Policy and Financing (HCPF), as well as several other states, may have to repay a portion of the $38.4 million Children's Health Insurance Program Reorganization Act (CHIPRA) Bonus payments it received from CMS based on an Office of the Inspector General (OIG) audit finding. HCPF strongly disagrees with this OIG audit finding and believes the OIG misinterpreted federal regulations and written guidance related to the CHIPRA bonus calculation. HCFP is prepared to challenge this if repayment is requested by CMS and join other states in disputing this through all available channels including the State and Federal Courts. The likelihood of an unfavorable outcome is uncertain.

The CMS conducted an onsite visit of the Pueblo Regional Center (PRC) and sent HCPF a report of its findings and requested a development of corrective action plan. CMS claimed that HCPF violated federal administrative requirements regarding administration of the Medicaid Home and Community Based Services waiver program for developmentally disabled for approximately 60 individuals. CMS alleged violations of federal rules that involve the provision of services to those individuals between November 1, 2014 and November 2015 and seeks disallowance of payments to HCPF for services provided at PRC. HCPF submitted its proposed corrective action plan on September 26, 2016. HCPF has submitted responses to additional follow-up questions from CMS in March and August 2017. HCPF continues to work to fully respond and implement the CAPs requirements. As of September 13, 2017, HCPF continues to wait for feedback from CMS as to the scope of its determination of non-compliance. HCPF has filed a federal administrative appeal with the Department of Health and Human Services to dispute the scope of the CAP and any proposed remedial sanctions, but that matter is stayed to allow the parties to attempt to negotiate a resolution. The likelihood of an unfavorable outcome is uncertain. There is a possibility that the losses could reach greater than $5 million.

Two suits were filed in U.S. District Court against HCPF and the Department of Corrections (DOC) in which the plaintiffs seek to expand the coverage of Direct Antiviral Acting (DAA) drugs for treatment of Hepatitis C. One suit enjoins HCPF from implementing any policy or protocol that denies access to DAA drugs to any Medicaid beneficiary who is infected with Hepatitis C; HCPF estimates that it would cost $200 million to provide DAA drugs to all Medicaid recipients infected with Hepatitis C. The other suit enjoins DOC from delaying or denying this treatment for inmates needing treatment. DOC estimates a cost of $59.3 million for medications at issue. The original HCPF case was dismissed on February 17, 2017; however on April 13, 2017 a new case was filed by three new plaintiffs on essentially the same grounds, and this new case was further amended on May 9, 2017 to add a fourth plaintiff. Plaintiffs then filed a motion to certify it as a class action; that motion is fully briefed and pending before the court. HCPF will vigorously defend these claims. The DOC case was filed on July 19, 2017. The State filed a motion to dismiss and a motion to stay further litigation. DOC will vigorously defend the case while awaiting a ruling. The likelihood of an unfavorable outcome is uncertain for both cases.

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit in Denver District Court against HCPF alleging that the hospital provider fee is a tax, not a fee, and therefore requires a vote of the people. The plaintiff challenges the fee imposed in Fiscal Years 2011, 2012 and 2013, and seeks a refund of all revenue collected, kept, or spent unconstitutionally, plus interest. Approximately $5.4 billion has been collected in fees through Fiscal Year 2017. The Complaint was filed on June 26, 2015. HCPF filed a motion to dismiss arguing that the hospital provider fee is a fee and not a tax. The Motion was fully briefed and pending before the District Court for 20 months when plaintiffs filed an Amended Complaint. Per the Court's order, on September 8, 2017, the State filed a supplement to the motion to dismiss adding grounds to dismiss the new claims in the Amended Complaint. The Colorado Hospital Association filed a motion to intervene in the case, which was granted on December 11, 2017. The plaintiff then filed a second Amended Complaint on December 19, 2017, adding the Colorado Union of Taxpayers Foundation and two individuals as plaintiffs, and alleging the fee violates TABOR in that it constitutes a change in tax policy resulting in a net tax revenue to the State. HCPF has objected to this and will continue to vigorously defend these claims. The State is unable to estimate the likelihood of an adverse outcome.

A suit was filed against the Colorado Department of Human Services where the plaintiff seeks $10.0 million in damages due to suffering life-long injuries from an assault in a Division of Youth Correction facility. A motion to dismiss has been briefed, and the State is awaiting the Court's decision. The Department of Human Services will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

In January 2015, the United States Supreme Court issued its ruling in the case of The State of Kansas versus The States of Colorado and Nebraska claiming overuse of water supply available under the Republican River Compact.

As a result of that ruling, The State of Nebraska was required to pay Kansas $5.5 million. The ruling also paved the way for state parties to come to agreement and finalize accounting of the available Republican River water supply and past uses by each state. Currently the accounting is finalized and both Nebraska and Kansas may consider asserting claims against Colorado for its documented overuse. Both states have indicated a strong interest in settling this past debt without litigation; nonetheless they have reserved the right to seek relief against Colorado if a settlement cannot be reached. No specific amount of damages has been determined; however they may exceed $5.0 million.

Two suits were filed by Heartland Biogas, LLC (Heartland) against The State of Colorado (Departments of Agriculture & Public Health and Environment) where the plaintiff seeks $100 million in damages in each case due to the voluntary closure of their biogas facility. In the first case the plaintiff alleges the State violated its due process and substantive due process rights. The Defendants filed a motion to dismiss. The Magistrate Judge recommended that the State Defendants' motion to dismiss be granted and that the claims against the State Defendants be dismissed with prejudice. The parties are awaiting the District Court Judges' review of the recommendation. The Defendants also filed a motion to dismiss the second case, where the plaintiff alleges the State is liable under a theory of estoppel and that the State's action constituted a regulatory taking. The State is unable to estimate the likelihood of an adverse outcome.

The National Federation of Independent Businesses (NFIB), has filed suit against the Colorado Secretary of State alleging that §§ 24-21-104 and 24-21-104.5, C.R.S. violate TABOR. These provisions allocate fees collected by the Secretary's Business and Licensing Division to a cash fund, and authorize appropriations from that cash fund to the Secretary's Elections Division and to counties to support election functions. NFIB seeks a refund of allegedly unconstitutionally collected registration fees, and the imposition of penalties, interest, fees, and costs in accordance with Colorado Constitution Article X, § 1. The complaint does not seek a precise monetary award; The State's estimate of exposure is approximately $20 million. The parties filed cross-motions for summary judgment in Denver District Court. After full briefing and oral argument, on November 3, 2015, the District Court granted summary judgment in the Secretary's favor. The Court did not decide whether the fees are taxes. NFIB has filed a timely appeal to the Colorado Court of Appeals, and the matter is now fully briefed.

In an unpublished decision, the Court of Appeals reversed the trial court's grant of summary judgment in favor of the Secretary and remanded the case for further factual development on the question of whether and to what extent the Secretary's fees have increased post-TABOR's enactment. The parties filed a joint petition for rehearing that was summarily denied, and then each party cross-petitioned for a writ of certiorari. The cross-petitions have been fully briefed and are pending before the Supreme Court. The Secretary will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

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

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 19, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 20 – TAX ABATEMENTS

Facts and Assumptions

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

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

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

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

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

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

- The Job Growth Incentive Tax Credit (JGITC) is a performance-based job creation incentive program created under Section 39-22-531 C.R.S., in which businesses must create and maintain permanent new jobs for one year before receiving the tax credit. The JGITC provides a state income tax credit equal to 50% of FICA paid by the business on the net job growth for each calendar year in the credit period. A business must undertake a job creation project for which the State of Colorado is competing with at least one other state for the project. The JGITC must be a major factor in the business decision to locate or retain the project in Colorado, and a business may not start or announce the proposed project (including locating or expanding in the State, hiring employees related to the project, or making material expenditures for the project) until a final application has been submitted and approved by the EDC.

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

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

- The Regional Tourism Act (RTA) program was created under Sections 24-46-301 through 309 C.R.S., and provides Tax Increment Financing (TIF) to support construction of unique and extraordinary large scale tourism and entertainment facilities that will drive net new visitors and revenue to Colorado. A percentage of state sales tax within a geographic area in a given year that exceeds a base year amount is collected by the Department of Revenue and diverted to a project financing entity. The EDC shall not approve any project that would likely create an annual state sales tax revenue dedication of more than $50 million to all regional tourism projects. A local government will need to submit a regional tourism project application to OEDIT within the application cycle deadline. OEDIT will review the application for general completeness and to make an initial determination regarding whether the application has met the general criteria for a regional tourism project. The EDC will review applications forwarded with OEDIT recommendations and may approve or reject the project based on a demonstration that the following criteria are materially met:

    - The project is of an extraordinary/unique nature and is reasonably anticipated to contribute significantly to economic development and tourism in the State and communities where the project is located.

    - The project is reasonably anticipated to result in a substantial increase in out-of-state tourism.

    - A significant portion of sales tax revenue generated by the project is reasonably anticipated to be attributable to transactions with nonresidents of the zone.

    - The local government has provided reliable economic data demonstrating that in the absence of state sales tax increment revenue, the project is not reasonably anticipated to be developed within the foreseeable future.

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

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

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

NOTE 21 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 18, 2017, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2017A. The notes mature on June 27, 2018. The total due on that date includes $600,000,000 in principal and $23,353,333 in interest. The GTRAN was issued with a premium of $18,030,200, an average coupon rate of 4.13%, and a true interest cost of 0.92%.

On July 20, 2017, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2017A. The notes mature on June 28, 2018. The total due on that date includes $290,000,000 in principal and $11,266,667 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of $8,778,650, an average coupon rate of 4.14%, and a true interest cost of 0.90%.

On August 10, 2017, the Colorado School of Mines issued $27,675,000 with a premium of $4,509,313 in Institutional Enterprise Revenue Bonds, Series 2017A. The coupon rates of the bonds range from 2% to 5% with final maturity December 1, 2047. Proceeds of the Series 2017A Bonds will be used for financing certain improvements at the Colorado School of Mines as well as the cost of bond issuance.

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

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

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

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

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

On December 12, 2017, the Colorado School of Mines issued $71,880,000 with a premium of $13,867,559.55 in Institutional Enterprise Revenue Bonds, Series 2017B. The coupon rates of the bonds range from 4% to 5% with final maturity December 1, 2047. Proceeds of the Series 2017B bonds will be used for financing certain improvements at the Colorado School of Mines as well as the cost of bond issuance.

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

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

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

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

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

B. OTHER

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

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

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

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

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

Component Units

The capitalization grants in both the Water Pollution Control Enterprise Fund (WPCRF) and the Drinking Water Revolving Fund (DWRF) programs, both of which are managed by the Colorado Water Resources and Power Development Authority, require that a minimum amount of the grant be used for additional subsidy. Additional subsidy can be grants, principal forgiveness, or negative interest loans. The Authority uses principal forgiveness as the additional subsidy. In the event there are remaining principal forgiveness funds available, which is generally not known or approved until January of the year subsequent to the loan executions, the Authority, with approval and coordination with the Water Quality Control Division, will award the remaining funds to eligible disadvantaged community loans that were executed during the year and reduce the outstanding balance of the loan as of the current year-end. The Authority recorded additional principal forgiveness in 2016 that was approved in 2017 in the WPCRF and DWRF programs of $551,525 and $1,439,030, respectively.

The Denver Metropolitan Major League Baseball Stadium District and the Colorado Rockies Baseball Club (CRBC) signed a new Ballpark lease commencing on March 31, 2017 and terminating March 31, 2047 plus three 5-year renewal options. The lease provides for payments by CRBC of $2.5 million annually, consisting of $1 million in rent and $1.5 million contribution to the capital fund. These amounts will be paid in two semi-annual installments in January and September. The lease also contains parking revenue-sharing provisions. Additionally, the new Ballpark lease agreement provides for a 99-year ground lease of the West Lot for which CRBC will make annual payments to the Capital Repairs Fund as follows:

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 3,006,665	
Income Taxes			6,295,927	
Other Taxes			274,464	
Federal Grants and Contracts			(727)	
Sales and Services			319	
Interest Earnings			16,310	
Other Revenues			37,718	
Transfers-In			135,814	
TOTAL REVENUES AND TRANSFERS-IN			9,766,489	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 10,753	$ 10,753	10,688	$ 65
Corrections	759,196	751,004	749,146	1,858
Education	3,764,627	3,764,789	3,764,202	587
Governor	35,996	33,678	33,299	379
Health Care Policy and Financing	2,654,392	2,622,672	2,530,440	92,232
Higher Education	871,035	869,498	869,307	191
Human Services	831,638	829,349	824,237	5,112
Judicial Branch	486,329	491,242	487,640	3,602
Labor and Employment	20,786	20,685	20,593	92
Law	15,139	15,191	14,795	396
Legislative Branch	44,789	44,772	44,772	-
Local Affairs	21,783	21,058	20,870	188
Military and Veterans Affairs	8,306	8,442	8,219	223
Natural Resources	28,743	28,743	28,543	200
Personnel & Administration	13,146	12,146	11,894	252
Public Health and Environment	47,630	47,630	47,603	27
Public Safety	123,111	122,681	122,232	449
Regulatory Agencies	1,769	1,769	1,629	140
Revenue	71,714	71,705	71,226	479
Treasury	3,308	3,308	1,080	2,228
SUB-TOTAL OPERATING BUDGETS	9,814,190	9,771,115	9,662,415	108,700
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,147	904	243
Corrections	20,664	28,419	15,039	13,380
Education	1,323	17,124	4,208	12,916
Governor	10,316	47,294	12,549	34,745
Higher Education	22,313	174,556	130,391	44,165
Human Services	20,576	50,487	20,536	29,951
Military and Veterans Affairs	3,975	4,049	1,003	3,046
Personnel & Administration	11,484	31,787	16,105	15,682
Public Health and Environment	-	167	71	96
Public Safety	1,535	2,737	938	1,799
Revenue	-	83,427	20,935	62,492
Transportation	500	500	500	-
Treasury	-	13	-	13
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	92,686	441,707	223,179	218,528
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,906,876	$ 10,212,822	9,885,594	$ 327,228
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (119,105)	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 40,569	
Income Taxes			540,000	
Other Taxes			90,672	
Tuition and Fees			2,676,121	
Sales and Services			1,141,860	
Interest Earnings			28,753	
Other Revenues			685,985	
Transfers-In			1,179,323	
Capital Contributions			2,093	
TOTAL REVENUES AND TRANSFERS-IN			6,385,376	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 33,192	$ 30,597	27,612	$ 2,985
Corrections	71,161	80,814	51,655	29,159
Education	1,059,632	1,059,808	951,119	108,689
Governor	241,844	241,884	206,271	35,613
Health Care Policy and Financing	1,019,032	1,051,911	1,023,450	28,461
Higher Education	2,781,026	2,817,153	2,749,891	67,262
Human Services	237,974	242,196	193,071	49,125
Judicial Branch	157,706	156,933	128,469	28,464
Labor and Employment	72,691	71,500	69,883	1,617
Law	59,679	59,704	54,267	5,437
Legislative Branch	990	990	916	74
Local Affairs	25,114	24,139	18,506	5,633
Military and Veterans Affairs	2,012	2,012	1,564	448
Natural Resources	193,458	197,206	163,009	34,197
Personnel & Administration	119,825	122,124	108,767	13,357
Public Health and Environment	232,934	235,773	202,971	32,802
Public Safety	218,191	219,083	197,386	21,697
Regulatory Agencies	80,754	80,595	72,743	7,852
Revenue	199,958	201,952	173,357	28,595
State	22,077	22,489	21,702	787
Transportation	34,199	34,294	33,004	1,290
Treasury	2,717	2,732	2,517	215
SUB-TOTAL OPERATING BUDGETS	6,866,166	6,955,889	6,452,130	503,759
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	16,709	18,174	854	17,320
Corrections	660	1,322	-	1,322
Governor	-	18,587	617	17,970
Higher Education	2,757	149,429	71,784	77,645
Human Services	1,003	989	17	972
Judicial Branch	-	5,464	-	5,464
Labor and Employment	26,213	27,352	9,811	17,541
Natural Resources	9,433	31,277	5,256	26,021
Personnel & Administration	-	16,267	1,048	15,219
Public Health and Environment	897	22,349	3,417	18,932
Public Safety	-	4,049	59	3,990
Transportation	-	500	500	-
Treasury	-	237	-	237
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	57,672	295,996	93,363	202,633
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 6,923,838	$ 7,251,885	6,545,493	706,392
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (160,117)	

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2017

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

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

RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES			
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS
BUDGETARY BASIS:				
Revenues and Transfers-In Appropriated (Required Supplementary Information):				
General	$ 9,680,915	$ -	$ -	$ 85,574
Cash	623,307	42,891	260,234	78,292
Federal	5,096,401	-	-	53
Sub-Total Revenues and Transfers-In Appropriated	15,400,623	42,891	260,234	163,919
Revenues and Transfers-In Non-Appropriated (Supplementary Information):				
General	585,037	-	-	-
Cash	4,140,758	404,759	2,016,230	11,729
Federal	2,611,941	109,964	843,438	10,943
Sub-Total Revenues and Transfers-In Non-Appropriated	7,337,736	514,723	2,859,668	22,672
Total Revenues and Transfers-In Appropriated and Non-Appropriated	22,738,359	557,614	3,119,902	186,591
Expenditures/Expenses and Transfers-Out Appropriated (Required Supplementary Information):				
General Funded	9,662,415	-	-	223,179
Cash Funded	589,642	52,846	252,862	77,903
Federally Funded	5,088,305	-	-	53
Expenditures/Expenses and Transfers-Out Appropriated	15,340,362	52,846	252,862	301,135
Expenditures/Expenses and Transfers-Out Non-Appropriated(Supplementary Information):				
General Funded	611,227	-	-	-
Cash Funded	4,054,909	232,115	2,181,365	8,636
Federally Funded	2,616,655	109,970	730,877	10,847
Expenditures/Expenses and Transfers-Out Non-Appropriated	7,282,791	342,085	2,912,242	19,483
Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated	22,623,153	394,931	3,165,104	320,618
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Appropriated	60,261	(9,955)	7,372	(137,216)
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Non-Appropriated	54,945	172,638	(52,574)	3,189
BUDGETARY BASIS ADJUSTMENTS:				
Increase/(Decrease) for Unrealized Gains/Losses	(8,790)	(5,845)	(5,465)	(2,107)
Increase/(Decrease) for GAAP Expenditures Not Budgeted	452,836	119,861	803,708	69,324
Increase/(Decrease) for GAAP Revenue Adjustments	(481,816)	(345,776)	(803,742)	(71,260)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	77,436	(69,077)	(50,701)	(138,070)
GAAP BASIS FUND BALANCES/NET POSITION:				
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	1,076,582	1,310,940	1,031,421	386,194
Prior Period Adjustments (See Note 15A)	-	-	-	-
Accounting Changes (See Note 15B)	-	-	-	-
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 1,154,018	$ 1,241,863	$ 980,720	$ 248,124

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

		PROPRIETARY FUND TYPES						
STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	FIDUCIARY FUND TYPES	TOTAL PRIMARY GOVERNMENT
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,766,489
569,492	1,537,586	2,720,826	13,416	703	210,409	325,214	3,006	6,385,376
-	1,992	6	-	-	961	-	-	5,099,413
569,492	1,539,578	2,720,832	13,416	703	211,370	325,214	3,006	21,251,278
-	-	-	-	-	-	-	-	585,037
-	1,553,002	330,872	654,319	556,900	349,435	61,181	2,327,086	12,406,271
-	164,943	-	20,232	-	426,726	-	-	4,188,187
-	1,717,945	330,872	674,551	556,900	776,161	61,181	2,327,086	17,179,495
569,492	3,257,523	3,051,704	687,967	557,603	987,531	386,395	2,330,092	38,430,773
-	-	-	-	-	-	-	-	9,885,594
735,633	1,521,770	2,708,233	17,293	82,503	183,435	320,749	2,624	6,545,493
-	-	-	-	-	1,106	-	-	5,089,464
735,633	1,521,770	2,708,233	17,293	82,503	184,541	320,749	2,624	21,520,551
-	-	-	-	-	-	-	-	611,227
34,025	1,229,363	131,196	467,362	361,673	180,682	65,403	1,421,733	10,368,462
-	145,746	14,397	20,231	-	382,340	-	-	4,031,063
34,025	1,375,109	145,593	487,593	361,673	563,022	65,403	1,421,733	15,010,752
769,658	2,896,879	2,853,826	504,886	444,176	747,563	386,152	1,424,357	36,531,303
(166,141)	17,808	12,599	(3,877)	(81,800)	26,829	4,465	382	(269,273)
(34,025)	342,836	185,279	186,958	195,227	213,139	(4,222)	905,353	2,168,743
(2,143)	(36,768)	(16)	(3)	(354)	(4,133)	(230)	(1,501)	(67,355)
391	582,324	21,273	(14,022)	(118,920)	(109,329)	(126,858)	1,826	1,682,414
(391)	(764,202)	(1,380)	(244)	(711)	(21,266)	3,816	(5,310)	(2,492,282)
-	-	(850,474)	-	-	-	-	-	(850,474)
(202,309)	141,998	(632,719)	168,812	(6,558)	105,240	(123,029)	900,750	171,773
304,440	2,499,848	3,021,946	749,946	(20,558)	1,230,319	(278,085)	6,774,029	18,087,022
-	(5,199)	-	-	-	545	-	-	(4,654)
-	-	(46,640)	-	-	-	-	71,535	24,895
$ 102,131	$ 2,636,647	$ 2,342,587	$ 918,758	$ (27,116)	$ 1,336,104	$ (401,114)	$ 7,746,314	$ 18,279,036

GENERAL FUND SURPLUS SCHEDULE

The General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes State Public School, Risk Management, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents $509.8 million of the GAAP General Fund balance of $1,154.0 million on the *Balance Sheet – Governmental Funds.*

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The general fund surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive general fund surplus on the budgetary basis. This schedule includes both appropriated and nonappropriated activity. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed in the following paragraphs.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Fund Components* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The ending general fund surplus is reconciled to the General Purpose Revenue Fund balance on the *Combining Balance Sheet – General Fund Components* presented in the Supplementary Section of the Comprehensive Annual Financial Report.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance.

In order to measure the general fund surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and reduce the ending general fund surplus balance in the line item titled “State Controller Approved Rollfowards” because the related balances are not available for subsequent appropriation.

In order to properly state the amounts reverted, most restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule, with the exception of unspent appropriations related to unreleased prior year Medicaid overexpenditure restrictions.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 3,105,200	$ 3,081,800	$ 3,085,580		
Other Excise Taxes	99,300	103,900	102,784		
Individual Income Tax, net	6,385,900	6,298,300	6,208,992		
Corporate Income Tax, net	633,000	493,900	467,411		
Estate Tax	-	-	(32)		
Insurance Tax	299,000	286,900	290,503		
Parimutuel, Courts, and Other	27,300	33,800	40,144		
Investment Income	12,800	13,500	14,749		
Severance Taxes to be Refunded	-	-	53,830		
TOTAL GENERAL PURPOSE REVENUES	10,562,500	10,312,100	10,263,961		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	10,753	10,753	10,688	$ 65	$ 8
Corrections	759,196	751,004	749,146	1,858	15,637
Education	3,764,627	3,764,789	3,764,202	587	580
Governor	35,996	40,099	39,719	380	2,431
Health Care Policy and Financing	2,654,392	2,627,046	2,533,728	93,318	579
Higher Education	871,458	870,855	870,664	191	76
Human Services	831,638	829,680	824,380	5,300	3,432
Judicial Branch	486,329	491,398	487,795	3,603	25
Labor and Employment	20,786	21,607	21,514	93	507
Law	15,139	15,191	14,795	396	15
Legislative Branch	44,789	44,772	44,772	-	440
Local Affairs	26,015	25,386	25,189	197	985
Military and Veterans Affairs	8,306	8,442	8,219	223	63
Natural Resources	28,743	28,743	28,543	200	15
Personnel & Administration	13,146	12,423	12,172	251	189
Public Health and Environment	47,630	48,630	48,606	24	-
Public Safety	123,111	122,681	122,232	449	1,003
Regulatory Agencies	5,919	5,919	5,779	140	10
Revenue	192,758	209,757	204,426	5,331	133
State	-	-	-	-	56
Transportation	-	392	392	-	-
Treasury	161,222	154,522	152,294	2,228	11,543
TOTAL ACTUAL BUDGET AND EXPENDITURES	10,101,953	10,084,089	9,969,255	$ 114,834	$ 37,727
Variance Between Actual and Estimated Budgets	5,547	(17,089)	-		
TOTAL ESTIMATED BUDGET	10,107,500	10,067,000	9,969,255		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	455,000	245,100	294,706		
EXCESS AUGMENTING REVENUES			37,727		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	46,100	45,000	43,977		
Transfers-Out To Various Cash Funds	(137,500)	(172,400)	(169,414)		
Transfer-Out to Capital Projects - General Fund	(84,000)	(84,000)	(83,984)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to Highway Users Fund	(158,000)	(79,000)	(79,000)		
Transfers-Out to State Education Fund	(25,300)	(25,300)	(25,321)		
TOTAL TRANSFERS	(359,200)	(316,200)	(314,242)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	95,800	(71,100)	18,191		
BEGINNING GENERAL FUND SURPLUS	7,900	48,800	48,847		
Release of Prior Year Statutory Reserve (5.6%)	520,700	463,900	465,994		
Establish Current Year Statutory Reserve (6.0%)	(634,900)	(584,300)	(584,310)		
Release of Contractually Restricted Energy Performance Leases			332		
Contractually Restricted Energy Performance Leases			-		
GAAP Revenues/(Expenditures) Not Budgeted			79,035		
Release of Assigned Prior Year State Controller Approved Rollfowards			19,283		
State Controller Approved Rollfowards			(17,218)		
ENDING GENERAL FUND SURPLUS	$ (10,500)	$ (142,700)	30,154		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2017-18 for Budget			(186,302)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2017-18 for Budget			(98,487)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2017-18 for Budget			(615)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			120,737		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			(4,898)		
NonSpendable			47,685		
Committed			444,899		
Assigned			17,218		
Shortfall in GAAP Basis Statutory Reserve			139,411		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 509,802		

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS

With the implementation of a new financial system, Colorado Operations Resource Engine (CORE), in Fiscal Year 2014-15, the budget schedules are now presented as appropriated and nonappropriated for each category. The appropriated schedules are part of the Required Supplementary Information (RSI) section while the nonappropriated schedules are part of the Supplementary Information (SI) section.

The three budget-to-actual schedules in the RSI show revenues and expenditures that are legislatively appropriated, excluding informational only appropriations that do not require action of the legislature but are included in the appropriations bills for informational purposes only. These schedules are presented in the budgetary fund structure discussed below.

The budgetary fund types used by the State differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the State that have been designated to support specific expenditures. Federal funds are primarily made up of revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated by the General Assembly.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.
- Pension expense related to unfunded pension liabilities are not recognized on a budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of the State government, with the exception of custodial funds and federal moneys not requiring matching state funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure and institution of higher education capital projects.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 19. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission. In Fiscal Year 2016-17, the Department of Transportation capitalized project expenditures of $532.8 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act and special bills, excluding informational only appropriations. The column titled Final Spending Authority includes the original appropriation and supplemental appropriations of the Legislature.

Spending occurs outside of the legislative appropriations process primarily for custodial purposes, federally-funded activity for which there is no general-purpose revenue matching requirement, statutory transfers, and other miscellaneous budgetary items. Additional budget-to-actual schedules related to nonappropriated activity are included in the Supplementary Section of the Comprehensive Annual Financial Report.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 2. Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary schedules. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments”.

D. BUDGET TO GAAP RECONCILIATION

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

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

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

Proportionate Share:

The State's defined benefit pension plan is administered by the Public Employees' Retirement Association (PERA). The plan is a cost-sharing multiple-employer plan. The schedule below presents the State's (primary government's) proportionate share of the net pension liability for its retirement plan. The amounts presented for each Division for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Significant changes in assumptions are discussed in Note 6. Additionally, information is not available prior to Fiscal Year 2014.

(Amounts In Thousands)

	CY 2017		CY 2016		CY 2015		CY 2014	
	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division
State's proportion of the net pension liability (asset)	95.49%	94.17%	95.71%	93.98%	95.85%	93.60%	95.86%	93.44%
State's proportionate Share of Net Pension liability (asset)	$ 17,539,728	$ 239,423	$ 10,079,252	$ 172,828	$ 9,015,773	$ 129,500	$ 8,539,181	$ 102,756
State's covered payroll	$ 2,751,094	$ 46,320	$ 2,687,152	$ 44,159	$ 2,586,800	$ 40,114	$ 2,570,286	$ 37,203
State's proportionate share of the net pension liability (assets) as a percentage of its covered payroll	637.55%	516.89%	375.09%	391.38%	348.53%	322.83%	332.23%	276.20%
Plan fiduciary net position as a percentage of the total pension liability	42.59%	53.19%	56.11%	60.17%	59.84%	66.88%	61.08%	71.26%

Contributions:

The following schedule presents a ten year history of the State's (primary government's) contribution to PERA for the State and Judicial Divisions as of each fiscal year ending June 30:

State & Judicial Division

(Amounts In Thousands)

	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Contractually required contributions	$ 524,478	$ 492,159	$ 453,406	$ 419,912	$ 368,468	$ 276,326	$ 256,682	$ 291,892	$ 277,229	$ 239,851
Contributions in relation to the contractually required contributions	(524,478)	(492,159)	(453,406)	(419,912)	(368,468)	(276,326)	(256,682)	(291,892)	(277,229)	(239,851)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	2,813,659	2,771,748	2,687,237	2,628,459	2,443,280	2,565,629	2,382,439	2,755,082	2,622,579	2,267,965
Contributions as a percentage of covered payroll	18.64%	17.76%	16.87%	15.98%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%

State Division

(Amounts In Thousands)

	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Contractually required contributions	$ 516,932	484,588	$ 446,528	$ 413,694	$ 362,791	$ 272,068	$ 252,727	$ 287,394	$ 272,957	$ 236,155
Contributions in relation to the contractually required contributions	(516,932)	(484,588)	(446,528)	(413,694)	(362,791)	(272,068)	(252,727)	(287,394)	(272,957)	(236,155)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	$ 2,767,478	2,725,416	2,645,149	2,590,402	2,405,633	2,526,097	2,345,730	2,712,631	2,582,169	2,233,019
Contributions as a percentage of covered payroll	18.68%	17.78%	16.88%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%

Judicial Division

(Amounts In Thousands)

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

B. SIGNFICANT CHANGES IN ASSUMPATIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

Changes in assumptions are discussed in Note 6.

NOTE RSI-3 – OTHER POSTEMPLOYMENT BENEFIT INFORMATION

As required by GASB Statements No. 43, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other postemployment benefit plans. Under the standards, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 7 for additional information regarding the plans listed in the schedule.

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
(Amounts expressed in thousands)

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

[1] The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.

Colorado State University System
Schedule of Changes in the OPEB Liability and Related Ratios
June 30, 2017
(Amounts expressed in thousands)

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

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

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

		2017
Actuarially determined contribution	$	1,296
Actual contribution		4,070
Contribution deficiency (excess)	$	(2,774)
Covered-employee payroll	$	350,046
Contributions as a percentage of covered-employee payroll		1.16%

Actuarial Assumptions

Investment rate of return	5.33%
Cost of living adjustments	N/A
Salary increase rate	N/A
Inflation rate	3.00%
Healthcare cost trend rate	7.00% grading down to 5.00% over 8 years

Notes to schedule

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Remaining amortization period	30 years
Asset valuation method	Market value
Mortality	Separate mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backwards to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB) and annuitants (based on RP-2014 "Healthy Annuitants" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB).

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

		2017
Actuarially determined contribution	$	1,981
Actual contribution		1,981
Contribution deficiency (excess)	$	-
Covered-employee payroll	$	13,657
Contributions as a percentage of covered-employee payroll		14.51%

Actuarial Assumptions

Investment rate of return	5.33%
Cost of living adjustments	N/A
Salary increase rate	N/A
Inflation rate	3.00%
Healthcare cost trend rate	7.00% grading down to 5.00% over 8 years

Notes to schedule

Valuation date	January 1, 2017
Actuarial cost method	Projected unit credit
Amortization method	30 years closed
Remaining amortization period	21 years
Asset valuation method	Market value
Mortality	Separate mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backwards to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB) and annuitants (based on RP-2014 "Healthy Annuitants" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB).

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

		2017
Actuarially determined contribution	$	240
Actual contribution		240
Contribution deficiency (excess)	$	-
Covered-employee payroll	$	13,657
Contributions as a percentage of covered-employee payroll		1.76%

Actuarial Assumptions

Investment rate of return	5.33%
Cost of living adjustments	N/A
Salary increase rate	N/A
Inflation rate	3.00%
Healthcare cost trend rate	7.00% grading down to 5.00% over 8 years

Notes to schedule

Valuation date	January 1, 2017
Actuarial cost method	Projected unit credit
Amortization method	30 years closed
Remaining amortization period	21 years
Asset valuation method	Market value
Mortality	Separate mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backwards to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB) and annuitants (based on RP-2014 "Healthy Annuitants" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB).

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

		2017
Actuarially determined contribution	$	1,373
Actual contribution		1,478
Contribution deficiency (excess)	$	(105)
Covered-employee payroll	$	385,441
Contributions as a percentage of covered-employee payroll		0.38%
Actuarial Assumptions		
Investment rate of return		5.33%
Cost of living adjustments		3.00%
Salary increase rate		4.00%
Inflation rate		3.00%
Healthcare cost trend rate		N/A

Notes to schedule

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Remaining amortization period	30 years
Asset valuation method	Market value
Mortality	Healthy participant mortality is based on mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB). Long-term disabled participant mortality is based on the 1987 Commissioner's Group Disability Table with a three month elimination period.

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

	2017
Annual money-weighted rate of return net of investment expense	3.4%

SUPPLEMENTARY INFORMATION

GENERAL FUND COMPONENTS

GENERAL PURPOSE REVENUE

This fund is the general operating fund for state operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes.

SPECIAL PURPOSE REVENUE

The State Public School fund is a statutory fund that distributes substantially all of its resources to school districts each year; most of the funds' resources are transfers into the fund from the General Purpose Revenue Fund.

The Risk Management fund accounts for the State's liability, property, and worker's compensation insurance activities; its revenues are primarily from charges to State agencies.

The Other Special Purpose Fund comprises all other funds without sufficient original source revenues to qualify as Special Revenue Funds. Included in this category is the Building Excellent Schools Tomorrow (BEST) program that provides grants and funds for public school construction, Lottery proceeds held by the Division of Parks and Wildlife for parks and outdoor recreation projects, the Charter School Institute, as well as over thirty smaller funds.

COMBINING BALANCE SHEET
GENERAL FUND COMPONENTS
JUNE 30, 2017

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

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

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

CAPITAL PROJECTS FUND COMPONENTS

REGULAR CAPITAL PROJECTS	This fund accounts for projects that are either fully or partially funded with general-purpose revenue that is transferred from the General Purpose Revenue Fund. It also includes cash-funded or mixed funded projects.
SPECIAL CAPITAL PROJECTS	This fund accounts for certain projects that are not funded with any general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Center, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects.

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND COMPONENTS
JUNE 30, 2017

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

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

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

OTHER GOVERNMENTAL FUNDS

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

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017

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

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

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

SPECIAL REVENUE FUNDS

LABOR	This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.
GAMING	This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the State. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.
TOBACCO IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional State tax on cigarettes and tobacco products approved by State voters in the 2004 general election and the expenditure of those tax revenues.
RESOURCE MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas resources of the State. Most of the related programs are managed by the Colorado Department of Natural Resources.
ENVIRONMENT AND HEALTH PROTECTION	This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado.
UNCLAIMED PROPERTY	This fund reports the escheats funds managed by the State Treasurer that are not held in trust for claimants. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. Per statute, the owner's legal rights to the asset are protected in perpetuity; however, historically not all of the assets are claimed. The assets ultimately expected to be claimed and paid are reported as Net Position Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund.
OTHER SPECIAL REVENUE	This fund category represents a collection of 325 individual active funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types. (See page 261 for a detail listing of these funds that have net position/fund balance in excess of $200,000.)

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2017

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

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

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

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

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

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, 2017

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

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

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

OTHER ENTERPRISE FUNDS

These funds account for operations of State agencies that provide a majority of their services to the public on a user charge basis; most of them have been designated by statute as enterprises. The major activities in these funds are:

PARKS AND WILDLIFE	Expenses of this fund are to preserve the State's parks, wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
COLLEGE ASSIST	This fund records the activities of College Assist, which guarantees Colorado and certain nationwide loans made by private lending institutions in compliance with operating agreements with the U.S. Department of Education to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government.
STATE FAIR AUTHORITY	The State Fair Authority operates the Colorado State Fair, and other events, at the State fairgrounds in Pueblo.
CORRECTIONAL INDUSTRIES	This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the State prison system.
STATE NURSING HOMES	This activity is for nursing home and retirement care provided to the elderly at the State facilities at Fitzsimons, Homelake, Walsenburg, Florence, and Rifle.
PRISON CANTEENS	This activity accounts for the various canteen operations in the State's prison system.
PETROLEUM STORAGE TANK	This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.
TRANSPORTATION ENTERPRISE	This fund consists of the Bridge Enterprise and the High Performance Transportation Enterprise in the Department of Transportation. The bridge and highway construction activity is financed through bond issuances and user fees. Before Fiscal Year 2010-11 these enterprises were reported as Other Enterprises.
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities includes the State and CollegeInvest. The State includes the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in State buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at State museums; and various smaller enterprise operations.

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

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

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

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

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

STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ 456	$ -	$ 9,545	126,584
-	-	-	-	1,673	1,673
26,530	18,998	16	119,910	4,168	224,072
-	-	-	-	67	5,434
-	-	-	-	1,976	2,675
30,065	-	-	16,952	938	427,685
245	-	-	1,097	-	26,748
142	839	-	3,769	281	9,217
56,982	19,837	472	141,728	18,648	824,088
64,090	2,943	14,433	11,862	15,768	335,700
9,397	2,856	25,859	2,959	9,331	408,826
-	13,225	-	-	75	31,759
2,014	106	4	16,017	914	32,286
5,037	-	-	-	-	12,783
-	-	-	-	-	13,024
-	4	-	-	2	1,028
80,538	19,134	40,296	30,838	26,090	835,406
(23,556)	703	(39,824)	110,890	(7,442)	(11,318)
-	-	38,423	-	-	38,423
-	-	-	209	13	648
56	49	25	1,185	23	3,653
1	-	-	-	-	13,052
3	-	-	-	161	1,447
(16)	-	-	59,735	(4)	60,386
-	-	-	-	-	2,871
(129)	-	(5)	(9,807)	(252)	(10,305)
(3)	-	-	(4,741)	-	(4,744)
(88)	49	38,443	46,581	(59)	105,431
(23,644)	752	(1,381)	157,471	(7,501)	94,113
-	-	-	-	-	1,072
281	-	-	-	384	18,031
(1,977)	(79)	(10)	-	(459)	(7,976)
(1,696)	(79)	(10)	-	(75)	11,127
(25,340)	673	(1,391)	157,471	(7,576)	105,240
(28,591)	209	(6,429)	737,164	38,580	1,230,319
-	-	-	-	545	545
$ (53,931)	$ 882	$ (7,820)	$ 894,635	$ 31,549	$ 1,336,104

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

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

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

(Continued)

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

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

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

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, 2017

(DOLLARS IN THOUSANDS)

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

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 2,057	$ 677	$ 1,223	$ 6,397	$ 1,933	$ 38,152
4	1	18	76	23	912
-	-	-	-	-	55
-	-	-	-	-	1,804
229	-	-	-	-	870
-	-	2	172	-	4,901
2,290	678	1,243	6,645	1,956	46,694
160	164	-	896	-	137,584
-	-	-	5	-	910
160	164	-	901	-	138,494
2,450	842	1,243	7,546	1,956	185,188
1,346	(105)	6,849	43,820	2,131	211,672
1	28	358	2,881	1,253	24,476
2,525	-	-	15	-	2,540
-	-	-	-	41	5,840
-	-	-	195	-	488
-	-	-	-	-	21,457
-	-	-	-	-	54
2,526	28	358	3,091	1,294	54,855
-	-	320	1,528	35	9,639
-	-	-	-	-	81,434
-	-	-	-	-	-
4,321	(355)	20,446	128,822	6,154	646,191
4,321	(355)	20,766	130,350	6,189	737,264
6,847	(327)	21,124	133,441	7,483	792,119
260	267	885	647	149	5,855
160	164	-	901	-	35,601
(3,471)	633	(13,917)	(83,623)	(3,545)	(436,715)
$ (3,311)	$ 797	$ (13,917)	$ (82,722)	$ (3,545)	$ (401,114)

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

(DOLLARS IN THOUSANDS)

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

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 1,862	$ 211	$ 5,376	$ 36,656	$ 4,400	$ 354,891
-	-	-	-	-	15,353
-	-	-	161	-	836
1,862	211	5,376	36,817	4,400	371,080
1,497	(255)	7,374	63,089	2,274	331,103
1,001	82	1,106	3,287	3,154	145,333
54	234	-	164	-	28,864
-	-	-	-	-	1
-	-	-	-	-	3
2,552	61	8,480	66,540	5,428	505,304
(690)	150	(3,104)	(29,723)	(1,028)	(134,224)
-	-	-	-	-	3
-	-	5	(4)	1	(164)
-	-	-	-	-	10,471
-	-	-	-	-	315
(4)	-	-	(3)	(3)	(2,311)
(4)	-	5	(7)	(2)	8,314
(694)	150	(3,099)	(29,730)	(1,030)	(125,910)
-	-	-	-	-	2,093
-	-	-	-	-	6,183
-	-	(71)	(3,329)	(215)	(5,395)
-	-	(71)	(3,329)	(215)	2,881
(694)	150	(3,170)	(33,059)	(1,245)	(123,029)
(2,617)	647	(10,747)	(49,663)	(2,300)	(278,085)
$ (3,311)	$ 797	$ (13,917)	$ (82,722)	$ (3,545)	$ (401,114)

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

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Fees for Service	$ 1,720	$ -	$ 2,600	$ 8
Receipts for Interfund Services	57,674	10,508	239,789	27
Sales of Products	6	-	139	-
Gifts, Grants, and Contracts	353	-	42	-
Income from Property	-	-	-	15,350
Other Sources	671	-	2,730	153
Cash Payments to or for:				
Employees	(9,180)	(1,986)	(153,991)	(3,805)
Suppliers	(31,824)	(19)	(70,973)	(5,554)
Payments for Interfund Services	(3,792)	(7,773)	(26,308)	(990)
Sales Commissions and Lottery Prizes	-	-	-	-
Other Governments	-	-	-	(1)
Other	(32)	(4)	(33)	(2)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,596	726	(6,005)	5,186
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	953	3,517	2,330	31
Transfers-Out	(1,016)	-	(388)	(1,024)
Receipt of Deposits Held in Custody	200	-	-	-
Release of Deposits Held in Custody	(417)	-	-	-
NonCapital Debt Proceeds	-	172	-	-
NonCapital Debt Service Payments	-	(172)	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(280)	3,517	1,942	(993)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(29,455)	(1,189)	(101,707)	(388)
Proceeds from Sale of Capital Assets	29,442	1,040	98,718	109
Capital Debt Service Payments	(16)	(28)	-	-
Capital Lease Payments	(17,873)	(3,943)	-	(2,227)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(17,902)	(4,120)	(2,989)	(2,506)

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ -	$ 30	$ 38	$ 82	$ 414	$ 4,892
663	191	5,340	36,626	4,015	354,833
1,199	-	-	-	-	1,344
-	-	-	-	-	395
-	-	-	-	-	15,350
-	-	-	161	-	3,715
(920)	(102)	(4,105)	(30,250)	(2,024)	(206,363)
(1,088)	(57)	(441)	(2,907)	(896)	(113,759)
(26)	-	(661)	(245)	(571)	(40,366)
-	-	-	-	(605)	(605)
-	-	-	-	-	(1)
-	-	-	-	(28)	(99)
(172)	62	171	3,467	305	19,336
-	-	-	-	-	6,831
-	-	(71)	(3,329)	(215)	(6,043)
-	-	-	-	-	200
-	-	-	-	-	(417)
-	-	-	-	-	172
-	-	-	-	-	(172)
-	-	(71)	(3,329)	(215)	571
(32)	(43)	-	(282)	-	(133,096)
-	-	-	128	-	129,437
(4)	-	-	(3)	(3)	(54)
-	-	-	-	-	(24,043)
(36)	(43)	-	(157)	(3)	(27,756)

(Continued)

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

(DOLLARS IN THOUSANDS)

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

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

FIDUCIARY FUNDS

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

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

STATE EMPLOYEE BENEFIT PLANS

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

COLORADO STATE UNIVERSITY OTHER POST-EMPLOYMENT BENEFITS TRUST

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

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S

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

UNCLAIMED PROPERTY

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

COLLEGE SAVINGS PLAN

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

COLLEGE OPPORTUNITY FUND

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

OTHER

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

AGENCY FUNDS

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

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

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

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

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

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

(DOLLARS IN THOUSANDS)

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

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

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

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

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

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

DEPARTMENT OF REVENUE AGENCY FUNDS

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

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

OTHER AGENCY FUNDS

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

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

DEPARTMENT OF TREASURY AGENCY FUNDS

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

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

TOTALS - ALL AGENCY FUNDS

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

COMPONENT UNITS

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 66. Descriptions of each of the component units presented can be found in Note 18 on page 161.

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

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

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

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

CAPITAL ASSETS

The following schedule presents the capital assets, net of accumulated depreciation, used in governmental activities by function and by department. The schedule includes the capital assets of the Internal Service Funds because those funds primarily sell to governmental activities. This treatment matches the presentation of the capital assets on the government-wide *Statement of Net Position.* Except for the Internal Service Fund capital assets, the assets on this schedule are generally not reported on the fund-level financial statements.

SCHEDULE OF CAPITAL ASSETS
USED IN GOVERNMENTAL ACTIVITIES
INCLUDING INTERNAL SERVICE FUNDS
BY FUNCTION AND DEPARTMENT
JUNE 30, 2017

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

[1]Governor's Office, Colorado Energy Office, and the Office of Economic Development and International Trade

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

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled "Other". The schedule on the following pages provide a summary of assets, liabilities, and net position/fund balance of the individually significant funds that comprise the columns titled "Other". Most of the funds shown in the schedule are Special Revenue Funds that are statutorily authorized.

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION / FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2017

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets/ Deferred Outflows	Liabilities/ Deferred Inflows	Net Position/ Fund Balance
OTHER PERMANENT FUNDS				
Wildlife For Future Generations Trust Fund - Nonexpendable	TRUST 33-1-112	7,790	-	7,790
Wildlife For Future Generations Trust Fund - Expendable	TRUST 33-1-112	1,259	-	1,259
Other Permanent-Nonexpendable	TRUST	744	-	744
Co Veterans Monument Preservation Trust Fund - Nonexpendable	TRUST 2480-1401	97	-	97
Hall Historical Marker - Nonexpendable	TRUST 24-80-209	35	-	35
Parks For Future Generations Trust Fund - Nonexpendable	33-10-111(6)(a)	26	-	26
Co Veterans' Monument Preservation Trust Fund - Expendable	TRUST 2480-1401	2	-	2
Total Other Permanent Funds		$ 9,953	$ -	$ 9,953
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse And Breeders Awards Fund	12-60-704	635	-	635
Early Intervention Services Trust Fund	27-10.5-706	6,132	5,703	429
Brand Estray Fund	35-41-102	358	15	343
Total Other Private Purpose Funds		$ 7,125	$ 5,718	$ 1,407
OTHER ENTERPRISE FUNDS				
Collegeinvest Administration	23-3.1-205.4	38,331	18,602	19,729
Early Achievers Scholarship Trust	23-3.1-206.9	14,234	-	14,234
Capitol Parking Fund	NONE	12,254	2,928	9,326
Grounds Cash Fund	26-1-133.5(2)	4,223	915	3,308
Electronic Recording Technology Fund	24-21-404(1)(a)	1,337	6	1,331
Collegeinvest Bond Operations	23-3.1-205.4	98	-	98
Other Enterprise Funds	VARIOUS	95	-	95
Clean Screen Authority	42-4-307.5	434	347	87
Work Therapy Cash Fund	26-8-107	271	360	(89)
Business Enterprise Program	26-8.5-107	2,095	3,126	(1,031)
Enterprise Services Fund	24-80-209	4,626	9,138	(4,512)
Brand Inspection Fund	35-41-102	14,449	25,476	(11,027)
Total Other Enterprise Funds		$ 92,447	$ 60,898	$ 31,549
OTHER INTERNAL SERVICE FUNDS				
Professional Development Cash Fund	24-50-122(2)	247	70	177
Debt Collection Fund	24-30-202.4	3,840	7,562	(3,722)
Total Other Internal Service Funds		$ 4,087	$ 7,632	$ (3,545)
OTHER SPECIAL PURPOSE GENERAL FUNDS				
School Capital Construction Assistance Fund	22-43.7-104	393,097	2,200	390,897
State Employee Reserve Fund	24-50-104	56,333	-	56,333
Controlled Maintenance Trust Fund	24-75-302.5	49,945	-	49,945
Economic Development Fund	24-46-105	32,016	22	31,994
Intellectual And Developmental Disabilities Services Cash Fund	25.5-10-207	11,639	321	11,318
Real Estate Proceeds Fund	28-3-106	10,589	-	10,589
Legislative Department Cash	2-2-1601(1)	11,036	462	10,574
Housing Development Grant Fund	24-32-721	10,283	1,221	9,062
Indirect Cost Excess Recovery Fund	24-75-1401	8,713	143	8,570
Old Age Pension Stabilization Fund	26-2-116	5,000	-	5,000
Housing Assistance For Persons Transitioning Criminal & JJ	Housing Assist	4,759	-	4,759
Skilled Worker Outreach Recruitment & Key Training Fund	8-83-307	4,909	489	4,420
State Social Security Income Stabilization Fund	26-2-210(1)	3,767	-	3,767
Underfunded Courthouse Facility Cash Fund	13-1-304	2,683	314	2,369
Natural Hazard Mapping Fund	37-60-131(1)(a)	2,116	88	2,028
Grand Junction Regioinal Center Campus Cash Fund	27-10.5-312(4)	1,866	6	1,860
Cross-System Response For Behavioral Health Crises Pilot Pgm	BHC Pilot	1,886	402	1,484
Persistent Drunk Driver Fund	42-3-130.5	1,359	199	1,160
Ballot Information Publication & Distribution Revolving Fund	1-40-124.5	1,109	-	1,109
Tax Amnesty Cash Fund	39-21-202	962	-	962
Charter School Assistance Fund	22-30.5-515	1,917	1,207	710
Charter School Institute Fund	22-30.5-506	3,316	2,645	671
Colorado Health Care Services Fund	25.5-3-112	663	-	663
Energy Research Cash Fund	24-48.5-120	579	-	579
Colorado Family Support Loan Fund	27-10.5-502	547	2	545
Older Coloradans Cash Fund	26-11-205.5	2,127	1,646	481
Diseased Livestock Fund	35-50-140.5	474	-	474

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION / FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2017

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets/ Deferred Outflows	Liabilities/ Deferred Inflows	Net Position/ Fund Balance
Firefighter Benefits Cash Fund	29-5-302(11)(a)	399	-	399
Start Smart Nutrition Program Fund	22-82.7-105	470	80	390
Conservation Trust Fund	24-35-210(10)	13,595	13,243	352
Advanced Industries Export Acceleration Cash Fund	24-47-103(8)	399	89	310
Colorado National Guard Tuition Fund	23-5-111.4	299	-	299
Industry Infrastructure Fund	24-46.3-404	302	30	272
Highway Crossing Fund	43-4-201	243	-	243
Legislative Expenses Fund	2-3-1002(1)	218	-	218
Strategic Action Plan On Aging Cash Fund	24-32-3407(1)	128	10	118
Hospitality Career Secondary Education Fund	24-46.3-204	217	105	112
Service Fee Fund	26-4-410(1)D	72	15	57
Child Welfare Transition Cash Fund	25.5-6-409.5(9)	21	-	21
Prepaid Wireless Trust Cash Fund	29-11-102.5	11	-	11
Child Protection Ombudsman Program	19-3.3-107(1)	8	-	8
Youth Advisory Council Cash Fund	2-2-1306	4	-	4
Colorado Heritage Communities Fund	24-32-3207	3	-	3
Colorado Student Leaders Institute Cash Fund	24-44.3-105(1)	73	72	1
Professional Development And Student Support Fund	22-24-108(3)(a)	1	-	1
Recovery Audit Cash Fund	24-30-203.5	1	-	1
Procurement Technical Assistance Cash Fund	24-48.5-121(8)	2	1	1
Oap Health And Medical Care Fund	25.5-2-101(2)	92	92	-
Total Other Special Purpose General Funds		$ 640,248	$ 25,104	$ 615,144
OTHER SPECIAL REVENUE FUNDS				
Marijuana Tax Cash Fund	39-28.8-501	146,137	8,017	138,120
Mortgage Fraud Custodial Funds	Settlement	42,226	411	41,815
Consumer Protection Custodial Funds	6-1-103	33,154	466	32,688
Colorado Opportunity Scholarship Initiative Fund	23-3.3-1005	32,138	301	31,837
Marijuana Cash Fund	12-43.3-501	32,596	1,087	31,509
Advance Industries Acceleration Fund	24-48.5-117	27,372	1,072	26,300
Gear Up Scholarship Trust Fund	Settlement	25,009	(24)	25,033
Supreme Court Committee Fund	COURT RULE 227	16,352	718	15,634
Victims Compensation Fund	24-4.1-117	11,806	16	11,790
Victims Assistance Fund	24-4.2-104	11,223	106	11,117
Offender Services Fund	16-11-214	11,416	555	10,861
Adult Dental Fund	25.5-5-207(4)	11,745	1,388	10,357
Justice Center Cash Fund	13-32-101(7)	9,601	217	9,384
Judicial Information Technology Cash Fund	13-32-114	10,121	1,587	8,534
Hud Section 8 Housing Choice Voucher Program Fund	29-4-708(K)	8,456	170	8,286
Title Iv-E Waiver Demonstration Project Cash Fund	26-5-105.4(4)(b	7,342	50	7,292
Correctional Treatment Cash Fund	18-19-103(4)	7,088	738	6,350
Colorado Bureau Of Investigation Identification Unit Fund	24-33.5-426	6,437	1,145	5,292
Uniform Commercial Credit Code Custodial Funds	4-1-102	5,185	93	5,092
Auto Theft Prevention Cash Fund	42-5-112(4A)	6,323	1,276	5,047
Department Of State Cash Fund	24-21-104	6,845	1,807	5,038
Judicial Stabilization Cash Fund	13-32-101	5,046	394	4,652
Judicial Collection Enhancement Fund	16-11-101.6	5,164	571	4,593
Public School Construction And Inspection Fund	24-33.5-1207	3,931	140	3,791
Collection Agency Board Custodial Fund	24-31-108	3,518	7	3,511
Creative Industries Cash Fund	24-48.5-301(2)	3,624	181	3,443
Conveyance Safety Fund	9-5.5-111(2)	3,060	31	3,029
Other Education Special Revenue Funds	VARIOUS	2,710	2	2,708
Housing Rehabilitation Revolving Loans	29-4-728	2,403	-	2,403
Broadband Fund	40-15-509.5(4)	2,652	300	2,352
Attorney'S Fees And Costs Fund	24-31-108(2)	2,352	-	2,352
Energy Efficiency Project Fund	24-38.5-106(4)	2,090	-	2,090
Division Of Professions And Occupations Cash Fund	24-34-105	19,995	17,975	2,020
Mfp Rebalancing Fund	FEDERAL	1,969	-	1,969
Commercial Vehicle Enterprise Fund	42-1-225(1)	1,941	-	1,941
P.O.S.T. Board Cash Fund	24-31-303(2)	2,860	981	1,879
Supplier Database Cash Fund	24-102-202.5	1,840	-	1,840
Patient Benefit Fund	CUSTODIAL	1,830	1	1,829
Traumatic Brain Injury Fund	26-1-210(1)	2,061	295	1,766
Victims Assistance And Law Enforcement Fund	24-33.5-506	2,004	243	1,761
Inspection And Consumer Services Cash Fund	35-1-106.5	2,316	643	1,673

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION / FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2017

(Dollars in Thousands)

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

NON-APPROPRIATED BUDGET SCHEDULES

The schedules on the following pages provide, by department, nonappropriated budget-to-actual activity. The budgets are based on a variety of sources that are not subject to appropriation by the General Assembly that generally include most federal awards, custodial agreements, and Colorado statutes. In Higher Education Institutions informational only appropriations for tuition and certain fees contained in the State's legislative appropriations act are not controlling. Therefore, expenditures may exceed recorded budgets in these appropriations.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - NON-APPROPRIATED GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2017

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - NON-APPROPRIATED CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2017

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

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - NON-APPROPRIATED FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2017

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

SCHEDULE OF TABOR REVENUE AND COMPUTATIONS

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

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

STATE OF COLORADO
SCHEDULE OF COMPUTATIONS REQUIRED
UNDER ARTICLE X, SECTION 20 -- **UNAUDITED**
AS OF JUNE 30, 2017

	FISCAL YEAR 2015-16	FISCAL YEAR 2016-17
COMPUTATION OF NONEXEMPT REVENUES		
Total State Expenditures	$ 42,537,731,555	$ 44,583,527,282
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	8,458,394,515	10,618,379,415
CollegeInvest	623,149,830	704,500,649
College Assist	613,735,094	600,754,217
State Lottery	597,474,129	563,096,231
Unemployment Compensation Section	531,606,636	519,152,945
Parks and Wildlife	229,006,335	281,272,127
State Nursing Homes	59,711,521	84,907,496
Correctional Industries	73,701,031	75,979,315
Petroleum Storage Tank Fund	43,305,095	40,310,963
Statewide Transportation Enterprise	33,580,526	23,502,067
Statewide Bridge Enterprise	16,675,940	21,910,988
Brand Board	5,079,919	8,192,797
Clean Screen Authority	4,347,950	4,562,319
Capitol Parking Authority	1,091,211	966,673
Electronic Recording Technology Fund	-	14,198
Subtotal Enterprise Expenses	11,290,859,732	13,547,502,400
Total District Expenditures	31,246,871,823	31,036,024,882
Less Exempt District Revenues:		
Federal Funds	9,060,833,952	8,690,444,369
Interfund Transfers	7,287,302,792	7,132,670,428
Voter Approved Revenue Changes (Note 8)	803,704,749	876,407,717
Other Sources and Additions (Note 7)	626,657,872	806,703,290
Property Sales	115,177,508	122,106,087
Damage Awards	107,875,638	107,962,725
Gifts	93,632,186	67,512,420
Exempt Investment Income	75,230,590	(19,219,410)
Subtotal Exempt District Revenues	18,170,415,287	17,784,587,626
Nonexempt District Expenditures	13,076,456,536	13,251,437,256
District Reserve/Fund Balance Increase (Decrease)	(129,957,622)	76,373,948
Excess TABOR Revenues	(122,090,865)	(436,154,418)
Total Nonexempt District Revenues	12,824,408,049	12,891,656,786

COMPUTATION OF DISTRICT FUND BALANCE CHANGES		
Beginning District Fund Balance	$ 6,789,791,186	$ 6,674,746,577
Prior Period District Fund Balance Adjustments (Note 11)	44,247,600	(5,198,714)
(Qualification)/Disqualification of Enterprises (Note 14)	92,756,278	(116,373,425)
District Reserve/Fund Balance Increase (Decrease)	(129,957,622)	76,373,948
Retention of Revenues in Excess of the Limit CRS 24-77-103.6(1)(a)	(122,090,865)	(436,154,418)
Ending District Fund Balance	$ 6,674,746,577	$ 6,193,393,968

FISCAL YEAR 2016-17 COMPUTATION OF SPENDING LIMITATIONS	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
FY 2015-16 Limit	$ 10,427,605,970	$ 12,946,498,914
Prior Year Errors (Note 13)	29,906,915	-
Other Agency Revenues From Qualification of Enterprises (Note 14)	1,275,693	1,275,693
Qualification of Enterprises (Note 14)	(20,702,634)	(20,702,634)
FY 2015-16 Adjusted Limit	$ 10,438,085,944	$ 12,927,071,973
Allowable TABOR Growth Rate (Note 12)	3.1%	3.1%
FY 2016-17 Adjusted Limit	10,761,666,608	13,327,811,204
Less Fiscal Year 2015-16 Nonexempt District Revenues	(12,891,656,786)	(12,891,656,786)
Amount (Over)Under Adjusted Limit FY 2016-17	$ (2,129,990,178)	$ 436,154,418

FY 2014-15 Remaining Amount in Excess of the Limit to be refunded in the next refund year	$ 21,807,393
FY 2016-17 Retention of Revenues in Excess of the Limit (not refundable) C.R.S. 24-77-103.6(1)(b)	$ 2,129,990,178

NOTES TO THE TABOR SCHEDULE OF REQUIRED COMPUTATIONS

NOTE 1. PURPOSE OF THE SCHEDULE OF REQUIRED COMPUTATIONS

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

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

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

NOTE 2. BASIS OF ACCOUNTING

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

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

NOTE 3. DEFINITION OF THE DISTRICT

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

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

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

(I) the legislative, executive, and judicial branches of government established by Article III of the State Constitution;

(II) all organs of the branches of government specified in subparagraph (I) of paragraph (a) of this subsection (16), including the departments of the executive branch; the legislative houses and agencies; and the appellate and trial courts and court personnel; and

(III) State institutions of higher education.

(b) "State" does not include:

(I) any enterprise [including an institution or group of institutions of higher education that has been designated as an enterprise];

(II) any special purpose authority;

(III) any organization declared to be a joint governmental entity.

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

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

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

Although the General Assembly and governing boards have designated certain enterprises as exempt from TABOR, those enterprises must continue to meet the criteria of a government-owned business authorized to issue its own revenue bonds and to receive less than 10 percent of its revenue in grants from all Colorado state and local governments combined. The State Fair Authority remained disqualified for Fiscal Year 2016-17.

NOTE 4. DEBT

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

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

NOTE 5. EMERGENCY RESERVES

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

- Major Medical Fund – $83,000,000. Only $78,401,470 of this fund's balance was restricted since, at June 30, 2017 its net assets were less than $83 million. The assets restricted were net cash of $66,645,034 and investments, excluding unrealized gains, of $11,756,436.
- Wildlife Cash Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund – $33,000,000.
- Colorado Water Conservation Board Construction Fund – $33,000,000.
- Controlled Maintenance Trust Fund – $68,328,000. Only $49,967,282 of this fund's net assets were restricted, all of it cash, since at June 30, 2017 its net assets were less than $68,328,000. During the fiscal year, $20,125,000 was transferred from the Controlled Maintenance Trust Fund to the Disaster Emergency Fund, through four executive orders, to pay for the costs of fighting wildfires across the State.
- Unclaimed Property Tourism Promotion Trust Fund - $5,000,000.

The 2016 legislative session Long Appropriations Act designated up to $142,272,000 of State properties as the remainder of the Fiscal Year 2016-17 emergency reserve.

The estimate of the needed reserve was based on the December 2016 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated and designated in the Long Appropriations Act, or available in the designated funds as detailed above, the amount restricted for the reserve was $11,108,952 less than required by the State Constitution. There is no process by which the General Assembly can adjust the designated reserve after the end of the legislative session when the total TABOR revenues are finally known. In the event of an emergency that exceeds the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

NOTE 6. STATUS OF REFUNDING

When refunds are required they are distributed to individual State taxpayers based on a statutory mechanism as discussed in Note 16. The Department of Revenue makes distributions of the TABOR refund through the income tax refund process using estimates of the number of taxpayers expected to qualify for the TABOR refund. Because the exact number of qualifying taxpayers cannot be known in advance, the estimates may result in over or under distribution of the required refund throughout the four-year period allowed for amended tax returns.

As required by statute, under-distributions of refunds are carried forward to subsequent years and added to the required refund in the future year when revenue is over the spending limit. Over-distributions of refunds are also carried forward to subsequent years and are used to offset any future refund liability. The statute requires the over/under refund carry forward to be applied in the year following the year in which the refund is required to be made, which results in a two year lag between the recording of the excess revenue and the adjustment for over or under refunds of those excess revenues.

At the beginning of Fiscal Year 2016-17 the State had an outstanding TABOR refund liability of $31,358,300. During the year $9,204,688 was refunded to tax payers from the Fiscal Year 2014-15 liability, when revenue exceeded the spending limit. Also in Fiscal Year 2016-17, adjustments to 2014-15 revenue were identified that reduced the liability by another $346,219. The resulting liability at June 30, 2017 was $21,807,393, to be refunded in the next refund year.

NOTE 7. OTHER SOURCES AND ADDITIONS

The $806.7 million reported in this line item primarily comprises: $380.1 million of pension and other employee benefit trust fund investment earnings and additions by the State and participants; $150.6 million of accounts payable reversions, reimbursements of prior year expense, revenue from in-kind match expenditures and other miscellaneous revenues; $142.5 million of proceeds from issuing certificates of participation; $113.5 million of permanent and trust fund additions; and $17.6 million of local government expenditures recorded by the State as revenues and expenditures to meet grant matching-funds requirements.

NOTE 8. VOTER APPROVED REVENUE CHANGES

When State voters approve a revenue change, the resulting revenues are exempt from the TABOR limit on fiscal year spending. The following revenue changes were approved by voters:

- In the 1998 general election, voters approved a citizen-initiated law, C.R.S. 25-8-501.1 – Regulation of Commercial Hog Facilities, which instituted a permit fee. The State collected $59,142 and $56,305 from this exempt source in Fiscal Years 2016-17 and 2015-16, respectively.

- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 14 to Article XVIII of the State Constitution. This amendment allowed the use of marijuana for medical purposes and authorized the Department of Public Health and Environment to charge a fee for the issuance of a permit for such purpose. The State recorded $1,425,668 and $1,641,029 including interest and unrealized gains/losses from this revenue source in Fiscal Years 2016-17 and 2015-16, respectively.
- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 17 to Article IX of the State Constitution. This amendment created the State Education Fund and diverted the revenues from a tax of one-third of one percent on taxable income of individuals, corporations, estates, and trusts from the General Fund to the State Education Fund. It also exempted the revenue from TABOR. The amendment was effective January 1, 2001, and resulted in $542,028,380 and $528,630,773 of tax revenues, interest, and unrealized gains/losses, being excluded from fiscal year spending in Fiscal Years 2016-17 and 2015-16, respectively.
- In the 2004 general election, voters approved a citizen-initiated amendment that added Section 21 to Article X of the State Constitution. The amendment authorized additional cigarette and tobacco taxes (3.2 cents per cigarette and 20 percent of manufacturer's list price for other tobacco products) effective January 1, 2005. The amendment specified the use of the tax revenue generated for specific health related programs, and it exempted the revenue from the TABOR limitations. The State recorded $147,216,201 and $148,097,981 of tax revenues, interest, transfers, and unrealized gains/losses from this exempt source in Fiscal Year 2016-17 and 2015-16, respectively.
- In the 2005 general election, Colorado voters approved Referendum C – a measure referred to the voters by the Legislature. The referendum allowed the State to retain revenues in excess of the TABOR limit for a period of five years, and it stated that the excess revenue retained qualified as a voter approved revenue change. However, in order to determine the amount retained, the Schedule of Required Computations includes the retained amount as nonexempt revenue. Therefore, the retained amount is not reported in this note as a voter approved revenue change (See Note 9).
- In the 2008 general election, voters approved an amendment required to implement locally approved changes to the parameters for Limited Gaming under Section 9(7) of Article XVIII of the Colorado Constitution. This amendment allowed the residents of Central City, Black Hawk, and Cripple Creek to vote to extend casino hours, approve additional games and increase the maximum single bet limit. It required distribution of most of the gaming tax revenue that resulted from the new gaming limits to Colorado community colleges and to gaming cities and counties, and it exempted the new revenue from state and local revenue and spending limits. The State collected $15,419,142 and $15,275,218 of extended limited gaming revenue in Fiscal Year 2016-17 and 2015-16, respectively.
- In the 2013 general election, Colorado voters approved Proposition AA, a measure referred to the voters by the Legislature. The proposition authorized a 15 percent state excise tax on the average wholesale price of retail marijuana, and, in addition to the existing 2.9 percent state sales tax, an additional 10 percent state sales tax on retail marijuana and retail marijuana products, effective January 1, 2014. The amendment specified the use of the excise tax revenue generated for public school construction (for the first $40.0 million collected) with any additional excise revenue generated to be used for marijuana regulation.

For the additional state sales tax, 15 percent of the revenues generated are allocated to the cities and counties that allow retail marijuana sales to consumers. The measure was silent as to the use of the revenue by cities and counties. In addition, the remaining amount of sales tax revenue generated is to be used for health, public safety, and education costs, in addition to funding the regulatory structure. The excise tax and additional sales tax revenue are exempted from the TABOR limitations.

The State recorded $71,915,551 in state excise tax and $98,343,634 of additional state sales tax revenues from these exempt sources in Fiscal Year 2016-17. In the prior fiscal year, the State recorded $42,667,419 and $67,336,023, respectively, from these two sources.

NOTE 9. REFERENDUM C

Referendum C was placed on the ballot by the General Assembly and was approved by the voters in the November 2005 election. It contained the following provisions:

- The State was authorized to retain and spend all revenues in excess of the limit on fiscal year spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constituted a voter approved revenue change.
- After July 1, 2010, the State is allowed to retain revenues in excess of the limit on fiscal year spending up to a newly defined excess State revenues cap (ESRC). The excess State revenues cap is the highest population and inflation-adjusted nonexempt revenue amount in the period from July 1, 2005, to June 30, 2010, also adjusted for qualification and disqualification of enterprises. This provision effectively disabled the ratchet down provision of TABOR during the five-year period. (The term "ratchet down" is used to describe the TABOR provision that requires each year's base for calculating the limit to be the lesser of the prior year's revenues or the prior year's limit.)
- A General Fund Exempt Account was created within the General Fund to consist of the retained revenues for each fiscal year of the retention period. The Legislature appropriates money in the account for health care, education (including related capital projects), firefighter and police pension funding (for local governments), and strategic transportation projects.
- The Director of Research of the Legislative Council is required to report the amount of revenues retained with a description of how the retained revenues were expended.
- The State Controller's annual report demonstrating compliance with the statutes implementing TABOR is required to include the amount of revenues that the State is authorized to retain and expend.

With the end of the Referendum C five-year excess revenue retention period, the State was subject to an ESRC starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds.

Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $16,903,416,153 -- $3,593,602,662 during the initial five-year revenue retention period, and an additional $13,309,813,491 due to the ESRC exceeding the Fiscal Year Spending limit in Fiscal Years 2010-11 through 2016-17.

NOTE 10. DISTRICT RESERVES

District reserves are the cumulative fund balances of the State reported in the State's Comprehensive Annual Financial Report at the fund level rather than the government-wide level. District reserves therefore exclude capital assets, liabilities that are not recorded in governmental funds at the fund level (primarily long-term liabilities), as well as net assets of the TABOR enterprises. The majority of these funds include balances not available for general appropriation due to legal and contractual restrictions.

NOTE 11. PRIOR PERIOD DISTRICT FUND BALANCE ADJUSTMENTS AND ACCOUNTING CHANGES

Total prior period District fund balance adjustments decreased the TABOR District fund balances in total by $5,198,714.

- PRIOR PERIOD ADJUSTMENTS – The Department of Public Health and Environment decreased the district's beginning net assets by $5,198,714 by writing off prior year uncollectible accounts receivable directly to fund net position.
- ACCOUNTING CHANGES – In Fiscal Year 2016-17, there were no accounting changes affecting prior period TABOR District fund balances.

NOTE 12. SOURCES OF TABOR GROWTH LIMIT

The allowable percentage increase in State fiscal year spending equals the sum of inflation and the percentage change in State population in the calendar year ending six months prior to the start of the fiscal year. Inflation is defined in C.R.S. 24-77-102(8) as "the percentage change in the consumer price index for the Denver-Boulder-Greeley Consolidated Metropolitan Statistical Area For All Urban Consumers, All Goods, as published by the U.S. Department of Labor."

The 3.1 percent allowable growth rate comprises a 1.9 percent increase for population growth (census date population for 2015 compared to census date population for 2014) and a 1.2 percent increase for inflation.

NOTE 13. SPENDING LIMIT ADJUSTMENTS FOR PRIOR YEAR ERRORS

With the addition of the Excess State Revenue Cap, spending limit adjustments only impact the calculation of the Fiscal Year Spending Limit.

The Fiscal Year 2016-17 spending limit was adjusted upward by $29,906,915 to correct an error in the June 30, 2016 Schedule of Computations. In that schedule, the Fiscal Year 2014-15 spending limit was reduced by $28,646,470, after application of allowable growth rates, to adjust for prior year revenue recording errors going back to Fiscal Year 2011-12. Although prior year revenue recognition errors had occurred, the fiscal year spending limit had been lower than nonexempt revenue in each year between Fiscal Years 2011-12 and 2014-15. Therefore, the spending limit adjustment in the June 30, 2016 Schedule of Computations was unnecessary. The $29,906,915 increase to the fiscal year spending limit on the Fiscal Year 2016-17 Schedule of Computations is a reversal of the $28,646,470 error plus the prior year growth rate of 4.4%.

Otherwise, in Fiscal Year 2016-17, there were no prior year revenue recognition errors impacting the fiscal year spending limit.

NOTE 14. ENTERPRISE QUALIFICATION AND DISQUALIFICATION

The TABOR amendment to the State Constitution specifies that qualification and disqualification of enterprises shall change the District base. In order to ensure comparability between the base and current year nonexempt revenue, when an activity qualifies as an enterprise the base is reduced by the activity's prior year nonexempt revenue offset by revenue that would have been counted as nonexempt due to the activity's interaction with other State agencies. When a TABOR enterprise becomes disqualified, its current year nonexempt revenue is added to the base after application of the population and inflation growth adjustment and its prior year payments to other State agencies are removed from the base (before application of the allowable growth rate).

In Fiscal Year 2016-17, Fort Lewis College re-qualified as a TABOR enterprise upon receiving less than ten percent of its revenues directly from the State and local governments. (See Note 3.) In the prior fiscal year, Fort Lewis had been nonexempt from TABOR spending limits.

To neutralize the effect of the change in enterprise status in computing both the Fiscal Year 2016-17 spending limit and the Excess State Revenues Cap, $20,702,634 was deducted from the Fiscal Year 2015-16 spending limit and the Excess State Revenues Cap before application of the current year 3.1% allowable growth rate. This amount was Fort Lewis College's nonexempt District revenue from Fiscal Year 2015-16.

The fiscal year spending limit and the Excess State Revenues Cap were also adjusted by adding $1,275,693 before application of the 3.1% growth rate. This is the amount that Fort Lewis College paid to non-TABOR enterprises in Fiscal Year 2015-16 that would have crossed the District boundary had Fort Lewis College been a TABOR enterprise in the prior year.

The Qualification/Disqualification of Enterprises line in the Computation of District Fund Balance Changes section shows a decrease in fund balance of $116,373,425 – an adjustment to the prior year District fund balance for the re-qualification of Fort Lewis College as a TABOR enterprise. The adjustment is necessary because the funds of TABOR enterprises are not included in the TABOR District. (See Note 3.)

NOTE 15. TREATMENT OF AMOUNTS HELD FOR FUTURE REFUND

CRS 24-77-103.5 requires that errors in the amount to be refunded be corrected in the year they are discovered. In Fiscal Year 2016-17, $346,219 related to an asset account was discovered as having been booked as revenue in Fiscal Year 2014-15, the most recent refund year. Had the amount been booked correctly, nonexempt revenue would have been $346,219 less than originally reported. Therefore, the TABOR refund liability was reduced by this amount in the current year.

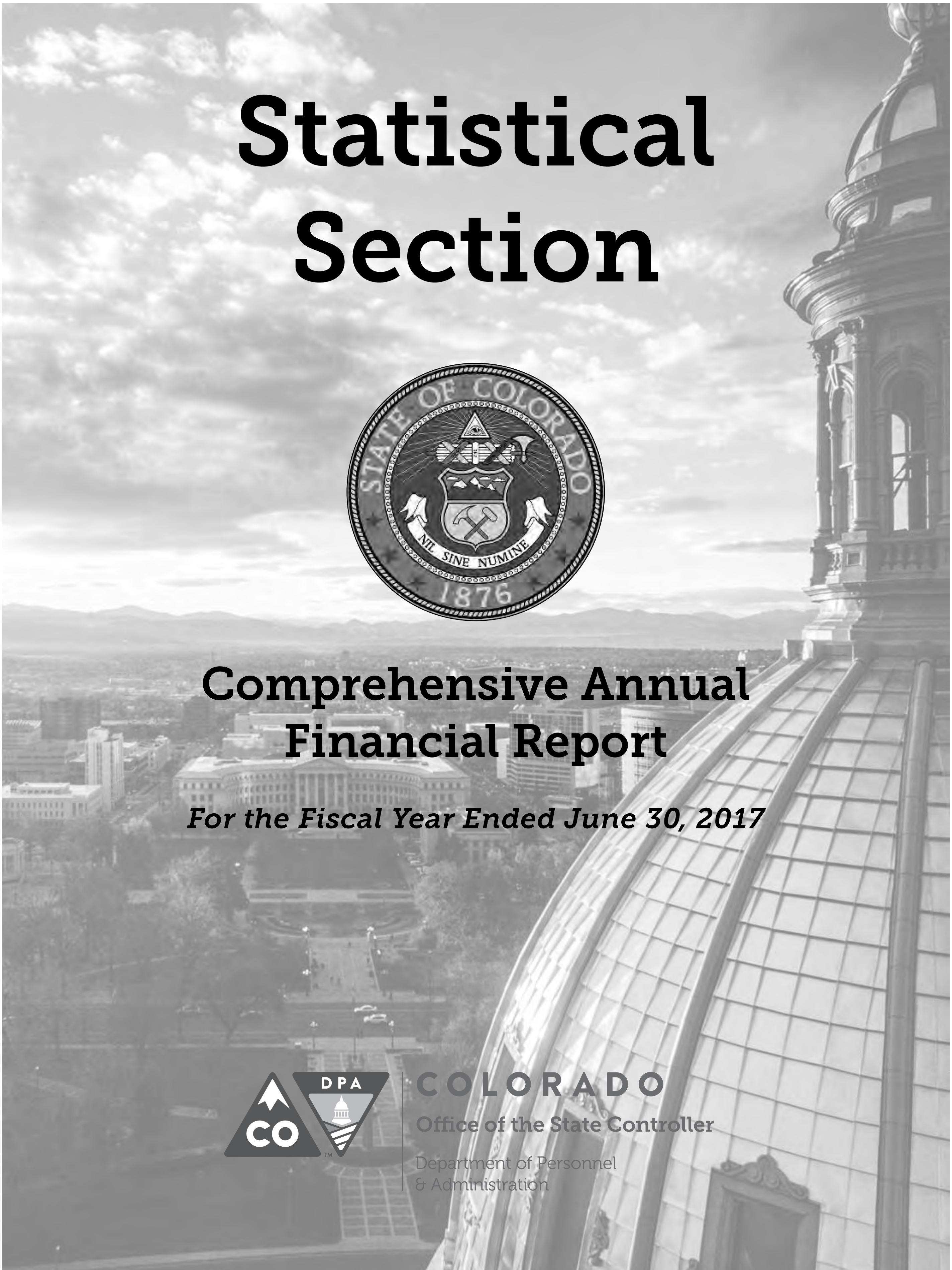
Fiscal Year 2014-15 excess revenue refundable to taxpayers at June 30, 2016 was $31,358,300. After refunds of $9,204,688 paid during Fiscal Year 2016-17 and the adjustment for $346,219, the remaining refund payable at June 30, 2017 was $21,807,393 (See Note 6.)

NOTE 16. FUTURE REFUNDS

In the 2010 legislative session, Senate Bill 212 removed all prior alternative mechanisms for refunding TABOR revenues in excess of the fiscal year spending limit except for the earned income tax credit refund mechanism. Also passed in the 2010 session, House Bill 1002 created a temporary income tax rate reduction, applicable beginning in Fiscal Year 2010-11, as an additional refunding mechanism.

On October 1, 2015, the Department of Revenue reported that after 2015 tax year, the Earned Income Tax Credit would become permanent and would no longer be a TABOR refund mechanism.

After application of a temporary income tax rate reduction from 4.63 percent to 4.50 percent and the earned income tax credit mechanism, any remaining amount is distributed to all full-year Colorado residents 18 years and older as a refund of sales taxes. When the refund is estimated to be under $15 for each qualified taxpayer, an identical amount is refunded to each qualified taxpayer. When the sales tax refund is estimated to be over $15 for each qualified taxpayer, a fixed amount is set for each of six tiers of federal adjusted gross income. The Department of Revenue calculates the amount of the individual refund for each tier as a statutory percentage of the total sales tax refund divided by the number of anticipated taxpayers in each tier.



Statistical Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

COLORADO
Office of the State Controller
Department of Personnel
& Administration

STATISTICAL SECTION

This section of the State of Colorado's Comprehensive Annual Financial Report presents detailed current and historical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

FINANCIAL TRENDS	These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time at both the entity wide and fund-level perspectives.
REVENUE CAPACITY	These schedules contain information to help the reader assess the factors affecting the State's ability to generate and retain major revenue streams including income and sales taxes.
DEBT CAPACITY	These schedules present information to help the reader assess the sustainability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.
DEMOGRAPHIC AND ECONOMIC INFORMATION	These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.
OPERATING INFORMATION	These schedules contain information about the State's operations and resources to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
GOVERNMENTAL ACTIVITIES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2016-17	2015-16	2014-15	2013-14
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,567,219	$ 2,703,416	$ 2,696,950	$ 2,302,356
Investments	-	-	-	8,460
Taxes Receivable, net	1,325,689	1,251,185	1,252,907	1,224,629
Other Receivables, net	717,660	572,655	450,805	210,062
Due From Other Governments	524,240	440,053	787,269	570,721
Internal Balances	26,262	28,967	28,022	19,336
Due From Component Units	154	347	135	54
Inventories	54,152	53,261	54,194	53,125
Prepaids, Advances and Deposits	72,047	67,468	67,917	73,025
Total Current Assets	5,287,423	5,117,352	5,338,199	4,461,768
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,493,996	1,923,920	2,140,729	2,554,938
Restricted Investments	867,572	732,662	761,140	657,772
Restricted Receivables	587,580	510,028	363,300	258,107
Investments	255,069	219,369	280,100	428,321
Other Long-Term Assets	614,932	675,809	636,260	686,349
Depreciable Capital Assets and Infrastructure, net	9,994,890	9,976,023	9,772,651	9,600,423
Land and Nondepreciable Capital Assets	2,041,812	1,851,910	1,968,227	1,931,832
Capital Assets Held as Investments	42,899	33,055	-	-
Total Noncurrent Assets	15,898,750	15,922,776	15,922,407	16,117,742
TOTAL ASSETS	21,186,173	21,040,128	21,260,606	20,579,510
DEFERRED OUTFLOW OF RESOURCES:	3,503,643	818,761	350,796	18,289
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	886,992	856,076	669,992	718,211
Accounts Payable and Accrued Liabilities	1,165,137	1,166,681	1,367,263	1,043,961
TABOR Refund Liability (Note 2B)	21,807	31,358	173,346	706
Due To Other Governments	395,627	232,724	233,087	245,300
Due To Component Units	-	-	-	15
Unearned Revenue	126,307	123,769	100,467	92,674
Accrued Compensated Absences	11,865	11,522	12,185	10,470
Claims and Judgments Payable	46,369	46,343	47,682	61,623
Leases Payable	28,254	28,261	27,760	26,941
Notes, Bonds, and COPs Payable	46,990	171,835	200,975	187,910
Other Postemployment Benefits	-	-	-	-
Other Current Liabilities	27,678	29,525	19,052	19,979
Total Current Liabilities	2,757,026	2,698,094	2,851,809	2,407,790
Noncurrent Liabilities:				
Deposits Held In Custody For Others	116	90	139	139
Accrued Compensated Absences	158,435	154,510	149,817	145,992
Claims and Judgments Payable	260,535	276,010	299,785	301,591
Capital Lease Payable	113,899	122,404	144,569	148,055
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,266,507	1,174,467	1,331,892	1,541,225
Due to Component Units	-	-	-	-
Net Pension Liability	10,919,603	6,295,004	5,565,526	-
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	407,912	415,669	423,809	402,954
Total Noncurrent Liabilities	13,127,007	8,438,154	7,915,537	2,539,956
TOTAL LIABILITIES	15,884,033	11,136,248	10,767,346	4,947,746
DEFERRED INFLOW OF RESOURCES:	98,746	133,375	47,262	338
Net investment in Capital Assets:	14,071,021	11,330,474	10,654,690	10,125,644
Restricted for:				
Construction and Highway Maintenance	915,033	966,743	936,535	1,080,201
Education	107,012	309,957	766,688	1,110,180
Unemployment Insurance	-	-	-	-
Debt Service	79,966	68,105	56,534	44,752
Emergencies	194,369	217,328	217,328	153,150
Permanent Funds and Endowments:				
Expendable	7,643	5,801	7,301	7,271
Nonexpendable	1,020,225	950,976	896,872	800,132
Other Purposes	671,306	717,185	626,649	358,694
Unrestricted	(8,359,538)	(3,977,303)	(3,365,803)	1,969,691
TOTAL NET POSITION	$ 8,707,037	$ 10,589,266	$ 10,796,794	$ 15,649,715

GOVERNMENTAL ACTIVITIES					
2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
$ 2,549,620	$ 1,969,331	$ 1,548,435	$ 1,962,934	$ 2,217,711	$ 2,632,601
3,497	1,726	45,548	15,224	1,498	565
1,118,329	1,012,147	830,730	857,246	920,086	946,077
189,937	156,126	147,768	158,060	182,540	188,347
369,249	318,460	486,655	516,248	475,997	355,519
23,801	15,964	18,620	14,153	14,617	14,545
119	137	62	84	66	63
55,319	17,057	19,837	16,468	16,183	16,703
57,465	53,961	56,543	38,591	33,244	23,790
4,367,336	3,544,909	3,154,198	3,579,008	3,861,942	4,178,210
1,798,432	1,779,413	1,635,476	1,572,925	1,813,365	2,061,543
598,209	591,083	1,097,797	687,314	694,311	620,325
176,055	181,932	173,347	195,753	184,120	187,018
464,535	416,674	52,343	529,059	98,815	96,743
740,735	712,736	761,498	644,867	600,020	442,911
9,312,959	9,602,516	9,331,295	9,689,916	2,360,036	2,282,645
2,170,769	1,903,604	1,780,945	1,637,224	10,480,438	10,291,250
-	-	-	-	-	-
15,261,694	15,187,958	14,832,701	14,957,058	16,231,105	15,982,435
19,629,030	18,732,867	17,986,899	18,536,066	20,093,047	20,160,645
-	-	-	-	-	-
718,077	661,829	625,145	664,781	633,722	561,117
742,225	677,471	785,496	847,550	779,008	837,311
706	706	706	706	706	706
198,953	228,229	216,956	181,684	223,415	183,696
81	-	-	-	-	-
95,026	125,174	111,506	128,404	150,632	97,174
10,955	9,859	9,741	10,287	8,930	9,776
46,873	44,858	44,641	44,181	36,936	37,775
20,004	14,387	12,872	11,384	8,227	6,002
174,340	162,670	145,165	642,445	637,066	574,150
-	-	-	-	-	-
14,834	16,531	13,748	20,432	9,818	11,794
2,022,074	1,941,714	1,965,976	2,551,854	2,488,460	2,319,501
17	16	14	13	16	16
138,413	132,394	137,139	138,224	140,675	128,760
323,451	330,516	340,003	347,394	358,371	335,636
131,006	107,042	94,716	85,746	83,586	54,029
-	-	-	-	-	-
-	-	-	-	-	-
1,611,220	1,614,293	1,621,749	1,554,964	1,146,960	1,274,720
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
444,118	427,828	434,194	402,599	397,774	217,793
2,648,225	2,612,089	2,627,815	2,528,940	2,127,382	2,010,954
4,670,299	4,553,803	4,593,791	5,080,794	4,615,842	4,330,455
-	-	-	-	-	-
10,107,082	10,107,432	9,836,378	10,118,621	11,631,061	11,348,995
1,145,997	1,176,269	1,160,789	1,198,849	1,220,524	1,350,485
1,265,476	280,269	485,171	194,586	338,365	353,149
-	-	-	-	-	-
33,113	21,453	10,127	4,093	558	558
161,350	72,850	85,400	94,000	93,550	93,000
6,328	6,024	8,017	11,130	8,588	2,333
694,564	684,953	641,802	643,148	623,619	587,733
349,811	340,818	315,082	138,826	197,918	231,532
1,195,010	1,488,996	850,342	1,052,019	1,363,022	1,862,405
$ 14,958,731	$ 14,179,064	$ 13,393,108	$ 13,455,272	$ 15,477,205	$ 15,830,190

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
BUSINESS-TYPE ACTIVITIES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2016-17	2015-16	2014-15	2013-14
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,846,015	$ 2,525,453	$ 2,454,684	$ 2,246,115
Investments	549,079	392,188	378,115	254,744
Taxes Receivable, net	125,258	123,638	142,241	135,207
Other Receivables, net	490,427	640,664	430,306	408,364
Due From Other Governments	136,231	94,860	134,455	150,697
Internal Balances	(26,262)	(28,967)	(28,022)	(19,336)
Due From Component Units	23,041	18,188	11,370	23,716
Inventories	59,196	54,748	57,950	54,015
Prepaids, Advances and Deposits	31,679	28,756	28,186	37,433
Total Current Assets	4,234,664	3,849,528	3,609,285	3,290,955
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	241,268	457,926	499,742	429,965
Restricted Investments	95,280	167,540	246,783	303,678
Restricted Receivables	38,605	40,009	31,609	45,477
Investments	2,097,484	1,941,040	1,969,155	1,896,811
Other Long-Term Assets	129,350	129,425	129,850	99,380
Depreciable Capital Assets and Infrastructure, net	7,502,858	7,050,226	6,190,355	5,876,698
Land and Nondepreciable Capital Assets	1,921,788	1,652,441	1,788,595	1,370,142
Capital Assets Held as Investments	-	-	-	-
Total Noncurrent Assets	12,026,633	11,438,607	10,856,089	10,022,151
TOTAL ASSETS	16,261,297	15,288,135	14,465,374	13,313,106
DEFERRED OUTFLOW OF RESOURCES:	2,332,443	649,853	348,635	118,103
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	786,944	771,248	751,169	659,085
TABOR Refund Liability (Note 2B)	-	-	-	-
Due To Other Governments	46,765	38,615	22,048	30,805
Due To Component Units	1,249	645	623	528
Unearned Revenue	328,261	306,222	407,108	346,264
Accrued Compensated Absences	25,381	22,761	20,960	18,117
Claims and Judgments Payable	-	-	-	-
Leases Payable	7,292	9,132	8,618	6,610
Notes, Bonds, and COPs Payable	146,604	267,134	251,947	244,366
Other Postemployment Benefits	-	-	-	14,076
Other Current Liabilities	134,584	139,765	125,054	127,033
Total Current Liabilities	1,477,080	1,555,522	1,587,527	1,446,884
Noncurrent Liabilities:				
Deposits Held In Custody For Others	20	20	-	-
Accrued Compensated Absences	317,070	293,365	268,600	250,148
Claims and Judgments Payable	37,361	39,657	41,460	40,982
Capital Lease Payable	42,599	47,994	45,663	35,582
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	9,251	13,222	9,515	8,566
Notes, Bonds, and COPs Payable	4,638,363	4,480,091	4,418,327	4,131,227
Due to Component Units	1,678	1,631	1,661	1,743
Net Pension Liability	6,934,505	3,957,073	3,579,748	-
Other Postemployment Benefits	343,570	289,133	241,779	181,511
Other Long-Term Liabilities	15,863	28,569	83,521	44,768
Total Noncurrent Liabilities	12,340,280	9,150,755	8,690,274	4,694,527
TOTAL LIABILITIES	13,817,360	10,706,277	10,277,801	6,141,411
DEFERRED INFLOW OF RESOURCES:	206,047	250,058	38,380	-
Net investment in Capital Assets:	6,982,288	5,051,345	4,417,947	3,653,265
Restricted for:				
Construction and Highway Maintenance	-	-	-	-
Education	504,096	462,636	439,535	642,611
Unemployment Insurance	911,183	740,049	620,575	402,770
Debt Service	28,429	85,617	75,666	39,862
Emergencies	34,000	34,000	34,000	34,000
Permanent Funds and Endowments:				
Expendable	165,637	157,611	150,270	7,901
Nonexpendable	91,878	83,274	87,679	64,712
Other Purposes	65,961	101,209	88,686	56,296
Unrestricted	(4,213,139)	(1,734,088)	(1,416,530)	2,388,381
TOTAL NET POSITION	$ 4,570,333	$ 4,981,653	$ 4,497,828	$ 7,289,798

BUSINESS-TYPE ACTIVITIES					
2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
$ 2,169,314	$ 2,011,437	$ 1,306,800	$ 1,176,181	$ 1,220,190	$ 1,555,782
281,822	160,099	273,605	253,270	386,948	272,804
137,970	159,303	186,161	90,005	73,326	82,431
381,351	330,216	302,042	282,053	245,768	239,790
155,190	218,667	177,822	158,787	142,961	125,894
(23,801)	(15,964)	(18,620)	(14,153)	(14,617)	(14,545)
18,969	18,715	19,736	14,474	12,630	16,348
52,826	53,318	43,600	42,779	42,467	42,271
24,806	24,160	18,018	19,244	20,091	17,055
3,198,447	2,959,951	2,309,164	2,022,640	2,129,764	2,337,830
352,234	372,457	409,652	353,164	368,308	446,681
292,283	293,711	98,146	239,719	201,025	259,115
45,264	80,975	24,980	239,041	1,916,974	1,716,722
1,746,078	1,769,909	1,623,569	1,206,671	1,154,901	1,008,382
128,105	114,118	122,939	119,387	123,599	119,650
5,463,065	5,250,256	4,662,346	3,912,771	3,594,383	3,464,979
1,229,761	1,019,556	938,544	1,207,048	928,243	576,755
-	-	-	-	-	-
9,256,790	8,900,982	7,880,176	7,277,801	8,287,433	7,592,284
12,455,237	11,860,933	10,189,340	9,300,441	10,417,197	9,930,114
551	5,005	-	7,778	-	-
-	-	-	-	-	-
602,571	623,458	556,294	596,926	506,318	467,741
-	-	-	-	-	-
34,169	53,622	331,246	406,275	182,922	26,885
343	123	524	466	930	1,112
305,108	237,530	234,662	232,371	207,551	190,528
16,609	14,942	14,579	13,035	12,753	12,745
-	-	-	-	-	7,398
6,575	5,853	4,950	6,672	6,282	5,976
233,811	243,601	79,106	100,329	85,456	75,567
17,052	15,721	-	-	-	-
142,868	110,667	141,484	126,232	241,129	208,542
1,359,106	1,305,517	1,362,845	1,482,306	1,243,341	996,494
-	-	-	-	-	-
236,329	219,026	205,621	196,295	185,420	166,402
38,993	36,472	35,373	29,461	27,541	28,482
35,153	33,185	43,466	76,702	83,206	83,113
-	-	-	-	4,285	4,285
8,333	12,994	6,182	7,778	-	-
3,898,265	3,938,320	3,117,100	2,682,987	3,917,559	3,466,484
1,755	1,758	2,374	2,501	723	1,233
-	-	-	-	-	-
177,176	139,653	105,876	47,259	31,689	15,775
11,972	39,015	43,814	36,450	43,321	40,756
4,407,976	4,420,423	3,559,806	3,079,433	4,293,744	3,806,530
5,767,082	5,725,940	4,922,651	4,561,739	5,537,085	4,803,024
-	-	2,006	-	-	-
3,571,408	3,386,411	2,990,094	2,854,803	2,665,270	2,411,662
-	-	-	-	-	-
-	-	-	-	-	-
218,076	64,433	-	-	392,984	765,533
8,439	7,464	6,753	6,100	111,778	180,409
34,000	10,005	12,368	16,257	21,282	33,716
11,716	6,975	5,936	6,825	6,935	9,592
61,159	38,798	73,956	71,738	70,420	74,479
631,921	629,655	657,292	630,890	582,006	491,492
2,151,987	1,996,257	1,518,284	1,159,867	1,029,437	1,160,207
$ 6,688,706	$ 6,139,998	$ 5,264,683	$ 4,746,480	$ 4,880,112	$ 5,127,090

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
TOTAL PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2016-17	2015-16	2014-15	2013-14
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 5,413,234	$ 5,228,869	$ 5,151,634	$ 4,548,471
Investments	549,079	392,188	378,115	263,204
Taxes Receivable, net	1,450,947	1,374,823	1,395,148	1,359,836
Other Receivables, net	1,208,087	1,213,319	881,111	618,426
Due From Other Governments	660,471	534,913	921,724	721,418
Internal Balances	-	-	-	-
Due From Component Units	23,195	18,535	11,505	23,770
Inventories	113,348	108,009	112,144	107,140
Prepaids, Advances and Deposits	103,726	96,224	96,103	110,458
Total Current Assets	9,522,087	8,966,880	8,947,484	7,752,723
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,735,264	2,381,846	2,640,471	2,984,903
Restricted Investments	962,852	900,202	1,007,923	961,450
Restricted Receivables	626,185	550,037	394,909	303,584
Investments	2,352,553	2,160,409	2,249,255	2,325,132
Other Long-Term Assets	744,282	805,234	766,110	785,729
Depreciable Capital Assets and Infrastructure, net	17,497,748	17,026,249	15,963,006	15,477,121
Land and Nondepreciable Capital Assets	3,963,600	3,504,351	3,756,822	3,301,974
Capital Assets Held as Investments	42,899	33,055	-	-
Total Noncurrent Assets	27,925,383	27,361,383	26,778,496	26,139,893
TOTAL ASSETS	37,447,470	36,328,263	35,725,980	33,892,616
DEFERRED OUTFLOW OF RESOURCES:	5,836,086	1,468,614	699,431	136,392
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	886,992	856,076	669,992	718,211
Accounts Payable and Accrued Liabilities	1,952,081	1,937,929	2,118,434	1,703,046
TABOR Refund Liability (Note 2B)	21,807	31,358	173,346	706
Due To Other Governments	442,392	271,339	255,135	276,105
Due To Component Units	1,249	645	623	543
Unearned Revenue	454,568	429,991	507,575	438,938
Accrued Compensated Absences	37,246	34,283	33,145	28,587
Claims and Judgments Payable	46,369	46,343	47,682	61,623
Leases Payable	35,546	37,393	36,378	33,551
Notes, Bonds, and COPs Payable	193,594	438,969	452,922	432,276
Other Postemployment Benefits	-	-	-	14,076
Other Current Liabilities	162,262	169,290	144,106	147,012
Total Current Liabilities	4,234,106	4,253,616	4,439,338	3,854,674
Noncurrent Liabilities:				
Deposits Held In Custody For Others	136	110	139	139
Accrued Compensated Absences	475,505	447,875	418,417	396,140
Claims and Judgments Payable	297,896	315,667	341,245	342,573
Capital Lease Payable	156,498	170,398	190,232	183,637
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	9,251	13,222	9,515	8,566
Notes, Bonds, and COPs Payable	5,904,870	5,654,558	5,750,219	5,672,452
Due to Component Units	1,678	1,631	1,661	1,743
Net Pension Liability	17,854,108	10,252,077	9,145,274	-
Other Postemployment Benefits	343,570	289,133	241,779	181,511
Other Long-Term Liabilities	423,775	444,238	507,330	447,722
Total Noncurrent Liabilities	25,467,287	17,588,909	16,605,811	7,234,483
TOTAL LIABILITIES	29,701,393	21,842,525	21,045,149	11,089,157
DEFERRED INFLOW OF RESOURCES:	304,793	383,433	85,642	338
Net investment in Capital Assets:	21,053,309	16,381,819	15,072,637	13,778,909
Restricted for:				
Construction and Highway Maintenance	915,033	966,743	936,535	1,080,201
Education	611,108	772,593	1,206,223	1,752,791
Unemployment Insurance	911,183	740,049	620,575	402,770
Debt Service	108,395	153,722	132,200	84,614
Emergencies	228,369	251,328	251,328	187,150
Permanent Funds and Endowments:				
Expendable	173,280	163,412	157,571	15,172
Nonexpendable	1,112,103	1,034,250	984,551	864,844
Other Purposes	737,267	818,394	715,335	414,990
Unrestricted	(12,572,677)	(5,711,391)	(4,782,333)	4,358,072
TOTAL NET POSITION	$ 13,277,370	$ 15,570,919	$ 15,294,622	$ 22,939,513

TOTAL PRIMARY GOVERNMENT

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
$ 4,718,934	$ 3,980,768	$ 2,855,235	$ 3,139,115	$ 3,437,901	$ 4,188,383
285,319	161,825	319,153	268,494	388,446	273,369
1,256,299	1,171,450	1,016,891	947,251	993,412	1,028,508
571,288	486,342	449,810	440,113	428,308	428,137
524,439	537,127	664,477	675,035	618,958	481,413
-	-	-	-	-	-
19,088	18,852	19,798	14,558	12,696	16,411
108,145	70,375	63,437	59,247	58,650	58,974
82,271	78,121	74,561	57,835	53,335	40,845
7,565,783	6,504,860	5,463,362	5,601,648	5,991,706	6,516,040
2,150,666	2,151,870	2,045,128	1,926,089	2,181,673	2,508,224
890,492	884,794	1,195,943	927,033	895,336	879,440
221,319	262,907	198,327	434,794	2,101,094	1,903,740
2,210,613	2,186,583	1,675,912	1,735,730	1,253,716	1,105,125
868,840	826,854	884,437	764,254	723,619	562,561
14,776,024	14,852,772	13,993,641	13,602,687	5,954,419	5,747,624
3,400,530	2,923,160	2,719,489	2,844,272	11,408,681	10,868,005
-	-	-	-	-	-
24,518,484	24,088,940	22,712,877	22,234,859	24,518,538	23,574,719
32,084,267	30,593,800	28,176,239	27,836,507	30,510,244	30,090,759
551	5,005	-	7,778	-	-
718,077	661,829	625,145	664,781	633,722	561,117
1,344,796	1,300,929	1,341,790	1,444,476	1,285,326	1,305,052
706	706	706	706	706	706
233,122	281,851	548,202	587,959	406,337	210,581
424	123	524	466	930	1,112
400,134	362,704	346,168	360,775	358,183	287,702
27,564	24,801	24,320	23,322	21,683	22,521
46,873	44,858	44,641	44,181	36,936	45,173
26,579	20,240	17,822	18,056	14,509	11,978
408,151	406,271	224,271	742,774	722,522	649,717
17,052	15,721	-	-	-	-
157,702	127,198	155,232	146,664	250,947	220,336
3,381,180	3,247,231	3,328,821	4,034,160	3,731,801	3,315,995
17	16	14	13	16	16
374,742	351,420	342,760	334,519	326,095	295,162
362,444	366,988	375,376	376,855	385,912	364,118
166,159	140,227	138,182	162,448	166,792	137,142
-	-	-	-	4,285	4,285
8,333	12,994	6,182	7,778	-	-
5,509,485	5,552,613	4,738,849	4,237,951	5,064,519	4,741,204
1,755	1,758	2,374	2,501	723	1,233
-	-	-	-	-	-
177,176	139,653	105,876	47,259	31,689	15,775
456,090	466,843	478,008	439,049	441,095	258,549
7,056,201	7,032,512	6,187,621	5,608,373	6,421,126	5,817,484
10,437,381	10,279,743	9,516,442	9,642,533	10,152,927	9,133,479
-	-	2,006	-	-	-
13,678,490	13,493,843	12,826,472	12,973,424	14,296,331	13,760,657
1,145,997	1,176,269	1,160,789	1,198,849	1,220,524	1,350,485
1,265,476	280,269	485,171	194,586	338,365	353,149
218,076	64,433	-	-	392,984	765,533
41,552	28,917	16,880	10,193	112,336	180,967
195,350	82,855	97,768	110,257	114,832	126,716
18,044	12,999	13,953	17,955	15,523	11,925
755,723	723,751	715,758	714,886	694,039	662,212
981,732	970,473	972,374	769,716	779,924	723,024
3,346,997	3,485,253	2,368,626	2,211,886	2,392,459	3,022,612
$ 21,647,437	$ 20,319,062	$ 18,657,791	$ 18,201,752	$ 20,357,317	$ 20,957,280

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2016-17	2015-16	2014-15	2013-14
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 541,936	$ 518,820	$ 501,319	$ 472,215
Service Fees	1,006,976	1,139,226	879,139	901,839
Education - Tuition, Fees, and Sales	-	-	-	-
Fines and Forfeits	206,662	195,256	201,021	181,098
Rents and Royalties	132,310	142,752	199,067	182,893
Sales of Products	3,205	3,303	3,390	2,141
Unemployment Surcharge	32,507	30,768	29,381	28,635
Other	138,928	143,251	131,151	144,949
Operating Grants and Contributions	8,149,334	8,578,146	7,726,668	6,782,914
Capital Grants and Contributions	814,739	819,321	817,469	728,544
TOTAL PROGRAM REVENUES	11,026,597	11,570,843	10,488,605	9,425,228
EXPENSES:				
General Government	653,247	485,611	449,261	447,359
Business, Community, and Consumer Affairs	919,676	777,458	711,558	641,182
Education	6,045,204	5,859,964	5,687,573	5,472,563
Health and Rehabilitation	1,170,889	2,898,841	822,556	720,997
Justice	2,974,666	2,209,158	2,075,534	1,840,989
Natural Resources	169,528	135,491	120,374	92,383
Social Assistance	10,489,419	8,825,599	9,627,104	8,089,560
Transportation	2,105,462	1,830,368	1,896,904	1,872,441
Interest on Debt	58,764	62,021	59,078	53,094
Higher Education	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest	-	-	-	-
Lottery	-	-	-	-
Parks and Wildlife	-	-	-	-
College Assist	-	-	-	-
Other Business-Type Activities	-	-	-	-
TOTAL EXPENSES	24,586,855	23,084,511	21,449,942	19,230,568
NET (EXPENSE) REVENUE	(13,560,258)	(11,513,668)	(10,961,337)	(9,805,340)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	3,151,679	2,940,839	2,762,222	2,754,977
Excise Taxes	321,419	290,276	267,858	236,761
Individual Income Tax	6,291,376	6,061,679	5,847,141	5,285,634
Corporate Income Tax	432,802	643,761	613,316	600,002
Other Taxes	452,042	410,277	673,275	617,612
Restricted Taxes	1,169,457	1,132,687	1,186,515	1,052,692
Unrestricted Investment Earnings (Losses)	16,987	15,705	11,992	17,312
Other General Revenues	103,476	107,005	96,613	112,958
Special and/or Extraordinary Items	-	-	-	-
(Transfers-Out) / Transfers-In	(353,647)	(352,733)	(256,738)	(172,442)
Internal Capital Contributions	-	(1,583)	-	-
Permanent Fund Additions	766	80	401	397
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	11,586,357	11,247,993	11,202,595	10,505,903
TOTAL CHANGES IN NET POSITION	(1,973,901)	(265,675)	241,258	700,563
NET POSITION - BEGINNING	10,589,266	10,796,794	15,649,715	14,958,731
Prior Period Adjustment	91,672	58,147	(6,626)	1,718
Accounting Changes	-	-	(5,087,553)	(11,297)
NET POSITION - ENDING	$ 8,707,037	$ 10,589,266	$ 10,796,794	$ 15,649,715

GOVERNMENTAL ACTIVITIES

2012-13	2011-12	2010-11	2009-10	2008-09	RESTATED 2007-08
$ 447,232	$ 442,793	$ 454,633	$ 419,866	$ 386,311	$ 374,521
965,614	901,950	735,820	589,795	184,327	132,822
-	-	-	-	53	-
248,520	187,344	200,432	218,892	203,259	155,692
133,901	147,946	128,588	79,518	85,811	78,889
2,851	1,626	4,974	3,854	5,040	4,592
25,724	19,307	18,611	19,329	19,369	21,512
127,083	84,828	89,509	67,460	61,168	57,622
5,860,052	5,884,031	6,218,836	5,885,657	5,065,429	4,222,670
700,548	600,300	659,288	607,383	485,711	439,693
8,511,525	8,270,125	8,510,691	7,891,754	6,496,478	5,488,013
555,507	224,382	192,579	189,865	308,410	217,939
584,300	600,068	667,929	662,854	705,037	667,381
5,187,481	5,205,123	5,432,143	5,096,032	5,208,705	5,017,551
697,795	703,684	696,539	659,187	644,699	603,296
1,655,057	1,555,294	1,538,363	1,527,857	1,543,310	1,436,009
77,934	93,900	149,878	144,445	137,159	131,658
7,174,711	6,746,574	6,397,426	6,091,958	5,220,295	4,660,287
1,769,013	1,777,488	1,974,009	2,105,688	1,376,215	1,459,295
16,284	40,935	32,487	33,203	20,393	37,567
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,718,082	16,947,448	17,081,353	16,511,089	15,164,223	14,230,983
(9,206,557)	(8,677,323)	(8,570,662)	(8,619,335)	(8,667,745)	(8,742,970)
2,498,006	2,333,644	2,280,693	1,987,576	2,093,113	2,357,807
240,895	244,624	236,945	244,344	251,209	257,908
5,154,624	4,653,105	4,151,119	3,770,597	4,024,105	4,591,481
606,883	434,885	441,778	360,852	322,683	461,390
453,305	519,870	466,408	376,388	655,478	510,442
1,039,105	965,784	928,260	873,287	880,625	986,274
16,842	15,015	6,523	10,215	22,591	42,478
97,402	96,213	91,608	112,138	119,748	113,603
-	-	-	-	(5,616)	(6,843)
(128,535)	(135,407)	(110,266)	(94,993)	(114,685)	(77,732)
-	-	-	-	-	-
741	595	460	357	-	-
9,979,268	9,128,328	8,493,528	7,640,761	8,249,251	9,236,808
772,711	451,005	(77,134)	(978,574)	(418,494)	493,838
14,179,064	13,393,108	13,455,272	15,477,205	15,830,190	16,036,990
6,956	334,951	14,970	(594,624)	(118,647)	(393,912)
-	-	0	(448,735)	184,156	(306,726)
$ 14,958,731	$ 14,179,064	$ 13,393,108	$ 13,455,272	$ 15,477,205	$ 15,830,190

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2016-17	2015-16	2014-15	2013-14
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 165,182	$ 159,704	$ 157,971	$ 141,770
Service Fees	1,404,677	1,297,576	1,145,897	1,068,966
Education - Tuition, Fees, and Sales	3,239,887	3,005,967	2,881,240	2,672,136
Fines and Forfeits	5,769	4,101	3,968	15,470
Rents and Royalties	45,177	40,077	41,944	39,675
Sales of Products	622,179	661,084	605,101	607,744
Unemployment Surcharge	646,336	603,708	698,609	736,985
Other	188,112	165,237	155,707	154,424
Operating Grants and Contributions	2,556,915	2,449,163	2,281,931	2,569,038
Capital Grants and Contributions	43,873	42,996	78,304	56,899
TOTAL PROGRAM REVENUES	8,918,107	8,429,613	8,050,672	8,063,107
EXPENSES:				
General Government	-	-	-	-
Business, Community, and Consumer Affairs	-	-	-	-
Education	-	-	-	-
Health and Rehabilitation	-	-	-	-
Justice	-	-	-	-
Natural Resources	-	-	-	-
Social Assistance	-	-	-	-
Transportation	-	-	-	-
Interest on Debt	-	-	-	-
Higher Education	7,829,889	6,446,902	6,004,484	5,618,507
Unemployment Insurance	518,891	531,607	530,130	756,484
CollegeInvest[1]	-	-	-	-
Lottery	494,110	517,847	474,578	477,434
Parks and Wildlife[2]	257,959	203,794	191,426	170,898
College Assist	315,478	320,774	338,631	341,684
Other Business-Type Activities	219,844	282,471	217,838	209,871
TOTAL EXPENSES	9,636,171	8,303,395	7,757,087	7,574,878
NET (EXPENSE) REVENUE	(718,064)	126,218	293,585	488,229
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	-	-	-	-
Excise Taxes	-	-	-	-
Individual Income Tax	-	-	-	-
Corporate Income Tax	-	-	-	-
Other Taxes	-	-	7	-
Restricted Taxes	-	-	-	-
Unrestricted Investment Earnings (Losses)	-	-	-	-
Other General Revenues	-	-	-	-
Special and/or Extraordinary Items	(808)	-	-	(22,186)
(Transfers-Out) / Transfers-In	353,647	352,733	256,738	172,442
Internal Capital Contributions	-	10,183	-	-
Permanent Fund Additions	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	352,839	362,916	256,745	150,256
TOTAL CHANGES IN NET POSITION	(365,225)	489,134	550,330	638,485
NET POSITION - BEGINNING	4,981,653	4,497,828	7,289,798	6,688,706
Prior Period Adjustment	545	(5,309)	-	(6,922)
Accounting Changes	(46,640)	-	(3,342,300)	(30,471)
NET POSITION - ENDING	$ 4,570,333	$ 4,981,653	$ 4,497,828	$ 7,289,798

[1] – Due to the disposition of the CollegeInvest loan portfolio and related variable debt, CollegeInvest was removed as a major fund in Fiscal Year 2010-11 and is subsequently reported as part of the Other Business-Type Activities.
[2] – Parks and Wildlife after Fiscal Year 2010-11.

BUSINESS-TYPE ACTIVITIES

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
$ 133,315	$ 131,496	$ 120,910	$ 106,946	$ 119,611	$ 84,395
958,451	865,326	874,990	607,485	681,807	667,504
2,512,026	2,406,696	2,243,375	1,999,358	1,957,505	1,867,806
12,860	9,561	1,945	2,836	1,118	999
47,881	65,236	29,507	24,648	29,908	32,399
636,115	624,407	592,794	590,758	560,364	579,935
725,854	828,530	791,317	491,716	363,241	398,046
159,162	152,448	153,321	167,930	173,354	165,804
2,730,519	3,165,718	3,689,492	3,957,310	2,214,186	1,728,669
96,655	132,067	25,432	24,619	20,220	9,426
8,012,838	8,381,485	8,523,083	7,973,606	6,121,314	5,534,983
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,258,665	5,068,481	4,755,385	4,451,541	4,153,282	3,865,244
1,055,148	1,571,321	2,141,728	2,496,188	1,138,621	354,967
-	-	-	68,650	78,647	116,286
501,010	495,847	470,480	456,352	435,156	447,101
177,497	160,933	108,425	105,037	112,369	109,800
407,229	403,023	402,648	410,027	399,576	326,080
187,265	196,542	191,123	170,410	171,635	173,928
7,586,814	7,896,147	8,069,789	8,158,205	6,489,286	5,393,406
426,024	485,338	453,294	(184,599)	(367,972)	141,577
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	36,963
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,493	(79,575)	-	-
128,535	135,407	110,266	94,993	114,685	77,732
-	-	-	-	-	-
-	-	-	-	-	-
128,535	135,407	111,759	15,418	114,685	114,695
554,559	620,745	565,053	(169,181)	(253,287)	256,272
6,139,998	5,264,683	4,746,480	4,880,112	5,127,090	4,870,818
(5,851)	254,570	(46,850)	35,549	6,309	-
-	-	-	-	-	-
$ 6,688,706	$ 6,139,998	$ 5,264,683	$ 4,746,480	$ 4,880,112	$ 5,127,090

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
TOTAL PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2016-17	2015-16	2014-15	2013-14
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 707,118	$ 678,524	$ 659,290	$ 613,985
Service Fees	2,411,653	2,436,802	2,025,036	1,970,805
Education - Tuition, Fees, and Sales	3,239,887	3,005,967	2,881,240	2,672,136
Fines and Forfeits	212,431	199,357	204,989	196,568
Rents and Royalties	177,487	182,829	241,011	222,568
Sales of Products	625,384	664,387	608,491	609,885
Unemployment Surcharge	678,843	634,476	727,990	765,620
Other	327,040	308,488	286,858	299,373
Operating Grants and Contributions	10,706,249	11,027,309	10,008,599	9,351,952
Capital Grants and Contributions	858,612	862,317	895,773	785,443
TOTAL PROGRAM REVENUES	19,944,704	20,000,456	18,539,277	17,488,335
EXPENSES:				
General Government	653,247	485,611	449,261	447,359
Business, Community, and Consumer Affairs	919,676	777,458	711,558	641,182
Education	6,045,204	5,859,964	5,687,573	5,472,563
Health and Rehabilitation	1,170,889	2,898,841	822,556	720,997
Justice	2,974,666	2,209,158	2,075,534	1,840,989
Natural Resources	169,528	135,491	120,374	92,383
Social Assistance	10,489,419	8,825,599	9,627,104	8,089,560
Transportation	2,105,462	1,830,368	1,896,904	1,872,441
Interest on Debt	58,764	62,021	59,078	53,094
Higher Education	7,829,889	6,446,902	6,004,484	5,618,507
Unemployment Insurance	518,891	531,607	530,130	756,484
CollegeInvest[1]	-	-	-	-
Lottery	494,110	517,847	474,578	477,434
Parks and Wildlife[2]	257,959	203,794	191,426	170,898
College Assist	315,478	320,774	338,631	341,684
Other Business-Type Activities	219,844	282,471	217,838	209,871
TOTAL EXPENSES	34,223,026	31,387,906	29,207,029	26,805,446
NET (EXPENSE) REVENUE	(14,278,322)	(11,387,450)	(10,667,752)	(9,317,111)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	3,151,679	2,940,839	2,762,222	2,754,977
Excise Taxes	321,419	290,276	267,858	236,761
Individual Income Tax	6,291,376	6,061,679	5,847,141	5,285,634
Corporate Income Tax	432,802	643,761	613,316	600,002
Other Taxes	452,042	410,277	673,282	617,612
Restricted Taxes	1,169,457	1,132,687	1,186,515	1,052,692
Unrestricted Investment Earnings (Losses)	16,987	15,705	11,992	17,312
Other General Revenues	103,476	107,005	96,613	112,958
Special and/or Extraordinary Items	(808)	-	-	(22,186)
(Transfers-Out) / Transfers-In	-	-	-	-
Internal Capital Contributions	-	8,600	-	-
Permanent Fund Additions	766	80	401	397
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	11,939,196	11,610,909	11,459,340	10,656,159
TOTAL CHANGES IN NET POSITION	(2,339,126)	223,459	791,588	1,339,048
NET POSITION - BEGINNING	15,570,919	15,294,622	22,939,513	21,647,437
Prior Period Adjustment	92,217	52,838	(6,626)	(5,204)
Accounting Changes	(46,640)	-	(8,429,853)	(41,768)
NET POSITION - ENDING	$ 13,277,370	$ 15,570,919	$ 15,294,622	$ 22,939,513

[1] – Due to the disposition of the CollegeInvest loan portfolio and related variable debt, CollegeInvest was removed as a major fund in Fiscal Year 2010-11 and is subsequently reported as part of the Other Business-Type Activities.
[2] – Parks and Wildlife after Fiscal Year 2010-11.

TOTAL PRIMARY GOVERNMENT

2012-13	2011-12	2010-11	2009-10	2008-09	RESTATED 2007-08
$ 580,547	$ 574,289	$ 575,543	$ 526,812	$ 505,922	$ 458,916
1,924,065	1,767,276	1,610,810	1,197,280	866,134	800,326
2,512,026	2,406,696	2,243,375	1,999,358	1,957,558	1,867,806
261,380	196,905	202,377	221,728	204,377	156,691
181,782	213,182	158,095	104,166	115,719	111,288
638,966	626,033	597,768	594,612	565,404	584,527
751,578	847,837	809,928	511,045	382,610	419,558
286,245	237,276	242,830	235,390	234,522	223,426
8,590,571	9,049,749	9,908,328	9,842,967	7,279,615	5,951,339
797,203	732,367	684,720	632,002	505,931	449,119
16,524,363	16,651,610	17,033,774	15,865,360	12,617,792	11,022,996
555,507	224,382	192,579	189,865	308,410	217,939
584,300	600,068	667,929	662,854	705,037	667,381
5,187,481	5,205,123	5,432,143	5,096,032	5,208,705	5,017,551
697,795	703,684	696,539	659,187	644,699	603,296
1,655,057	1,555,294	1,538,363	1,527,857	1,543,310	1,436,009
77,934	93,900	149,878	144,445	137,159	131,658
7,174,711	6,746,574	6,397,426	6,091,958	5,220,295	4,660,287
1,769,013	1,777,488	1,974,009	2,105,688	1,376,215	1,459,295
16,284	40,935	32,487	33,203	20,393	37,567
5,258,665	5,068,481	4,755,385	4,451,541	4,153,282	3,865,244
1,055,148	1,571,321	2,141,728	2,496,188	1,138,621	354,967
-	-	-	68,650	78,647	116,286
501,010	495,847	470,480	456,352	435,156	447,101
177,497	160,933	108,425	105,037	112,369	109,800
407,229	403,023	402,648	410,027	399,576	326,080
187,265	196,542	191,123	170,410	171,635	173,928
25,304,896	24,843,595	25,151,142	24,669,294	21,653,509	19,624,389
(8,780,533)	(8,191,985)	(8,117,368)	(8,803,934)	(9,035,717)	(8,601,393)
2,498,006	2,333,644	2,280,693	1,987,576	2,093,113	2,357,807
240,895	244,624	236,945	244,344	251,209	257,908
5,154,624	4,653,105	4,151,119	3,770,597	4,024,105	4,591,481
606,883	434,885	441,778	360,852	322,683	461,390
453,305	519,870	466,408	376,388	655,478	547,405
1,039,105	965,784	928,260	873,287	880,625	986,274
16,842	15,015	6,523	10,215	22,591	42,478
97,402	96,213	91,608	112,138	119,748	113,603
-	0	1,493	(79,575)	(5,616)	(6,843)
-	-	-	-	-	-
-	-	-	-	-	-
741	595	460	357	-	-
10,107,803	9,263,735	8,605,287	7,656,179	8,363,936	9,351,503
1,327,270	1,071,750	487,919	(1,147,755)	(671,781)	750,110
20,319,062	18,657,791	18,201,752	20,357,317	20,957,280	20,907,808
1,105	589,521	(31,880)	(559,075)	(112,338)	(393,912)
-	-	0	(448,735)	184,156	(306,726)
$ 21,647,437	$ 20,319,062	$ 18,657,791	$ 18,201,752	$ 20,357,317	$ 20,957,280

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2016-17	2015-16	2014-15	2013-14
REVENUES:				
Taxes	$ 11,835	$ 11,471	$ 11,205	$ 10,596
Less: Excess TABOR Revenues	-	-	170	-
Licenses, Permits, and Fines	838	810	801	758
Charges for Goods and Services	1,012	1,144	885	905
Rents (reported in 'Other' prior to FY05)	132	143	199	183
Investment Income	46	139	99	115
Federal Grants and Contracts	8,685	9,047	8,283	7,183
Unclaimed Property Receipts	64	65	61	53
Other	338	321	329	365
TOTAL REVENUES	22,950	23,140	22,032	20,158
EXPENDITURES:				
Current:				
General Government	344	324	305	331
Business, Community and Consumer Affairs	453	474	469	395
Education	869	852	785	730
Health and Rehabilitation	770	1,784	699	658
Justice	1,705	1,741	1,648	1,605
Natural Resources	113	107	103	107
Social Assistance	9,358	8,726	8,627	7,416
Transportation	1,364	1,331	1,282	1,203
Capital Outlay	189	191	325	298
Intergovernmental:				
Cities	491	425	421	412
Counties	1,740	1,656	1,627	1,573
School Districts	5,122	4,995	4,909	4,475
Other	255	227	205	202
Debt Service[1]	239	280	270	261
TOTAL EXPENDITURES	23,012	23,113	21,675	19,666
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(62)	27	357	492
OTHER FINANCING SOURCES (USES)				
Transfers-In	5,851	4,915	4,535	5,405
Transfers-Out:				
Higher Education	(230)	(181)	(181)	(143)
Other	(5,966)	(5,079)	(4,607)	(5,390)
Face Amount of Debt Issued	129	11	-	97
Bond Premium/Discount	14	-	-	6
Capital Lease Debt Issuance	1	-	-	25
Sale of Capital Assets	15	7	3	27
Insurance Recoveries	8	5	13	2
Debt Refunding Issuance	-	-	-	112
Debt Refunding Premium Proceeds	-	-	-	-
Debt Refunding Payments	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(178)	(322)	(237)	141
NET CHANGE IN FUND BALANCE	(240)	(295)	120	633
FUND BALANCE - BEGINNING	6,609	6,847	6,734	6,100
Prior Period Adjustments	(5)	58	(7)	-
Accounting Changes	-	-	-	1
FUND BALANCE - ENDING	$ 6,364	$ 6,609	$ 6,847	$ 6,734

[1] – See additional debt service information including principal and interest components and a ratio of total debt service expenditures to total noncapital expenditures on page 310.

[2] – In Fiscal Years 2008-09 and 2009-10, Unclaimed Property activity was partially converted from a Private Purpose Trust Fund to a Special Revenue Fund and therefore is not included in this schedule prior to the conversion.

[3] – Beginning in Fiscal Year 2010-11 the Supplemental Nutrition Assistance Program (SNAP) expenditures are reported in the Social Assistance line. In previous years it was reported as Intergovernmental payments in the Counties line.

2012-13	RESTATED 2011-12	RESTATED 2010-11[3]	RESTATED 2009-10	2008-09[2]	2007-08
$ 10,018	$ 9,182	$ 8,430	$ 7,640	$ 8,231	$ 9,203
-	-	-	-	-	-
789	724	745	734	701	643
970	892	730	552	150	104
134	148	129	80	86	79
19	120	97	199	258	316
6,428	6,223	6,917	7,023	5,480	4,308
37	43	40	42	58	-
263	254	221	192	195	179
18,658	17,586	17,309	16,462	15,159	14,832
325	359	560	775	511	123
375	363	388	369	332	311
674	661	778	855	879	802
641	626	592	583	608	561
1,422	1,322	1,314	1,315	1,285	1,195
99	90	132	126	121	112
6,488	6,065	5,655	4,454	3,836	3,669
1,065	982	1,064	1,017	1,074	1,055
299	459	329	240	308	243
297	287	300	281	294	289
1,504	1,371	1,478	2,253	2,043	1,799
4,235	4,199	4,303	4,364	4,143	3,814
323	177	185	219	185	258
247	236	208	194	189	208
17,994	17,197	17,286	17,045	15,808	14,439
664	389	23	(583)	(649)	393
5,750	4,622	4,776	5,333	5,179	4,298
(135)	(133)	(135)	(125)	(135)	(131)
(5,728)	(4,612)	(4,731)	(5,264)	(5,148)	(4,237)
196	156	218	559	-	-
9	13	-	8	-	-
1	17	17	-	11	18
31	14	-	-	-	1
1	6	2	4	2	2
31	126	-	-	-	-
-	19				
(31)	(144)	-	-	-	-
125	84	147	515	(91)	(49)
789	473	170	(68)	(740)	344
5,293	4,842	4,085	4,785	5,312	5,012
18	(22)	(4)	(41)	(1)	(44)
-	-	591	-	214	-
$ 6,100	$ 5,293	$ 4,842	$ 4,676	$ 4,785	$ 5,312

GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)
GENERAL FUND
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2016-17	2015-16	2014-15	2013-14
Income Tax:				
Individual	$ 6,209	$ 5,993	$ 5,888	$ 5,273
Corporate	467	606	635	665
Net Income Tax	6,676	6,599	6,523	5,938
Sales, Use, and Excise Taxes	3,188	2,996	2,990	2,763
Less: Excess TABOR Revenues	-	-	(170)	-
Net Sales, Use, and Excise Taxes	3,188	2,996	2,820	2,763
Estate Taxes	-	-	-	-
Insurance Tax	291	280	257	239
Gaming and Other Taxes	-	16	14	12
Investment Income	15	13	9	15
Severence Taxes to be Refunded	54	-	-	-
Other	40	26	19	25
TOTAL GENERAL REVENUES	$ 10,264	$ 9,930	$ 9,642	$ 8,992
Percent Change From Previous Year	3.4%	3.0%	7.2%	5.1%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	65.0%	66.5%	66.5%	66.0%
Sales, Use, and Excise Taxes	31.2	30.1	30.5	30.7
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.8	2.8	2.6	2.7
Other Taxes	0.0	0.2	0.1	0.1
Interest	0.1	0.1	0.1	0.2
Severence Taxes to be Refunded	0.5	0.0	0.0	0.0
Other	0.4	0.3	0.2	0.3
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
$ 5,149	$ 4,633	$ 4,154	$ 3,777	$ 4,021	$ 4,600
597	457	366	350	265	474
5,746	5,090	4,520	4,127	4,286	5,074
2,549	2,387	2,323	2,072	1,982	2,173
-	-	-	-	-	-
2,549	2,387	2,323	2,072	1,982	2,173
-	-	-	-	-	-
210	197	190	187	192	188
12	20	20	16	-	-
17	14	8	10	9	18
-	-	-	-	-	-
21	26	25	44	56	52
$ 8,555	$ 7,734	$ 7,086	$ 6,456	$ 6,525	$ 7,505
10.6%	9.1%	9.8%	-1.1%	-13.1%	2.6%
67.2%	65.8%	63.8%	63.9%	65.7%	67.6%
29.8	30.9	32.7	32.1	30.4	29.0
0.0	0.0	0.0	0.0	0.0	0.0
2.5	2.5	2.7	2.9	2.9	2.5
0.1	0.3	0.3	0.2	0.0	0.0
0.2	0.2	0.1	0.2	0.1	0.2
0.0	0.0	0.0	0.0	0.0	0.0
0.2	0.3	0.4	0.7	0.9	0.7
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EXPENDITURES BY DEPARTMENT[1] AND TRANSFERS FUNDED BY GENERAL PURPOSE REVENUES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2016-17	RESTATED 2015-16	2014-15	2013-14
Department:[1]				
Agriculture	$ 10,639	$ 10,050	$ 8,633	$ 7,697
Corrections	748,559	758,545	717,579	675,706
Education	3,764,298	3,477,785	3,357,324	3,153,609
Governor	39,615	34,609	30,267	22,819
Health Care Policy and Financing	2,468,392	2,446,338	2,274,875	2,100,771
Higher Education	870,664	856,849	761,306	658,901
Human Services	918,130	936,071	877,162	812,603
Judicial Branch	487,636	481,550	441,700	386,870
Labor and Employment	21,579	7,754	660	50
Law	14,774	14,525	13,457	12,127
Legislative Branch	44,880	43,410	41,132	38,712
Local Affairs	25,235	25,481	22,244	17,540
Military and Veterans Affairs	8,253	7,907	7,792	7,094
Natural Resources	28,711	27,519	26,216	25,141
Personnel & Administration	12,273	11,034	7,601	31,407
Public Health and Environment	48,448	49,964	59,383	53,588
Public Safety	122,404	113,976	126,747	165,240
Regulatory Agencies	5,742	6,073	6,007	1,730
Revenue	90,957	149,361	97,249	73,626
State	-	-	-	-
Transportation	392	102	-	-
Treasury	15,908	12,522	5,684	108,870
Transfer to Capital Construction Fund	84,484	271,130	248,502	186,715
Transfer to Various Cash Funds	194,735	90,196	67,555	260,272
Transfer to the Highway Users Tax Fund	79,000	199,200	-	-
Other Transfers and Nonoperating Disbursements	153,379	143,492	127,795	126,263
	$ 10,259,087	$ 10,175,443	$ 9,326,870	$ 8,927,351
TOTALS				
Percent Change	0.8%	9.1%	4.5%	-0.4%
(AS PERCENT OF TOTAL)				
Education	36.7%	34.2%	36.0%	35.3%
Health Care Policy and Financing	24.1	24.0	24.4	23.5
Higher Education	8.5	8.4	8.2	7.4
Human Services	8.9	9.2	9.4	9.1
Corrections	7.3	7.5	7.7	7.6
Transfer to Capital Construction Fund	0.8	2.7	2.7	2.1
Transfer to Various Cash Funds	1.9	0.9	0.7	2.9
Transfers to the Highway Users Tax Fund	0.8	2.0	0.0	0.0
Judicial	4.8	4.7	4.7	4.3
Revenue	0.9	1.5	1.0	0.8
All Others	5.3	4.9	5.2	7.0
TOTALS	100.0%	100.0%	100.0%	100.0%

[1] – Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

			RESTATED			
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
	$ 6,975	$ 5,152	$ 4,658	$ 5,915	$ 6,809	$ 7,124
	652,394	647,313	657,559	563,570	637,292	626,246
	3,014,681	2,833,433	2,962,954	3,238,879	3,214,951	3,023,255
	18,555	9,699	11,600	13,781	13,342	17,346
	1,829,776	1,685,679	1,267,889	1,152,245	1,311,702	1,482,803
	628,565	623,963	705,085	428,784	661,974	747,717
	753,225	703,676	710,966	751,149	776,394	749,974
	354,119	337,039	325,173	323,146	328,056	300,674
	-	-	-	-	-	-
	10,355	9,341	9,313	9,133	8,705	8,474
	35,957	34,672	31,736	32,504	34,944	31,139
	10,976	10,448	10,579	10,854	12,276	10,895
	6,576	5,355	4,969	5,263	5,637	5,407
	23,620	23,400	26,233	25,515	30,558	30,086
	6,588	3,935	4,823	5,139	5,337	10,934
	31,199	27,742	27,165	26,548	26,634	23,596
	85,595	81,993	80,239	79,459	78,874	72,806
	1,674	1,597	1,529	1,429	1,451	1,400
	55,078	55,596	52,540	54,187	67,092	73,593
	-	-	-	-	-	-
	-	-	-	-	-	-
	27,650	4,914	4,140	7,784	10,643	13,902
	61,411	49,298	11,985	169	39,396	183,443
	1,086,051	72,000	296,872	8,000	10,281	327
	-	-	-	-	28,965	166,182
	262,406	25,479	19,422	20,555	102,966	137,747
	$ 8,963,426	$ 7,251,724	$ 7,227,429	$ 6,764,008	$ 7,414,279	$ 7,725,070
	23.6%	0.3%	6.9%	-8.8%	-4.0%	3.0%
	33.6%	39.1%	41.0%	47.9%	43.4%	39.1%
	20.4	23.2	17.5	17.0	17.7	19.2
	7.0	8.6	9.8	6.3	8.9	9.7
	8.4	9.7	9.8	11.1	10.5	9.7
	7.3	8.9	9.1	8.3	8.6	8.1
	0.7	0.7	0.2	0.0	0.5	2.4
	12.1	1.0	4.1	0.1	0.1	0.0
	0.0	0.0	0.0	0.0	0.4	2.2
	4.0	4.6	4.5	4.8	4.4	3.9
	0.6	0.8	0.7	0.8	0.9	1.0
	5.9	3.4	3.3	3.7	4.6	4.7
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUND BALANCE
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2016-17	2015-16	2014-15	2013-14
GENERAL PURPOSE:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ -
Noncurrent Assets	-	-	-	-
Statutory Purposes	-	-	-	-
Risk Management	-	-	-	-
Unreserved Undesignated:				
General Fund	-	-	-	-
Unreserved:				
General Fund	-	-	-	-
Nonspendable:				
Inventories	8,503	7,522	8,894	8,721
Prepaids	39,348	37,977	40,971	38,535
Restricted	442,249	497,814	398,948	468,758
Committed	646,700	513,986	705,844	411,362
Assigned	17,218	19,283	20,731	7,651
Unassigned	-	-	-	-
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	1,154,018	1,076,582	1,175,388	935,027
ALL OTHER GOVERNMENTAL FUNDS:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ -
Noncurrent Assets	-	-	-	-
Debt Service	-	-	-	-
Statutory Purposes	-	-	-	-
Emergencies	-	-	-	-
Funds Reported as Restricted	-	-	-	-
Unreserved, Reported in:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Nonmajor Special Revenue Funds	-	-	-	-
Nonmajor Permanent Funds	-	-	-	-
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	-	-	-	-
Reported in Nonmajor Special Revenue Funds	-	-	-	-
Reported in Nonmajor Permanent Funds	-	-	-	-
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	-	19,171	-	-
Inventories	44,779	45,026	44,436	43,681
Permanent Fund Principal	1,122,480	1,043,619	971,676	868,383
Prepaids	27,686	25,298	25,849	29,365
Restricted	1,336,625	1,582,619	1,942,973	2,546,717
Committed	2,677,915	2,817,110	2,686,468	2,310,902
Assigned	-	-	-	-
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	5,209,485	5,532,843	5,671,402	5,799,048
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	$ 6,363,503	$ 6,609,425	$ 6,846,790	$ 6,734,075

[1] – This amount results from a $458.1 million year-end transfer into the General Fund from various cash funds to prevent a deficit fund balance.
[2] – The implementation of Governmental Accounting Standards Board Statement No. 54 in Fiscal Year 2010-11 resulted in a significant change in the State's fund balance classifications.

2012-13	2011-12	2010-11[2]	2009-10	2008-09	2007-08
$ -	$ -	$ -	$ 5,721	$ 2,195	$ 16,487
-	-	-	-	1	7
-	-	-	-	148,212	151,721
-	-	-	23,031	18,650	35,559
-	-	-	(30,822)	155,436 [1]	-
-	-	-	17,854	10,939	3,639
9,931	6,942	8,742			
22,654	24,175	33,009			
487,161	503,449	542,997			
279,352	331,419	39,458			
7	20	109			
-	359,421	(21,468)			
-	-	-	28,752	169,058	203,774
-	-	-	(12,968)	166,375	3,639
799,105	1,225,426	602,847	15,784	335,433	207,413

$ -	$ -	$ -	$ 1,052,572	$ 1,043,396	$ 966,477
-	-	-	584,828	515,062	425,830
-	-	-	4,093	558	558
-	-	-	325,463	40,921	109,322
-	-	-	94,000	93,550	93,000
-	-	-	1,151,448	1,445,739	1,902,755
-	-	-	-	-	-
-	-	-	57,148	53,498	54,676
-	-	-	(35,611)	54,687	134,470
-	-	-	1,302,178	1,117,248	1,391,483
-	-	-	10,586	8,500	2,326
-	-	-	34,487	30,327	13,385
-	-	-	40,778	23,719	8,751
-	-	-	38,541	22,875	1,571
-	-	-	-	-	-
44,262	8,690	9,839			
760,160	737,239	658,883			
32,697	28,665	21,540			
2,783,009	1,673,490	1,988,088			
1,680,986	1,619,397	1,560,775			
-	-	-	-	-	-
-	-	-	3,212,404	3,139,226	3,497,942
-	-	-	1,448,107	1,310,854	1,606,662
5,301,114	4,067,481	4,239,125	4,660,511	4,450,080	5,104,604
-	-	-	3,241,156	3,308,284	3,701,716
-	-	-	1,435,139	1,477,229	1,610,301
$ 6,100,219	$ 5,292,907	$ 4,841,972	$ 4,676,295	$ 4,785,513	$ 5,312,017

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)	Unaudited 2016-17	Restated 2015-16	Restated 2014-15	Restated 2013-14
DISTRICT REVENUES:				
Exempt District Revenues	$ 17,784,588	$ 18,170,415	$ 16,980,420	$ 16,833,308
Nonexempt District Revenues	12,891,657	12,824,408	12,530,772	11,683,130
TOTAL DISTRICT REVENUES	30,676,245	30,994,823	29,511,192	28,516,438
Percent Change In Nonexempt District Revenues	0.5%	2.3%	7.3%	5.3%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	17,784,588	18,170,415	16,980,420	16,833,308
Nonexempt District Expenditures	13,251,437	13,076,457	12,237,753	11,008,327
TOTAL DISTRICT EXPENDITURES	31,036,025	31,246,872	29,218,173	27,841,635
Percent Change In Nonexempt District Expenditures	1.3%	6.9%	11.2%	1.4%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ (359,780)	$ (252,049)	$ 293,019	$ 674,803
FISCAL YEAR SPENDING LIMIT				
Prior Fiscal Year Spending Limitation	$ 10,427,606	$ 9,976,946	$ 9,566,586	$ 9,247,466
Adjustments To Prior Year Limit[1]	10,480	(45,595)	(962)	(152)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	10,438,086	9,931,351	9,565,624	9,247,314
Allowable Growth Rate (Population Plus Inflation)	3.1%	4.4%	4.3%	3.3%
Current Fiscal Year Spending Limitation	10,761,667	10,368,330	9,976,946	9,552,475
Adjustments To Current Year Limit	-	59,276	0	14,111
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	10,761,667	10,427,606	9,976,946	9,566,586
EXCESS STATE REVENUE CAP (ESRC)[2]	13,327,811	12,946,499	12,361,032	11,852,383
NONEXEMPT DISTRICT REVENUES	12,891,657	12,824,408	12,530,772	11,683,130
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	2,129,990	2,396,802	2,553,826	2,116,544
Amount Over(Under) Excess State Revenue Cap	(436,154)	(122,091)	169,740	(169,253)
Correction Of Prior Years' Refunds			3,606	-
Voter Approved or Statutory Retention of Excess Revenue	-	-	-	-
FISCAL YEAR REFUND	$ -	$ -	$ 173,346	$ -

[1] – Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activity's revenues and expenditures are no longer shown in the district amounts.

[2] – Beginning in Fiscal Year 2010-11, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
$ 16,446,833	$ 15,017,772	$ 15,532,632	$ 16,056,039	$ 14,496,192	$ 12,126,729
11,107,341	10,273,184	9,424,764	8,567,941	9,102,354	9,998,559
27,554,174	25,290,956	24,957,396	24,623,980	23,598,546	22,125,288
8.1%	9.0%	10.0%	-5.9%	-9.0%	3.7%
16,162,555	15,017,772	15,532,632	16,056,039	14,496,192	12,126,729
10,548,250	9,791,616	9,330,892	8,638,571	10,168,409	9,533,890
26,710,805	24,809,388	24,863,524	24,694,610	24,664,601	21,660,619
7.7%	4.9%	8.0%	-15.0%	6.7%	7.8%
$ 843,369	$ 481,568	$ 93,872	$ (70,630)	$ (1,066,055)	$ 464,670
$ 8,799,754	$ 8,654,192	$ 8,567,941	$ 9,102,354	$ 8,829,131	$ 8,333,827
(27,952)	(26,982)	(16,368)	(422,016)	(10,365)	(1,054)
8,771,802	8,627,210	8,551,573	8,680,338	8,818,766	8,332,773
5.4%	2.0%	1.2%	5.8%	4.1%	5.5%
9,245,479	8,799,754	8,654,192	9,183,797	9,180,336	8,791,075
1,987	-	-	-	23,505	38,056
9,247,466	8,799,754	8,654,192	9,183,797	9,203,841	8,829,131
11,460,242	10,871,425	10,684,856			
11,107,341	10,273,184	9,424,764	8,567,941	9,102,354	9,998,559
1,859,875	1,473,430	770,572	(615,856)	(101,488)	1,169,428
(352,901)	(598,242)	(1,260,092)			
-	-	-	-	-	-
-	-	-	-	-	1,169,428
$ -	$ -	$ -	$ -	$ -	$ -

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
2005 to 2014
(NUMBER OF RETURNS, PERCENT OF NET INCOME TAX REVENUE)

	2014[2]		2013[2]		2012		2011	
	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
ADJUSTED GROSS INCOME CLASS								
Negative Income	20,745	0.0%	20,745	0.0%	27,782	0.0%	29,544	0.0%
$0 to $5,000	75,579	0.0%	75,579	0.0%	71,367	0.0%	75,051	0.0%
$5,001 to $10,000	116,468	0.0%	116,468	0.0%	107,200	0.0%	110,088	0.0%
$10,001 to $15,000	143,151	0.2%	143,151	0.2%	134,062	0.2%	136,559	0.2%
$15,001 to $20,000	147,443	0.6%	147,443	0.6%	142,158	0.6%	144,355	0.6%
$20,001 to $25,000	142,264	1.0%	142,264	1.0%	135,486	0.8%	138,462	1.0%
$25,001 to $35,000	253,592	3.1%	253,592	3.1%	246,822	2.7%	247,916	3.0%
$35,001 to $50,000	288,777	6.2%	288,777	6.2%	282,264	5.5%	281,297	6.1%
$50,001 to $75,000	324,317	11.6%	324,317	11.6%	316,737	10.2%	314,902	11.3%
$75,001 to $100,000	214,588	11.8%	214,588	11.8%	213,250	10.6%	209,322	11.6%
$100,000 and Over	411,071	65.5%	411,071	65.5%	410,924	69.4%	382,180	66.2%
TOTAL	2,137,995	100.0%	2,137,995	100.0%	2,088,052	100.0%	2,069,676	100.0%

Source: Colorado Department of Revenue

[1] – Returns and taxes generated by taxpayers claimed as dependents are excluded from this data.
[2] – Distribution analysis is done after the end of the late filing period and this is the most current data available from the Department of Revenue.

SALES TAX RETURNS
BY INDUSTRY CLASS
2006 to 2015
(NUMBER OF RETURNS, PERCENT OF NET SALES TAX REVENUE)

	2015[1]		2014		2013		2012	
	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
INDUSTRY CLASS								
Agriculture, Forestry, & Fisheries	6,122	0.1%	6,300	0.1%	6,290	0.1%	6,112	0.1%
Mining	14,321	2.8%	13,770	2.9%	13,580	2.2%	13,670	2.0%
Public Utilities	17,310	2.7%	16,375	3.0%	17,096	3.1%	17,899	3.9%
Construction Trades	64,553	1.7%	55,275	1.5%	56,156	1.4%	56,937	1.2%
Manufacturing	204,113	5.2%	191,868	5.2%	196,833	5.1%	192,407	4.9%
Wholesale Trade	160,778	6.0%	150,726	5.9%	150,624	5.8%	148,072	5.6%
Retail Trade	714,268	51.4%	660,504	51.4%	682,237	51.8%	684,797	51.5%
Transportation & Warehousing	6,805	0.3%	6,355	0.3%	5,986	0.3%	5,876	0.2%
Information Producers/Distributors	349,039	4.5%	327,070	4.9%	326,062	5.2%	320,218	5.4%
Finance & Insurance	66,316	0.7%	71,241	0.7%	78,833	0.7%	76,887	0.8%
Real Estate, Rental, & Leasing Services	178,386	3.7%	157,759	3.5%	152,922	3.3%	151,893	3.2%
Professional, Scientific, & Technical Services	130,689	1.3%	125,414	1.4%	134,195	1.5%	135,037	1.7%
Bus. Admin., Support, Waste/Remediation Services	52,471	0.6%	47,551	0.5%	47,193	0.5%	45,392	0.6%
Educational Services	8,508	0.1%	9,103	0.1%	10,344	0.2%	10,880	0.2%
Health Care & Social Assistance Services	20,155	0.2%	21,087	0.2%	21,545	0.2%	23,416	0.2%
Arts, Entertainment, & Recreation Services	22,730	0.6%	20,945	0.6%	23,024	0.6%	24,063	0.6%
Hotel & Other Accommodation Services	30,508	3.9%	28,390	3.8%	29,733	3.7%	30,484	3.7%
Food & Drinking Services	158,789	11.9%	150,446	11.8%	163,045	12.0%	168,673	11.9%
Other Personal Services	117,059	2.2%	110,531	2.1%	117,712	2.2%	118,080	2.2%
Government Services	2,153	0.1%	2,052	0.1%	2,169	0.1%	2,150	0.1%
TOTAL	2,325,073	100.0%	2,172,762	100.0%	2,235,579	100.0%	2,232,943	100.0%

Source: Colorado Department of Revenue

[1] – Data for 2016 is not available as of the date of publication.

2010		2009		2008		2007		2006		2005	
# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
30,444	0.0%	33,536	0.0%	23,480	0.0%	24,376	0.0%	23,376	0.0%	23,916	0.0%
75,736	0.0%	82,340	0.0%	76,617	0.0%	81,028	0.0%	72,400	0.0%	76,547	0.0%
115,075	0.0%	119,531	0.0%	112,812	0.0%	109,819	0.0%	108,412	0.0%	112,703	0.0%
140,054	0.2%	139,504	0.3%	130,686	0.3%	125,816	0.2%	127,061	0.3%	128,661	0.3%
144,469	0.6%	143,006	0.7%	139,486	0.8%	134,806	0.6%	134,933	0.8%	134,643	0.8%
141,184	1.1%	139,626	1.2%	135,930	1.3%	131,969	0.6%	130,926	1.3%	130,647	1.4%
248,319	3.3%	245,832	3.7%	248,979	4.1%	243,919	3.3%	240,034	3.8%	236,285	4.1%
278,127	6.5%	278,767	7.2%	285,209	7.8%	278,843	6.3%	272,040	7.2%	267,939	7.6%
311,671	12.0%	311,321	13.3%	318,161	14.0%	313,367	11.4%	302,778	12.9%	295,028	13.6%
204,879	12.2%	199,941	13.3%	202,834	13.9%	200,847	11.4%	189,359	12.5%	179,635	13.0%
354,393	64.1%	319,821	60.3%	317,476	57.8%	330,337	66.2%	290,548	61.2%	256,424	59.2%
2,044,351	100.0%	2,013,225	100.0%	1,991,670	100.0%	1,975,127	100.0%	1,891,867	100.0%	1,842,428	100.0%

COLORADO TAX RATES[1]
2007 to 2017

Income Tax Rate	Sales Tax Rate
4.63%	2.90%

Source: Colorado Department of Revenue

[1] – Tax rates can be lowered by the General Assembly, but cannot be raised without a vote of the people. Tax rates have remained unchanged since 2001, when Sales Tax was reduced from 3.0 percent to 2.9 percent.

2011		2010		2009		2008		2007		2006	
# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
4,995	0.1%	3,787	0.1%	3,595	0.1%	3,653	0.1%	3,632	0.1%	3,808	0.1%
9,775	1.7%	5,543	1.4%	5,324	1.9%	4,491	1.9%	4,104	1.7%	3,775	1.4%
14,073	3.9%	10,177	3.6%	9,721	3.5%	9,517	3.9%	8,725	3.0%	7,904	3.1%
45,046	1.2%	33,065	1.1%	31,811	1.3%	31,949	1.5%	30,929	1.5%	32,291	1.6%
152,038	4.7%	96,062	4.2%	88,504	4.7%	84,393	4.8%	87,475	4.9%	85,822	4.8%
112,066	5.8%	72,331	5.7%	72,914	6.6%	72,432	6.7%	74,498	6.7%	78,156	6.8%
542,876	51.5%	385,914	51.8%	385,320	49.5%	395,100	49.9%	399,395	51.5%	409,029	52.2%
4,616	0.2%	3,831	0.2%	3,916	0.3%	4,014	0.3%	4,733	0.3%	5,346	0.4%
264,926	5.6%	167,660	6.3%	171,984	6.3%	174,348	5.9%	170,488	5.8%	163,953	5.8%
59,750	0.8%	35,443	1.4%	35,103	1.4%	33,499	1.5%	34,308	1.2%	37,478	1.0%
123,870	3.3%	84,376	3.4%	82,509	3.7%	79,541	3.8%	71,969	3.8%	72,110	3.7%
106,421	1.8%	64,231	1.5%	64,002	1.6%	65,592	1.6%	66,352	1.8%	71,590	1.8%
35,700	0.6%	24,102	0.6%	24,615	0.7%	23,401	0.7%	23,014	0.7%	23,497	0.6%
8,674	0.2%	5,914	0.2%	6,068	0.2%	6,526	0.2%	5,566	0.2%	5,136	0.2%
19,084	0.2%	16,018	0.2%	15,572	0.2%	13,013	0.2%	12,233	0.2%	12,290	0.2%
21,477	0.6%	17,230	0.6%	17,301	0.6%	17,391	0.6%	17,196	0.6%	16,957	0.6%
24,183	3.6%	21,282	3.5%	21,153	3.6%	21,221	3.6%	20,995	3.5%	20,717	3.3%
143,273	11.8%	130,911	11.8%	129,780	11.4%	129,123	10.5%	125,682	10.2%	121,234	10.0%
101,431	2.2%	86,316	2.2%	86,861	2.3%	86,647	2.2%	85,361	2.1%	85,499	2.1%
2,731	0.2%	6,290	0.2%	5,655	0.1%	6,044	0.1%	7,445	0.2%	10,479	0.3%
1,797,005	100.0%	1,270,483	100.0%	1,261,708	100.0%	1,261,895	100.0%	1,254,100	100.0%	1,267,071	100.0%

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2016-17	RESTATED 2015-16	2014-15	2013-14
DEBT SERVICE EXPENDITURES:				
Principal	$ 177,925	$ 210,390	$ 194,818	$ 184,106
Interest	60,781	69,729	74,689	77,005
TOTAL DEBT SERVICE EXPENDITURES	$ 238,706	$ 280,119	$ 269,507	$ 261,111
Percent Change Over Previous Year	-14.8%	3.9%	3.2%	5.9%
TOTAL NONCAPITAL EXPENDITURES	21,788,949	22,034,812	20,480,883	19,001,514
TOTAL CAPITAL EXPENDITURES	1,222,662	1,078,383	1,194,596	664,762
TOTAL GOVERNMENTAL EXPENDITURES	23,011,611	23,113,195	21,675,479	19,666,276
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.8%	1.0%	1.0%	0.9%
Interest	0.3%	0.3%	0.4%	0.4%
Total Debt Service Expenditures	1.1%	1.3%	1.3%	1.4%

TOTAL OUTSTANDING DEBT[1,2,4]
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2016-17	2015-16	2014-15	2013-14
Governmental Activities:				
Revenue Backed Debt	$ -	$ 127,925	$ 289,789	$ 443,881
Certificates of Participation	1,302,382	1,205,172	1,227,828	1,267,869
Capital Leases	142,153	150,665	172,329	174,996
Notes and Mortgages	11,115	13,205	15,250	17,385
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,455,650	1,496,967	1,705,196	1,904,131
Business-Type Activities:				
Revenue Backed Debt	4,391,056	4,320,596	4,242,726	3,967,023
Certificates of Participation	346,769	372,661	399,231	403,761
Capital Leases	49,891	57,126	54,281	42,192
Notes and Mortgages	61,397	53,968	28,317	4,810
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,849,113	4,804,351	4,724,555	4,417,786
Total Primary Government:				
Revenue Backed Debt	4,391,056	4,448,521	4,532,515	4,410,904
Certificates of Participation	1,649,151	1,577,833	1,627,059	1,671,630
Capital Leases	192,044	207,791	226,610	217,188
Notes and Mortgages	72,512	67,173	43,567	22,195
TOTAL OUTSTANDING DEBT[1]	$ 6,304,763	$ 6,301,318	$ 6,429,751	$ 6,321,917
Percent Change Over Previous Year	0.1%	-2.0%	1.7%	3.3%
Colorado Population (In Thousands) Restated for Census	5,541	5,439	5,345	5,268
Per Capita Debt (Dollars Per Person) Restated for Census	$1,138	$1,159	$1,203	$1,200
Per Capita Income (Thousands Per Person)	$52.1	$50.3	$48.8	$46.9
Per Capita Debt as a Percent of Per Capita Income	2.2%	2.3%	2.5%	2.6%

1 – General Obligation Debt is prohibited by the State Constitution except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.

2 – Colorado State Constitution requires multiple year obligations to be approved by voters; therefore, there is no specific legal debt limitation.

2012-13	2011-12	2010-11	2009-10	RESTATED 2008-09	2007-08
$ 163,939	$ 150,690	$ 124,993	$ 116,083	$ 109,801	$ 104,924
82,660	85,586	82,829	77,919	78,719	102,652
$ 246,599	$ 236,276	$ 207,822	$ 194,002	$ 188,520	$ 207,576
4.4%	13.7%	7.1%	2.9%	-9.2%	-2.5%
17,329,054	16,470,142	16,654,138	16,566,769	15,448,232	14,196,496
653,157	726,501	631,546	478,179	359,518	242,572
17,982,211	17,196,643	17,285,684	17,044,948	15,807,750	14,439,068
0.9%	0.9%	0.7%	0.7%	0.7%	0.7%
0.5%	0.5%	0.5%	0.5%	0.5%	0.7%
1.4%	1.4%	1.2%	1.2%	1.2%	1.4%

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
$ 574,147	$ 739,138	$ 869,282	$ 992,436	$ 1,106,973	$ 1,216,006
1,192,193	1,018,456	897,632	689,973	162,053	172,864
151,010	121,429	107,588	97,130	91,813	60,031
19,220	19,369	-	515,000	515,000	460,000
1,936,570	1,898,392	1,874,502	2,294,539	1,875,839	1,908,901
3,724,951	3,753,617	2,762,166	2,306,693	3,551,588	3,325,690
403,603	420,951	430,537	432,698	446,656	210,150
41,728	39,038	48,416	83,374	93,773	93,374
3,522	7,353	3,503	43,925	4,771	6,211
4,173,804	4,220,959	3,244,622	2,866,690	4,096,788	3,635,425
4,299,098	4,492,755	3,631,448	3,299,129	4,658,561	4,541,696
1,595,796	1,439,407	1,328,169	1,122,671	608,709	383,014
192,738	160,467	156,004	180,504	185,586	153,405
22,742	26,722	3,503	558,925	519,771	466,211
$ 6,110,374	$ 6,119,351	$ 5,119,124	$ 5,161,229	$ 5,972,627	$ 5,544,326
-0.1%	19.5%	-0.8%	-13.6% [3]	7.7%	8.5%
5,273	5,188	5,118	5,048	4,972	4,890
$1,159	$1,180	$1,000	$1,022	$1,201	$1,134
$46.1	$46.3	$44.2	$41.7	$41.5	$43.4
2.5%	2.6%	2.3%	2.5%	2.9%	2.6%

[3] – Decline was related to the CollegeInvest sale and retirement of bonds previously issued to support purchase and origination of student loans.
[4] – Beginning in Fiscal Year 2013-14 debt liabilities are not offset by unamortized refunding gains or losses. With GASB Statement No. 65, these balances became deferred inflows and or outflows.

REVENUE BOND COVERAGE[1]
Last Ten Fiscal Years
(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
2016-17	$ -	$ -	$ -	$ -	$ -	$ -	0.00
2015-16	1,566,285	1,437,505	128,780	126,100	2,680	128,780	1.00
2014-15	1,358,950	1,191,461	167,489	157,220	10,269	167,489	1.00
2013-14	1,240,588	1,073,259	167,329	147,225	20,104	167,329	1.00
2012-13	1,204,153	1,037,025	167,128	132,105	35,023	167,128	1.00
2011-12	1,105,452	938,787	166,665	125,265	41,400	166,665	1.00
2010-11	1,162,586	994,596	167,990	119,385	48,605	167,990	1.00
2009-10	1,104,185	936,194	167,991	113,300	54,691	167,991	1.00
2008-09	980,992	813,000	167,992	107,795	60,197	167,992	1.00
2007-08	167,989	-	167,989	102,475	65,514	167,989	1.00
Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance [2]							
2016-17	$ 109,927	$ -	$ 109,927	$ -	$ 18,234	$ 18,234	6.03
2015-16	231,775	-	231,775	124,965	20,546	145,511	1.59
2014-15	363,612	-	363,612	249,925	24,857	274,782	1.32
2013-14	486,250	-	486,250	374,885	30,620	405,505	1.20
2012-13	608,493	-	608,493	499,845	40,965	540,810	1.13
2011-12	240,822	-	240,822	-	18,234	18,234	13.21
2010-11	74,280	-	74,280	-	8,408	8,408	8.83
2008-09	200,753	34,107	166,646	24,000	17,126	41,126	4.05
2007-08	351,308	126,788	224,520	155	41,492	41,647	5.39
Higher Education Institutions							
2016-17	$ 2,170,616	$ 618,649	$ 1,551,967	$ 117,118	$ 160,835	$ 277,953	5.58
2015-16	1,984,082	455,553	1,528,529	103,957	157,999	261,956	5.84
2014-15	1,250,735	579,200	671,535	107,878	152,923	260,801	2.57
2013-14	1,170,939	557,627	613,312	94,581	138,121	232,702	2.64
2012-13	1,122,003	537,630	584,373	80,330	131,356	211,686	2.76
2011-12	1,093,528	507,761	585,767	69,992	114,914	184,906	3.17
2010-11	1,025,079	487,781	537,298	64,345	110,488	174,833	3.07
2009-10	947,626	477,126	470,500	46,650	85,723	132,373	3.55
2008-09	846,389	450,057	396,332	40,965	69,195	110,160	3.60
2007-08	793,013	420,908	372,105	36,940	58,466	95,406	3.90

[1] – Pledged revenues supporting the Governmental Funds TRANs include primarily federal grants under agreement with the Federal Highway Administration (FHWA). Before Fiscal Year 2009-10, pledged revenue also included a portion of sales and use tax revenues of the General Fund diverted to the Highway Users Tax Fund and the Highway Users Tax Fund revenues. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, were primarily student loan repayment amounts at CollegeInvest, which were used to make the required debt service payments. CollegeInvest's loan portfolio was sold in Fiscal Year 2009-10 and related bonds were sold or redeemed. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition. Pledged revenues supporting Unemployment Insurance bonds are from assessments on employers.

[2] – At the close of Fiscal Year 2009-10, neither CollegeInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported. In Fiscal Year 2011-12, Unemployment Insurance issued revenue bonds requiring pledged revenues.

COLORADO DEMOGRAPHIC DATA
2008 to 2017

Year	Population (000)	Percentage Share of U.S. Population	Total Personal Income (Billions)	Per Capita Personal Income (Dollars)	% of U.S. Per Capita Income	Employ-ment (000)	Unemploy-ment %
2017 est	5,632	1.73%	$ 304.0	$ 53,978	106.5%	2,992	2.4%
2016	5,541	1.71	288.4	52,059	105.6	2,888	3.5
2015	5,439	1.69	273.8	50,343	105.6	2,719	3.9
2014	5,345	1.67	261.0	48,831	106.3	2,675	5.0
2013	5,268	1.67	247.1	46,900	104.8	2,591	6.8
2012	5,189	1.65	240.3	46,310	104.8	2,542	7.9
2011	5,118	1.64	226.1	44,177	104.4	2,507	8.3
2010	5,048	1.63	210.5	41,700	103.9	2,486	8.7
2009	4,972	1.62	206.4	41,512	105.4	2,524	7.3
2008	4,890	1.61	212.1	43,374	106.1	2,585	4.8

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment, State Demographer for the 2012 population estimate.

COLORADO EMPLOYMENT[1,2]
BY INDUSTRY
2008 to 2017
(AMOUNTS IN THOUSANDS)

Industry	2017 est	2016	2015 est	2014	2013	2012	2011	2010	2009	2008
Natural Resources and Mining	23.0	23.2	31.1	34.1	30.6	30.3	27.9	24.4	24.2	28.5
Construction	166.0	157.0	149.5	142.2	127.5	115.8	112.5	115.1	131.3	161.8
Manufacturing	146.0	143.7	141.4	136.6	132.8	130.9	128.1	124.2	128.0	142.3
Transportation, Trade, and Utilities	461.8	454.7	445.3	432.9	420.2	409.7	401.7	397.6	403.8	429.3
Information	72.5	71.4	70.7	70.3	69.8	69.8	71.4	72.0	74.7	76.8
Financial Activities	169.4	164.1	159.5	153.9	151.0	146.7	143.9	144.3	148.0	155.6
Professional and Business Services	413.2	404.0	397.5	386.5	372.6	356.9	341.5	330.8	331.8	353.7
Educational and Health Services	335.6	325.0	312.9	298.9	286.7	282.6	273.7	264.7	257.2	250.5
Leisure and Hospitality	336.1	324.1	313.3	300.4	289.4	279.7	271.4	263.0	262.4	272.9
Other Services	107.6	105.2	103.0	100.7	97.7	96.0	93.7	92.4	93.7	94.8
Government	428.4	423.7	416.7	408.5	403.7	394.8	392.9	393.8	390.5	384.1
Total	2,659.6	2,596.1	2,540.9	2,465.0	2,382.0	2,313.2	2,258.7	2,222.3	2,245.6	2,350.3

Source: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

[1] – Provided in lieu of information regarding Colorado's principal employers because employer data could not be obtained.

[2] – Excludes nonagricultural self-employed, unpaid family, and domestic workers.

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE
Last Ten Years
(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2017 est	$ 9,683	$ 5,400	$ 2,800	$ 17,883
2016	8,629	4,900	2,800	16,329
2015	7,489	4,621	3,150	15,260
2014	6,480	4,239	2,319	13,038
2013	7,089	3,610	3,680	14,379
2012	5,368	3,675	3,329	12,372
2011	3,363	3,932	2,289	9,584
2010	2,903	2,967	2,214	8,084
2009	2,501	3,126	1,648	7,275
2008	4,042	4,117	2,542	10,701

Source: Department of Census, F.W. Dodge Company, Division of McGraw-Hill, Colorado Contractors Association, and Colorado Business Economic Outlook Committee.

COLORADO SALES AND GROSS FARMING REVENUES
Last Ten Years
(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2017 est	$ 90.50	$ 7.14
2016	86.70	7.24
2015	83.40	8.79
2014	79.50	9.08
2013	74.10	8.55
2012	70.70	8.34
2011	66.70	8.48
2010	62.30	7.08
2009	58.30	6.91
2008	66.50	6.98

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.

DEMAND DRIVERS OF THE PRIMARY GOVERNMENT[1]
BY FUNCTIONS/PROGRAMS
Last Ten Years[2]

	2017	2016	2015	2014
GOVERNMENTAL ACTIVITIES:				
General Government:				
Funds	848	815	719	638
Employees (calculated Average Employment)	74,253	72,483	72,369	70,823
Balance in Treasury Pool (in millions)	$6,852.0	$7,413.7	$7,683.2	$7,047.8
Business, Community, and Consumer Affairs:				
Professional Licenses at Regulatory Agencies	829,350	813,639	789,643	750,306
Unemployment Rate (percent) [4]	2.4	3.3	4.3	5.5
Employment Level [4]	2,919,787	2,808,506	2,716,981	2,691,680
Education:				
Public Schools	1,833	1,853	1,836	1,824
Primary School Students	905,018	899,112	889,006	876,999
Health and Rehabilitation:				
Average Daily Population of Mental Health Institutes [3]	543	545	545	486
Average Daily Population of Regional Centers [3,5]	260	266	272	288
Justice:				
District Court Cases Filed [3]	225,438	216,970	231,188	289,965
County Court Cases Filed [3]	425,947	430,398	446,255	493,341
Inmate Admissions	8,851	9,912	9,912	9,620
Inmate Releases	9,844	10,269	10,269	10,506
Average Daily Inmate Population	20,179	20,478	20,478	20,551
Citations Issued by the State Patrol	144,612	128,142	145,790	140,640
Crashes Covered by the State Patrol	30,254	25,541	30,463	29,163
Natural Resources:				
Active Oil and Gas Wells [3]	54,600	52,600	52,300	50,350
Oil and Gas Drilling Permits [3]	4,620	3,725	4,333	4,300
Annual State Park Visitors [3]	14,800,000	12,300,000	11,699,543	11,556,388
Water Loans	328	312	294	289
Social Assistance:				
Medicaid Recipients [3]	1,385,945	1,289,795	1,003,612	809,452
Average Cash Assistance Payments per Month [3]	960,100	286,611	63,646	65,208
Transportation:				
Lane Miles	22,984,731	23,018,184	23,018,184	23,021,500
Bridges	3,455	3,427	3,439	3,443
BUSINESS-TYPE ACTIVITIES:				
Higher-Education:				
Resident Students [3]	142,180	145,769	150,073	155,748
Nonresident Students [3]	32,884	30,869	29,305	28,580
Unemployment Insurance:				
Individuals Served - Employment and Training [3]	425,253	469,274	553,258	552,303
Initial Unemployment Claims [3]	129,887	152,658	157,161	199,007
CollegeInvest:[7]				
Loans Issued or Purchased	-	-	-	-
Average Balance per Loan	-	-	-	-
Lottery:				
Scratch Tickets Sold	84,041,528	87,433,955	89,637,387	89,961,317
Lotto Tickets Sold	30,609,106	27,422,320	29,837,628	33,809,181
Powerball Tickets Sold	29,860,519	47,427,269	29,581,783	35,134,907
Other Lottery Tickets Sold	54,533,766	29,682,863	50,521,072	56,956,625
Wildlife:				
Hunting & Fishing Licenses Sold [3]	1,700,000	1,600,000	2,300,000	2,300,000
College Assist:				
Guaranteed Loans - In State	-	-	-	-
Guaranteed Loans - Out of State	-	-	-	-

Source: JBC Budget in Brief and various State departments.

[1] – All amounts are counts, except where dollars or percentages are indicated.

[2] – Data is presented by either fiscal year or calendar year based on availability of information.

[3] – Data represents estimates from budgetary documents and is not adjusted to actual.

[4] – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.

Restated 2013	Restated 2012	Restated 2011	2010	2009	2008
634	626	616	601	593	556
68,898	67,871	66,691	65,325	64,535	61,915
$7,106.9	$6,546.6	$6,076.2	$5,902.0	$5,663.2	$6,159.4
729,328	705,205	703,695	702,498	679,836	640,332
6.8	7.8	8.5	9.0	8.1	4.8
2,595,837	2,523,535	2,490,004	2,475,831	2,511,189	2,599,724
1,823	1,806	1,786	1,817	1,769	1,771
863,561	854,265	843,316	832,368	818,443	802,639
489	501	511	554	569	548
305	302	307	329	378	403
247,696	238,766	190,531	188,822	191,749	199,681
505,234	541,439	562,185	562,570	554,165	579,069
9,597	9,116	9,935	10,704	10,992	11,038
10,506	10,657	10,161	11,033	10,803	10,565
20,812	22,009	22,814	22,980	23,210	22,887
127,939 [6]	130,651	149,015	170,988	170,570	221,544
27,751 [6]	25,554	24,878	24,123	26,159	27,260
47,916	45,300	45,500	45,000	36,000	35,000
5,100	4,800	5,250	5,000	7,400	6,780
12,461,261	12,651,919	12,463,495	11,666,912	13,680,012	11,272,418
277	281	288	278	269	258
687,473	613,148	553,407	476,632	381,390	383,784
65,208	66,472	63,742	58,119	57,200	62,647
23,023,800	23,023,720	23,023,070	22,982,320	23,060,630	23,036,480
3,438	3,447	3,447	3,447	3,429	3,406
159,206	160,944	160,160	146,531	136,900	135,275
27,536	26,934	26,225	24,869	23,166	22,069
636,977	585,724	615,548	652,570	350,000	300,000
228,634	302,418	389,769	408,644	120,074	119,561
-	-	-	-	268,745 [7]	239,060
-	-	-	-	6,326 [7]	6,328
94,109,256	99,988,581	98,545,733	99,657,606	104,217,790	101,604,127
32,561,865	33,276,914	39,257,585	41,620,408	43,552,521	41,071,837
67,690,312	64,285,665	70,047,258	101,568,085	100,733,520	109,565,516
47,690,502	65,916,303	50,464,834	26,833,674	20,831,732	19,148,564
2,315,000	2,333,000	1,380,000	1,630,000	2,300,000	1,545,659
-	-	61,076 [8]	107,402	115,486	140,232
-	-	4,961 [8]	41,616	47,892	18,859

[5] – This represented Regional Center Residential Beds.

[6] – Calendar data through October 31, 2014.

[7] – CollegeInvest sold its loan portfolio during Fiscal Year 2009-10 due to a statutory change resulting from a change in the federal program

[8] – In Fiscal Year 2010-11, College Assist's Guaranteed Loans for In-State student decreased due to increased participation by State institutions in the federal direct lending program.

AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION AND AVERAGE MONTHLY EMPLOYEE SALARY
Last Ten Fiscal Years

	2016-17	2015-16	2014-15	2013-14
General Government	3,238	3,102	3,005	3,092
Business, Community, and Consumer Affairs	2,757	2,451	2,441	2,482
Education	43,762	42,494	42,767	41,501
Health and Rehabilitation	4,122	4,023	4,007	3,990
Justice	14,076	13,974	13,760	13,416
Natural Resources	1,619	1,623	1,599	1,579
Social Assistance	1,661	1,810	1,766	1,731
Transportation	3,018	3,006	3,024	3,032
TOTAL AVERAGE EMPLOYMENT	74,253	72,483	72,369	70,823
TOTAL CLASSIFIED	31,159	31,102	31,246	31,284
AVERAGE MONTHLY SALARY	$ 4,554	$ 4,539	$ 4,502	$ 4,391
TOTAL NON-CLASSIFIED	43,093	41,381	41,123	39,539
AVERAGE MONTHLY SALARY	$ 6,872	$ 6,691	$ 6,306	$ 6,140

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.

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
2,958	3,042	2,991	2,399	2,454	2,392
2,420	2,404	2,458	2,564	2,437	2,372
40,218	39,097	38,038	37,093	36,042	34,469
3,931	3,953	3,965	4,019	3,944	3,865
13,123	13,149	13,093	12,848	13,000	12,467
1,586	1,597	1,579	1,607	1,587	1,583
1,633	1,605	1,579	1,704	1,671	1,656
3,029	3,024	2,988	3,091	3,400	3,111
68,898	67,871	66,691	65,325	64,535	61,915
31,504	32,449	32,927	32,799	32,820	31,995
$ 4,283	$ 4,314	$ 4,324	$ 4,367	$ 4,390	$ 4,278
37,394	35,422	33,764	32,526	31,715	29,920
$ 5,953	$ 5,840	$ 5,786	$ 5,735	$ 5,723	$ 5,467

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
2007 TO 2016

Mileage Type	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
CenterLine Miles[1]										
Urban	1,510	1,523	1,523	1,385	1,385	1,385	1,389	1,398	1,400	1,398
Rural	7,578	7,580	7,580	7,718	7,720	7,720	7,720	7,748	7,744	7,736
TOTAL CENTERLINE MILES	9,088	9,103	9,103	9,103	9,105	9,105	9,109	9,146	9,144	9,134
Percent Change	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	0.0%	0.1%	-0.3%
Lane Miles[2]										
Urban	5,742	5,771	5,771	5,326	5,330	5,330	5,327	5,352	5,238	5,232
Rural	17,242	17,247	17,247	17,688	17,694	17,693	17,654	17,709	17,798	17,767
TOTAL LANE MILES	22,984	23,018	23,018	23,014	23,024	23,023	22,981	23,061	23,036	22,999
Percent Change	-0.1%	0.0%	0.0%	0.0%	0.0%	0.2%	-0.3%	0.1%	0.2%	-0.5%
Roadways[3]										
Percent Rated Good/Fair	79	79	79	79	47	48	48	50	53	59
Percent Rated Poor	21	21	21	21	53	52	52	50	47	41
TOTAL PERCENTAGE	100	100	100	100	100	100	100	100	100	100

Source: Colorado Department of Transportation
[1] – Centerline miles measure roadway miles without accounting for the number of lanes.
[2] – Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.
[3] – In 2013, CDOT changed the overall metric by which pavement condition is measured. The new measure is based on Drivability Life, which identifies how long a pavement will last until the user experience becomes unacceptable. In 2015, the Statewide pavement condition was rated as 82 percent High/Moderate.

COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2008 to 2017

Functional Classification	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Principal Arterial[1]	1,390	1,372	1,377	1,114	1,294	1,303	1,299	1,376	1,368	1,341
Other Principal Arterial	931	930	930	1,199	793	791	785	801	794	795
Minor Arterial	670	666	667	667	747	749	752	759	761	773
Collector	387	383	390	391	443	442	446	431	426	404
Local	77	76	75	72	161	162	165	80	80	93
TOTAL BRIDGES	3,455	3,427	3,439	3,443	3,438	3,447	3,447	3,447	3,429	3,406
Percent Change	0.8%	-0.3%	-0.1%	0.1%	-0.3%	0.0%	0.0%	0.5%	0.7%	-9.8%
Percent Rated Poor[2]	4.90	5.60	5.60	5.70	5.90	3.60	5.53	5.48	5.62	6.21

Source: Colorado Department of Transportation
[1] – Includes interstate, expressways, and freeways.
[2] – In 2013, CDOT changed the overall metric for assessing bridges due to Public Law 112-141. The focus is now on Structurally Deficient bridges. In 2015, CDOT reported 5.4 percent of State owned bridges as Structurally Deficient.

BUILDING SQUARE FOOTAGE OWNED BY THE PRIMARY GOVERNMENT BY FUNCTIONS / PROGRAMS

Last Ten Years

	2017	2016	Restated 2015	2014	2013	Restated 2012	Restated 2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:										
General Government	4,110,351	4,091,577	3,630,949	3,898,443	3,449,893	3,197,325	3,069,547	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affairs[1]	1,253,288	1,117,563	1,260,223	1,462,694	1,091,423	980,198	980,198	980,198	981,809	937,389
Education	322,484	322,484	322,484	327,394	327,394	327,394	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,463,129	1,443,140	1,439,483	1,371,986	1,407,882	1,522,278	1,476,587	1,489,338	1,365,606	1,561,507
Justice	8,763,302	8,743,419	8,633,069	8,797,346	8,170,861	8,428,687	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	105,952	105,952	105,952	105,952	105,952	105,952	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,834,815	1,828,335	1,821,873	1,794,333	1,791,521	1,787,266	1,836,385	1,824,175	1,700,847	1,351,964
Transportation	3,450,675	3,652,382	3,589,835	3,373,967	3,362,781	3,278,758	3,207,047	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:										
Higher Education	55,858,696	54,075,080	52,070,593	50,215,173	49,016,072	48,013,242	47,701,898	46,277,915	44,026,204	41,437,896
Parks and Wildlife	2,811,609	2,811,609	2,811,609	2,811,609	2,811,609	2,811,609	1,131,841	1,109,004	1,065,240	901,526
TOTAL	79,974,301	78,191,541	75,686,070	74,158,897	71,535,388	70,452,709	69,864,089	68,376,172	63,896,558	61,786,769

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

BUILDING SQUARE FOOTAGE LEASED BY THE PRIMARY GOVERNMENT BY FUNCTIONS / PROGRAMS

Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:										
General Government	153,470	153,470	161,533	169,970	200,900	226,201	210,576	276,602	288,210	199,967
Business, Community, and Consumer Affairs[1]	640,803	623,742	597,583	604,185	597,182	575,591	585,944	517,447	515,708	508,439
Education	58,819	53,827	51,749	47,926	47,645	39,804	31,999	28,531	19,440	9,396
Health and Rehabilitation	477,717	473,440	498,721	475,010	473,230	465,649	458,959	455,218	420,272	434,469
Justice	525,493	453,320	343,665	412,286	310,551	321,920	463,506	857,026	868,060	850,185
Natural Resources	78,909	74,016	75,134	91,162	78,937	73,375	81,926	65,735	73,546	49,495
Social Assistance	99,256	99,256	110,867	74,451	61,001	51,404	56,881	55,801	34,459	28,963
BUSINESS-TYPE ACTIVITIES:										
Higher Education	1,404,972	1,309,490	1,303,315	1,613,516	1,530,285	1,536,160	1,358,597	1,199,672	1,243,524	1,294,663
CollegeInvest	9,164	9,597	9,642	11,397	11,397	7,517	8,544	18,983	15,318	15,318
Lottery	67,327	67,327	71,104	71,104	71,104	74,104	66,684	59,915	61,682	61,682
Parks and Wildlife	83,036	76,448	76,448	76,448	76,448	79,112	73,064	73,064	15,267	75,944
College Assist	9,396	10,164	10,246	8,825	8,825	8,825	10,139	12,807	12,807	12,807
TOTAL	3,608,362	3,404,097	3,310,007	3,656,279	3,467,505	3,459,662	3,406,819	3,620,801	3,568,293	3,541,328

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

OTHER COLORADO FACTS

Important Dates

1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.

1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.

1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.

1858 Gold is discovered along Cherry Creek near present day Denver.

1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for "colored red." President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.

1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.

1870 The Denver Pacific Railroad is completed to Denver.

1876 Colorado is admitted to the Union as the 38^{th} state. John L. Routt is elected the first governor.

1877 The University of Colorado opens classes at Boulder with two teachers and forty-four students.

1894 The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of $2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.

1906 The U.S. Mint at Denver issues its first coins.

1958 The U.S. Air Force Academy's permanent campus opens near Colorado Springs.

1992 TABOR amendment is added to the State Constitution.

Geography

Area: 103,718 square miles.

Highest Elevation: Mt Elbert – 14,433 feet above sea level.

Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

State Symbols and Emblems

State Motto – Nil Sine Numine – Nothing Without the Deity

State Nickname – Centennial State

State Animal – Rocky Mountain Bighorn Sheep

State Bird – Lark Bunting

State Fish – Greenback Cutthroat Trout

State Flower – White and Lavender Columbine

State Folk Dance – Square Dance

State Fossil – Stegosaurus

State Pet – Shelter and Rescue Dog and Cat

State Songs – "Where the Columbines Grow" and "Rocky Mountain High"

State Gemstone – Aquamarine

State Grass – Blue Grama Grass

State Insect – Colorado Hairstreak Butterfly

State Mineral – Rhodochrosite

State Reptile – Western Painted Turtle

State Amphibian – Western Tiger Salamander

State Rock – Yule Marble

State Tree – Colorado Blue Spruce

State Cactus – Claret Cup

COLORADO

Office of the State Controller

Department of Personnel & Administration

State of COLORADO

Basic Financial Statements

For The Fiscal Year Ended June 30, 2018

COLORADO
Office of the State Controller
Department of Personnel
& Administration

Office of the State Controller
1525 Sherman St.
Denver, CO 80203

September 20, 2018

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Crisanta Duran
Speaker of the House
Colorado General Assembly

The Honorable Kevin Grantham
President of the Senate
Colorado General Assembly

Dear Madam and Sirs:

The attached Basic Financial Statements for the State of Colorado for the fiscal year ended June 30, 2018 are provided to you in accordance with Section 24-30-204, C.R.S. The financial statements are preliminary and unaudited.

If you have questions, please feel free to contact me.

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Attachment

STATE OF COLORADO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION:

Budget Schedules:

Notes to Required Supplementary Information:

STATEMENT OF NET POSITION
JUNE 30, 2018

		PRIMARY GOVERNMENT	
(DOLLARS IN THOUSANDS)	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 3,105,131	$ 3,094,050	$ 6,199,181
Investments	-	1,826,120	1,826,120
Taxes Receivable, net	1,475,547	111,099	1,586,646
Other Receivables, net	654,751	597,755	1,252,506
Due From Other Governments	786,379	145,110	931,489
Internal Balances	38,458	(38,458)	-
Due From Component Units	18	16,174	16,192
Inventories	52,102	54,944	107,046
Prepaids, Advances and Deposits	84,217	29,288	113,505
Total Current Assets	6,196,603	5,836,082	12,032,685
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	1,589,926	286,098	1,876,024
Restricted Investments	847,587	104,807	952,394
Restricted Receivables	631,993	35,362	667,355
Investments	449,308	1,000,235	1,449,543
Other Long-Term Assets	587,104	130,526	717,630
Depreciable Capital Assets and Infrastructure, net	10,237,412	8,028,339	18,265,751
Land and Nondepreciable Capital Assets	1,919,255	1,843,135	3,762,390
Capital Assets Held as Investments	42,896	-	42,896
Total Noncurrent Assets	16,305,481	11,428,502	27,733,983
TOTAL ASSETS	22,502,084	17,264,584	39,766,668
DEFERRED OUTFLOW OF RESOURCES:	2,563,034	1,742,804	4,305,838
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	918,688	-	918,688
Accounts Payable and Accrued Liabilities	1,369,261	593,639	1,962,900
TABOR Refund Liability (Note 2B)	37,530	-	37,530
Due To Other Governments	306,851	64,474	371,325
Due To Component Units	-	44	44
Unearned Revenue	186,783	346,398	533,181
Accrued Compensated Absences	12,758	26,203	38,961
Claims and Judgments Payable	42,812	-	42,812
Leases Payable	25,789	6,529	32,318
Notes, Bonds, and COPs Payable	55,515	204,053	259,568
Other Current Liabilities	20,185	141,041	161,226
Total Current Liabilities	2,976,172	1,382,381	4,358,553
Noncurrent Liabilities:			
Deposits Held In Custody For Others	136	20	156
Accrued Compensated Absences	162,645	339,007	501,652
Claims and Judgments Payable	180,865	35,505	216,370
Capital Lease Payable	106,084	41,623	147,707
Derivative Instrument Liability	-	6,837	6,837
Notes, Bonds, and COPs Payable	1,379,778	4,970,096	6,349,874
Due to Component Units	-	1,692	1,692
Net Pension Liability	11,933,852	7,462,483	19,396,335
Other Postemployment Benefits	272,038	938,450	1,210,488
Other Long-Term Liabilities	418,050	46,048	464,098
Total Noncurrent Liabilities	14,453,448	13,841,761	28,295,209
TOTAL LIABILITIES	17,429,620	15,224,142	32,653,762
DEFERRED INFLOW OF RESOURCES:	560,903	613,425	1,174,328
NET POSITION:			
Net investment in Capital Assets:	10,893,349	5,195,721	16,089,070
Restricted for:			
Construction and Highway Maintenance	885,185	-	885,185
Education	295,468	470,363	765,831
Unemployment Insurance	-	1,070,082	1,070,082
Debt Service	91,950	139,413	231,363
Emergencies	201,166	34,000	235,166
Permanent Funds and Endowments:			
Expendable	8,267	173,406	181,673
Nonexpendable	1,087,000	84,480	1,171,480
Other Purposes	831,680	65,961	897,641
Unrestricted	(7,219,470)	(4,063,605)	(11,283,075)
TOTAL NET POSITION	$ 7,074,595	$ 3,169,821	$ 10,244,416

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Expenses		Program Revenues		
(DOLLARS IN THOUSANDS) Functions/Programs	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 743,926	$ (22,497)	$ 201,975	$ 201,225	$ 3,300
Business, Community, and Consumer Affairs	910,132	2,416	163,237	263,722	-
Education	6,084,786	1,790	24,102	605,005	-
Health and Rehabilitation	1,216,916	1,436	80,160	481,464	-
Justice	3,240,607	4,720	209,962	138,551	1,863
Natural Resources	218,707	983	152,561	54,939	-
Social Assistance	8,805,968	4,681	136,199	4,712,876	-
Transportation	2,177,730	1,640	479,871	201,356	740,334
Interest on Debt	60,778	-	-	-	-
Total Governmental Activities	23,459,550	(4,831)	1,448,067	6,659,138	745,497
Business-Type Activities:					
Higher Education	8,608,901	3,083	4,998,930	2,213,644	92,593
Healthcare Affordability	3,294,611	-	866,565	2,454,705	-
Unemployment Insurance	443,529	652	565,551	35,386	-
Lottery	547,297	508	612,893	382	-
Parks and Wildlife	293,944	123	164,088	39,206	(3,051)
College Assist	246,874	465	-	270,228	-
Other Business-Type Activities	301,116	-	304,952	69,066	-
Total Business-Type Activities	13,736,272	4,831	7,512,979	5,082,617	89,542
Total Primary Government	37,195,822	-	8,961,046	11,741,755	835,039

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
Other Taxes
Restricted for Transportation:
Fuel Taxes
Other Taxes
Unrestricted Investment Earnings (Losses)
Other General Revenues
Payment from State of Colorado
Special Items
(Transfers-Out) / Transfers-In
Internal Capital Contributions
Permanent Fund Additions
Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Fiscal Year Beginning
Prior Period Adjustment (See Note 15A)
Accounting Changes (See Note 15B)
Net Position - Fiscal Year Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (314,929)	$ -	$ (314,929)
(485,589)	-	(485,589)
(5,457,469)	-	(5,457,469)
(656,728)	-	(656,728)
(2,894,951)	-	(2,894,951)
(12,190)	-	(12,190)
(3,961,574)	-	(3,961,574)
(757,809)	-	(757,809)
(60,778)	-	(60,778)
(14,602,017)	-	(14,602,017)
-	(1,306,817)	(1,306,817)
-	26,659	26,659
-	156,756	156,756
-	65,470	65,470
-	(93,824)	(93,824)
-	22,889	22,889
-	72,902	72,902
-	(1,055,965)	(1,055,965)
(14,602,017)	(1,055,965)	(15,657,982)
3,439,917	-	3,439,917
310,759	-	310,759
6,949,732	-	6,949,732
711,840	-	711,840
577,160	-	577,160
568,601	-	568,601
48,399	-	48,399
-	-	-
655,824	-	655,824
363	-	363
21,798	-	21,798
199,877	-	199,877
-	-	-
-	-	-
(254,327)	254,327	-
44	51,438	51,482
277	-	277
13,230,264	305,765	13,536,029
(1,371,753)	(750,199)	(2,121,952)
8,707,037	4,570,333	13,277,370
-	-	-
(260,689)	(650,313)	(911,002)
$ 7,074,595	$ 3,169,821	$ 10,244,416

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 883,411	$ 683,727	$ 66,445
Taxes Receivable, net	1,565,419	21,283	1,929
Other Receivables, net	526,163	23,864	1,986
Due From Other Governments	714,437	25,583	-
Due From Other Funds	53,930	16,456	2,043
Due From Component Units	18	-	-
Inventories	7,975	34,908	8,281
Prepaids, Advances and Deposits	38,285	13,198	3,729
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	410,366	108,688	545,255
Restricted Investments	-	-	5,466
Restricted Receivables	4,303	-	627,690
Investments	184,252	-	-
Other Long-Term Assets	2,764	370,034	15,154
Depreciable Capital Assets and Infrastructure, net	(9)	-	-
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 4,391,314	$ 1,297,741	$ 1,277,978
DEFERRED OUTFLOW OF RESOURCES:	-	-	-
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	$ 890,332	28,164	$ -
Accounts Payable and Accrued Liabilities	945,177	13,858	241,608
TABOR Refund Liability (Note 2B)	37,530	-	-
Due To Other Governments	205,221	36,525	38,934
Due To Other Funds	24,332	342	623
Unearned Revenue	74,750	5,548	44,493
Claims and Judgments Payable	312	-	34
Other Current Liabilities	12,338	-	30
Noncurrent Liabilities:			
Deposits Held In Custody For Others	2	-	-
TOTAL LIABILITIES	2,189,994	84,437	325,722
DEFERRED INFLOW OF RESOURCES:	161,266	400	648
FUND BALANCES:			
Nonspendable:			
Long-term Portion of Interfund Loans Receivable	-	12	-
Inventories	7,975	34,908	8,281
Permanent Fund Principal	-	-	-
Prepaids	38,173	13,198	3,729
Restricted	626,069	78,987	881,523
Committed	1,354,399	1,085,799	58,075
Assigned	13,438	-	-
TOTAL FUND BALANCES	2,040,054	1,212,904	951,608
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 4,391,314	$ 1,297,741	$ 1,277,978

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 203,409	$ -	$ 1,210,534	$ 3,047,526
-	-	48,970	1,637,601
324	-	83,902	636,239
1,518	-	44,768	786,306
143	-	22,429	95,001
-	-	-	18
-	-	263	51,427
64	-	24,946	80,222
-	218,560	307,057	1,589,926
-	-	842,121	847,587
-	-	-	631,993
2,730	-	262,326	449,308
25	-	36,172	424,149
-	-	-	(9)
-	-	112,046	112,046
$ 208,213	$ 218,560	$ 2,995,534	$ 10,389,340
-	-	734	734
$ -	$ -	$ 192	$ 918,688
9,043	12,643	102,404	1,324,733
-	-	-	37,530
-	-	26,171	306,851
37	-	31,480	56,814
-	-	60,828	185,619
-	-	113	459
167	-	3,113	15,648
-	-	134	136
9,247	12,643	224,435	2,846,478
-	-	873	163,187
-	-	-	12
-	-	263	51,427
-	-	1,186,138	1,186,138
64	-	24,947	80,111
5	205,917	231,632	2,024,133
198,897	-	1,327,980	4,025,150
-	-	-	13,438
198,966	205,917	2,770,960	7,380,409
$ 208,213	$ 218,560	$ 2,996,268	$ 10,390,074

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2018

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET POSITION TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 3,047,526	$ 57,599	$ -	$ -	$ -	$ 6	$ -	$ 3,105,131
Taxes Receivable, net	1,637,601	-	-	-	-	(162,054)	-	1,475,547
Other Receivables, net	636,239	1,115	-	-	-	17,390	-	654,744
Due From Other Governments	786,306	73	-	-	-	-	-	786,379
Due From Other Funds	95,001	233	-	-	-	-	(95,234)	-
Internal Balances	-	-	-	-	-	-	38,465	38,465
Due From Component Units	18	-	-	-	-	-	-	18
Inventories	51,427	675	-	-	-	-	-	52,102
Prepaids, Advances and Deposits	80,222	3,995	-	-	-	-	-	84,217
Total Current Assets	6,334,340	63,690	-	-	-	(144,658)	(56,769)	6,196,603
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,589,926	-	-	-	-	-	-	1,589,926
Restricted Investments	847,587	-	-	-	-	-	-	847,587
Restricted Receivables	631,993	-	-	-	-	-	-	631,993
Investments	449,308	-	-	-	-	-	-	449,308
Other Long-Term Assets	424,149	-	-	-	-	162,955	-	587,104
Depreciable Capital Assets and Infrastructure, net	(9)	134,520	10,102,901	-	-	-	-	10,237,412
Land and Nondepreciable Capital Assets	-	819	1,918,436	-	-	-	-	1,919,255
Capital Assets Held as Investments	112,046	-	(69,150)	-	-	-	-	42,896
Total Noncurrent Assets	4,055,000	135,339	11,952,187	-	-	162,955	-	16,305,481
TOTAL ASSETS	10,389,340	199,029	11,952,187	-	-	18,297	(56,769)	22,502,084
DEFERRED OUTFLOW OF RESOURCES:	734	153,522	-	2,408,778	-	-	-	2,563,034
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	918,688	-	-	-	-	-	-	918,688
Accounts Payable and Accrued Liabilities	1,324,733	37,760	-	6,718	-	-	50	1,369,261
TABOR Refund Liability (Note 2B)	37,530	-	-	-	-	-	-	37,530
Due To Other Governments	306,851	-	-	-	-	-	-	306,851
Due To Other Funds	56,814	5	-	-	-	-	(56,819)	-
Unearned Revenue	185,619	1,301	-	-	-	(137)	-	186,783
Compensated Absences Payable	-	1,238	-	-	-	11,520	-	12,758
Claims and Judgments Payable	459	-	-	-	34,351	8,002	-	42,812
Leases Payable	-	21,366	-	4,423	-	-	-	25,789
Notes, Bonds, and COPs Payable	-	-	-	55,515	-	-	-	55,515
Other Current Liabilities	15,648	187	-	-	-	4,350	-	20,185
Total Current Liabilities	2,846,342	61,857	-	66,656	34,351	23,735	(56,769)	2,976,172
Noncurrent Liabilities:								
Deposits Held In Custody For Others	136	-	-	-	-	-	-	136
Accrued Compensated Absences	-	9,712	-	-	-	152,933	-	162,645
Claims and Judgments Payable	-	-	-	-	114,957	65,908	-	180,865
Capital Lease Payable	-	77,209	-	28,875	-	-	-	106,084
Notes, Bonds, and COPs Payable	-	-	-	1,379,778	-	-	-	1,379,778
Net Pension Liability	-	712,578	-	-	-	11,221,274	-	11,933,852
Other Postemployment Benefits	-	15,542	-	-	-	256,496	-	272,038
Other Long-Term Liabilities	-	-	-	-	-	418,050	-	418,050
Total Noncurrent Liabilities	136	815,041	-	1,408,653	114,957	12,114,661	-	14,453,448
TOTAL LIABILITIES	2,846,478	876,898	-	1,475,309	149,308	12,138,396	(56,769)	17,429,620
DEFERRED INFLOW OF RESOURCES:	163,187	30,259	-	-	-	367,457	-	560,903
NET POSITION:								
Net investment in Capital Assets:	112,038	36,763	11,952,187	(1,207,639)	-	-	-	10,893,349
Restricted for:								
Construction and Highway Maintenance	885,184	-	-	1	-	-	-	885,185
Education	295,468	-	-	-	-	-	-	295,468
Unemployment Insurance	-	-	-	-	-	-	-	-
Debt Service	91,950	-	-	-	-	-	-	91,950
Emergencies	201,166	-	-	-	-	-	-	201,166
Permanent Funds and Endowments:								
Expendable	8,267	-	-	-	-	-	-	8,267
Nonexpendable	1,087,000	-	-	-	-	-	-	1,087,000
Other Purposes	831,680	-	-	-	-	-	-	831,680
Unrestricted	3,867,656	(591,369)	-	2,141,107	(149,308)	(12,487,556)	-	(7,219,470)
TOTAL NET POSITION	$ 7,380,409	$ (554,606)	$ 11,952,187	$ 933,469	$ (149,308)	$ (12,487,556)	$ -	$ 7,074,595

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, 2018

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 6,989,828	$ -	$ -
Corporate Income	736,022	-	-
Sales and Use	3,403,503	-	-
Excise	97,470	-	655,826
Other Taxes	304,170	132,426	363
Licenses, Permits, and Fines	19,939	2,377	409,041
Charges for Goods and Services	75,644	10,491	141,498
Rents	300	3	3,259
Investment Income (Loss)	18,721	15,261	754
Federal Grants and Contracts	5,972,608	138,512	769,476
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	183,123	7,710	171,270
TOTAL REVENUES	17,801,328	306,780	2,151,487
EXPENDITURES:			
Current:			
General Government	241,300	-	67,930
Business, Community, and Consumer Affairs	166,185	7,608	-
Education	745,233	-	-
Health and Rehabilitation	645,891	527	10,652
Justice	1,472,539	-	134,754
Natural Resources	41,199	72,311	-
Social Assistance	7,337,964	-	-
Transportation	-	-	1,344,667
Capital Outlay	41,901	12,665	129,062
Intergovernmental:			
Cities	99,847	50,048	253,012
Counties	1,342,421	69,501	235,832
School Districts	4,678,726	1,692	-
Special Districts	64,166	17,564	61,071
Federal	69	1,148	16
Other	27,332	4,436	2,728
Debt Service	71,778	12	-
TOTAL EXPENDITURES	16,976,551	237,512	2,239,724
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	824,777	69,268	(88,237)
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,792,004	38,118	85,138
Transfers-Out	(4,916,193)	(136,345)	(26,616)
Face Amount of Bond/COP Issuance	156,305	-	-
Bond/COP Premium/Discount	21,344	-	-
Capital Lease Proceeds	4,322	-	-
Sale of Capital Assets	-	-	-
Insurance Recoveries	3,479	-	603
TOTAL OTHER FINANCING SOURCES (USES)	61,261	(98,227)	59,125
NET CHANGE IN FUND BALANCES	886,038	(28,959)	(29,112)
FUND BALANCE, FISCAL YEAR BEGINNING	1,154,016	1,241,863	980,720
FUND BALANCE, FISCAL YEAR END	$ 2,040,054	$ 1,212,904	$ 951,608

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 571,127	$ -	$ 7,560,955
-	45,874	-	781,896
-	-	42,921	3,446,424
-	-	214,147	967,443
1,014	-	176,378	614,351
-	-	506,898	938,255
7	-	135,135	362,775
-	-	143,748	147,310
3,961	82	2,321	41,100
18,395	-	179,158	7,078,149
-	-	277	277
-	-	77,923	77,923
4	100	35,133	397,340
23,381	617,183	1,514,039	22,414,198
39,287	-	32,678	381,195
1,004	-	305,283	480,080
2,576	48,071	35,979	831,859
(649)	-	121,879	778,300
7,490	-	193,547	1,808,330
-	-	14,020	127,530
1,047	-	233,373	7,572,384
-	-	2,865	1,347,532
77,453	-	11,958	273,039
-	-	68,160	471,067
-	-	92,902	1,740,656
-	438,580	52,006	5,171,004
-	-	8,747	151,548
-	-	95	1,328
-	-	56,986	91,482
-	-	55,979	127,769
128,208	486,651	1,286,457	21,355,103
(104,827)	130,532	227,582	1,059,095
118,681	25,322	385,982	5,445,245
(65,759)	(52,068)	(489,578)	(5,686,559)
-	-	-	156,305
-	-	-	21,344
-	-	-	4,322
(13)	-	9,819	9,806
2,760	-	508	7,350
55,669	(26,746)	(93,269)	(42,187)
(49,158)	103,786	134,313	1,016,908
248,124	102,131	2,636,647	6,363,501
$ 198,966	$ 205,917	$ 2,770,960	$ 7,380,409

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES RECONCILED TO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 7,560,955	$ -	$ -	$ -	$ (40,097)	$ 7,520,858
Corporate Income	781,896	-	-	-	(24,182)	757,714
Sales and Use	3,446,424	-	-	-	(6,507)	3,439,917
Excise	967,443	-	-	-	(858)	966,585
Other Taxes	614,351	-	-	-	(2,579)	611,772
Licenses, Permits, and Fines	938,255	-	-	-	(206)	938,049
Charges for Goods and Services	362,775	-	-	-	(10)	362,765
Rents	147,310	-	-	-	-	147,310
Investment Income (Loss)	41,100	(334)	-	-	(368)	40,398
Federal Grants and Contracts	7,078,149	-	-	-	-	7,078,149
Additions to Permanent Funds	277	-	-	-	-	277
Unclaimed Property Receipts	77,923	-	-	-	-	77,923
Other	397,340	-	-	-	(818)	396,522
TOTAL REVENUES	22,414,198	(334)	-	-	(75,625)	22,338,239
EXPENDITURES:						
Current:						
General Government	381,195	20,766	22,384	-	152,724	577,069
Business, Community, and Consumer Affairs	480,080	21,419	2,702	-	134,566	638,767
Education	831,859	996	36,659	-	69,485	938,999
Health and Rehabilitation	778,300	6,606	9,208	-	301,080	1,095,194
Justice	1,808,330	16,034	51,862	-	1,118,669	2,994,895
Natural Resources	127,530	8,538	2,319	-	51,438	189,825
Social Assistance	7,572,384	44,438	23,800	-	116,274	7,756,896
Transportation	1,347,532	8,497	359,317	-	238,493	1,953,839
Capital Outlay	273,039	-	(653,891)	-	-	(380,852)
Intergovernmental:						
Cities	471,067	-	-	-	-	471,067
Counties	1,740,656	-	-	-	-	1,740,656
School Districts	5,171,004	-	-	-	-	5,171,004
Special Districts	151,548	-	-	-	-	151,548
Federal	1,328	-	-	-	-	1,328
Other	91,482	-	-	-	-	91,482
Debt Service	127,769	2,231	-	(69,611)	-	60,389
TOTAL EXPENDITURES	21,355,103	129,525	(145,640)	(69,611)	2,182,729	23,452,106
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,059,095	(129,859)	145,640	69,611	(2,258,354)	(1,113,867)
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,445,245	1,732	-	-	-	5,446,977
Transfers-Out	(5,686,559)	(7,235)	(62)	-	-	(5,693,856)
Face Amount of Bond/COP Issuance	156,305	-	-	(156,305)	-	-
Bond/COP Premium/Discount	21,344	-	-	(19,567)	-	1,777
Capital Lease Proceeds	4,322	-	-	(4,322)	-	-
Sale of Capital Assets	9,806	-	(26,605)	-	-	(16,799)
Insurance Recoveries	7,350	-	-	-	-	7,350
TOTAL OTHER FINANCING SOURCES (USES)	(42,187)	(5,503)	(26,667)	(180,194)	-	(254,551)
Internal Service Fund Charges to BTAs	-	(3,335)	-	-	-	(3,335)
NET CHANGE FOR THE YEAR	1,016,908	(138,697)	118,973	(110,583)	(2,258,354)	(1,371,753)
TOTAL CHANGE FOR THE CURRENT YEAR	$ 1,016,908	$ (138,697)	$ 118,973	$ (110,583)	$ (2,258,354)	$ (1,371,753)

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, 2018

(DOLLARS IN THOUSANDS)	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	HEALTHCARE AFFORDABILITY
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,359,504	$ 993,062	$ 47,066	$ 31,462
Investments	1,825,887	-	-	-
Premiums Receivable, net	-	110,809	-	-
Student and Other Receivables, net	526,759	2,612	22,186	16,364
Due From Other Governments	100,409	5,832	-	22,132
Due From Other Funds	6,088	-	-	-
Due From Component Units	16,174	-	-	-
Inventories	40,294	-	1,870	-
Prepaids, Advances and Deposits	21,155	-	4,813	-
Total Current Assets	3,896,270	1,112,315	75,935	69,958
Noncurrent Assets:				
Restricted Cash and Pooled Cash	205,664	-	-	-
Restricted Investments	104,807	-	-	-
Restricted Receivables	-	-	-	-
Investments	968,602	-	-	-
Due From Other Funds	-	-	-	-
Other Long-Term Assets	128,539	-	-	-
Depreciable Capital Assets and Infrastructure, net	6,902,285	5,417	285	-
Land and Nondepreciable Capital Assets	959,240	-	-	-
Total Noncurrent Assets	9,269,137	5,417	285	-
TOTAL ASSETS	13,165,407	1,117,732	76,220	69,958
DEFERRED OUTFLOW OF RESOURCES:	1,556,253	6,486	9,812	8,210
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	467,985	2,771	5,574	11,882
Due To Other Governments	-	1	5	33,097
Due To Other Funds	1,863	-	30,464	9,135
Due To Component Units	44	-	-	-
Unearned Revenue	292,836	-	-	-
Compensated Absences Payable	24,914	-	3	2
Leases Payable	6,104	-	-	-
Notes, Bonds, and COPs Payable	203,523	-	-	-
Other Current Liabilities	84,722	17,061	37,235	-
Total Current Liabilities	1,081,991	19,833	73,281	54,116
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	-	-	-	-
Accrued Compensated Absences	325,389	-	784	18
Claims and Judgments Payable	35,505	-	-	-
Capital Lease Payable	38,713	-	-	-
Derivative Instrument Liability	6,837	-	-	-
Notes, Bonds, and COPs Payable	4,443,394	-	-	-
Due to Component Units	1,692	-	-	-
Net Pension Liability	6,616,112	25,584	45,852	13,135
Other Postemployment Benefits	919,613	581	1,067	-
Other Long-Term Liabilities	46,021	-	27	-
Total Noncurrent Liabilities	12,433,276	26,165	47,730	13,153
TOTAL LIABILITIES	13,515,267	45,998	121,011	67,269
DEFERRED INFLOW OF RESOURCES:	425,450	2,721	2,183	497
NET POSITION:				
Net investment in Capital Assets:	3,589,262	5,417	285	-
Restricted for:				
Education	470,363	-	-	-
Unemployment Insurance	-	1,070,082	-	-
Debt Service	96,497	-	-	-
Emergencies	-	-	-	-
Permanent Funds and Endowments:				
Expendable	173,406	-	-	-
Nonexpendable	84,480	-	-	-
Other Purposes	-	-	-	-
Unrestricted	(3,633,065)	-	(37,447)	10,402
TOTAL NET POSITION	$ 780,943	$ 1,075,499	$ (37,162)	$ 10,402

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

		GOVERNMENTAL ACTIVITIES
OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 662,956	$ 3,094,050	$ 57,599
233	1,826,120	-
290	111,099	-
29,774	597,695	1,115
16,737	145,110	73
3,817	9,905	233
-	16,174	-
12,780	54,944	675
3,320	29,288	3,995
729,907	5,884,385	63,690
80,434	286,098	-
-	104,807	-
35,362	35,362	-
31,633	1,000,235	-
-	-	-
1,987	130,526	-
1,120,352	8,028,339	134,520
883,895	1,843,135	819
2,153,663	11,428,502	135,339
2,883,570	17,312,887	199,029
162,043	1,742,804	153,522
83,654	571,866	37,760
31,371	64,474	-
10,763	52,225	5
-	44	-
53,562	346,398	1,301
1,284	26,203	1,238
425	6,529	21,366
530	204,053	-
2,023	141,041	187
183,612	1,412,833	61,857
17,851	17,851	-
20	20	-
12,816	339,007	9,712
-	35,505	-
2,910	41,623	77,209
-	6,837	-
526,702	4,970,096	-
-	1,692	-
761,800	7,462,483	712,578
17,189	938,450	15,542
-	46,048	-
1,339,288	13,859,612	815,041
1,522,900	15,272,445	876,898
182,574	613,425	30,259
1,600,757	5,195,721	36,763
-	470,363	-
-	1,070,082	-
42,916	139,413	-
34,000	34,000	-
-	173,406	-
-	84,480	-
65,961	65,961	-
(403,495)	(4,063,605)	(591,369)
$ 1,340,139	$ 3,169,821	$ (554,606)

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	HEALTHCARE AFFORDABILITY
OPERATING REVENUES:				
Unemployment Insurance Premiums	$ -	$ 562,095	$ -	$ -
License and Permits	-	100	63	-
Tuition and Fees	3,043,994	-	-	-
Scholarship Allowance for Tuition and Fees	(653,596)	-	-	-
Sales of Goods and Services	2,455,285	-	611,993	866,533
Scholarship Allowance for Sales of Goods & Services	(25,756)	-	-	-
Investment Income (Loss)	1,148	-	-	-
Rental Income	16,195	-	-	-
Gifts and Donations	44,442	-	-	-
Federal Grants and Contracts	1,111,009	15,388	-	2,454,413
Intergovernmental Revenue	6,826	-	-	-
Other	436,787	60	838	31
TOTAL OPERATING REVENUES	6,436,334	577,643	612,894	3,320,977
OPERATING EXPENSES:				
Salaries and Fringe Benefits	6,071,054	14,120	19,260	41,330
Operating and Travel	1,672,675	426,976	63,924	3,239,075
Cost of Goods Sold	139,857	-	14,017	-
Depreciation and Amortization	434,552	2,379	176	-
Intergovernmental Distributions	35,819	54	-	14,206
Debt Service	-	-	-	-
Prizes and Awards	497	-	383,488	-
TOTAL OPERATING EXPENSES	8,354,454	443,529	480,865	3,294,611
OPERATING INCOME (LOSS)	(1,918,120)	134,114	132,029	26,366
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	7	2,448	-	-
Investment Income (Loss)	190,377	19,998	382	292
Rental Income	41,412	1	-	-
Gifts and Donations	273,025	-	-	-
Intergovernmental Distributions	(26,192)	-	(66,251)	-
Federal Grants and Contracts	280,719	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(6,221)	-	-	-
Insurance Recoveries from Prior Year Impairments	4,975	-	-	-
Debt Service	(175,937)	-	-	-
Other Expenses	(45,217)	-	-	-
Other Revenues	(10,424)	847	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	526,524	23,294	(65,869)	292
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,391,596)	157,408	66,160	26,658
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	139,313	-	-	-
Additions to Permanent Endowments	148	-	-	-
Transfers-In	327,923	-	-	-
Transfers-Out	(5,718)	(19)	(75,205)	(16,256)
TOTAL CONTRIBUTIONS AND TRANSFERS	461,666	(19)	(75,205)	(16,256)
CHANGE IN NET POSITION	(929,930)	157,389	(9,045)	10,402
NET POSITION - FISCAL YEAR BEGINNING	2,342,587	918,758	(27,116)	-
Accounting Changes (See Note 15B)	(631,714)	(648)	(1,001)	-
NET POSITION - FISCAL YEAR ENDING	$ 780,943	$ 1,075,499	$ (37,162)	$ 10,402

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

		GOVERNMENTAL ACTIVITIES
OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ 562,095	$ -
127,929	128,092	-
1,776	3,045,770	-
-	(653,596)	-
239,322	4,173,133	424,065
-	(25,756)	-
4,805	5,953	-
2,843	19,038	17,344
-	44,442	-
353,673	3,934,483	-
20,993	27,819	-
33,590	471,306	369
784,931	11,732,779	441,778
354,383	6,500,147	393,251
353,551	5,756,201	154,369
45,894	199,768	1
33,588	470,695	30,601
25,554	75,633	6
12,726	12,726	-
939	384,924	24
826,635	13,400,094	578,252
(41,704)	(1,667,315)	(136,474)
39,954	39,954	-
2,176	4,631	1
4,560	215,609	(334)
14,032	55,445	-
3,082	276,107	1
-	(92,443)	-
-	280,719	-
1,257	(4,964)	3,558
(3,113)	1,862	287
(14,874)	(190,811)	(2,231)
-	(45,217)	-
1	(9,576)	-
47,075	531,316	1,282
5,371	(1,135,999)	(135,192)
265	139,578	1,999
-	148	-
23,842	351,765	1,732
(8,493)	(105,691)	(7,236)
15,614	385,800	(3,505)
20,985	(750,199)	(138,697)
1,336,104	4,570,333	(401,114)
(16,950)	(650,313)	(14,795)
$ 1,340,139	$ 3,169,821	$ (554,606)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 2,439,617	$ -
Fees for Service	2,290,001	5,886
Receipts for Interfund Services	-	-
Sales of Products	18,700	1,262
Gifts, Grants, and Contracts	1,763,768	15,147
Loan and Note Repayments	4,183	-
Unemployment Insurance Premiums	-	579,998
Income from Property	57,607	1
Other Sources	136,394	-
Cash Payments to or for:		
Employees	(4,447,184)	(6,571)
Suppliers	(1,486,818)	(16,340)
Payments for Interfund Services	-	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(412,000)
Scholarships	(118,459)	-
Others for Student Loans and Loan Losses	(12,554)	-
Other Governments	(35,819)	(54)
Other	(138,311)	-
Component Unit Cash Flows from Operating Activities	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	471,125	167,329
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	3,306,720	624
Transfers-Out	(3,036,995)	(643)
Receipt of Deposits Held in Custody	520,526	-
Release of Deposits Held in Custody	(521,216)	-
Gifts and Grants for Other Than Capital Purposes	273,173	-
Intergovernmental Distributions	(26,192)	-
NonCapital Debt Proceeds	180,185	-
NonCapital Debt Service Payments	(137,185)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	559,016	(19)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(575,377)	(1,913)
Capital Contributions	155,432	-
Capital Gifts, Grants, and Contracts	21,082	-
Proceeds from Sale of Capital Assets	3,607	222
Capital Debt Proceeds	759,466	-
Capital Debt Service Payments	(618,188)	-
Capital Lease Payments	(15,946)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(269,924)	(1,691)

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
STATE LOTTERY	HEALTHCARE AFFORDABILITY	OTHER ENTERPRISES	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ -	$ 1,805	$ 2,441,422	$ -
-	846,044	278,719	3,420,650	2,489
-	-	10,316	10,316	417,088
611,993	-	66,400	698,355	1,057
-	2,432,281	368,153	4,579,349	91
-	-	-	4,183	-
-	-	-	579,998	-
-	-	16,732	74,340	17,319
900	32	78,561	215,887	2,534
(9,415)	(35,409)	(192,263)	(4,690,842)	(227,052)
(29,393)	(3,209,090)	(144,348)	(4,885,989)	(88,975)
(2,684)	(400)	(4,343)	(7,427)	(54,643)
(428,938)	-	(10,125)	(439,063)	(374)
-	-	-	(412,000)	-
-	-	-	(118,459)	-
-	-	-	(12,554)	-
-	18,891	(25,181)	(42,163)	(6)
(568)	(4,900)	(242,415)	(386,194)	(301)
-	-	-	-	-
141,895	47,449	202,011	1,029,809	69,227
-	-	44,443	3,351,787	2,470
(75,205)	(16,256)	(28,023)	(3,157,122)	(7,917)
-	-	768	521,294	355
-	-	(752)	(521,968)	(222)
-	-	1,241	274,414	-
(66,251)	-	-	(92,443)	-
-	-	6,921	187,106	164
-	-	(7,472)	(144,657)	(164)
(141,456)	(16,256)	17,126	418,411	(5,314)
(398)	(23)	(342,816)	(920,526)	(41,649)
-	-	-	155,432	-
-	-	-	21,082	-
176	-	95,488	99,492	31,245
-	-	-	759,466	-
-	-	(11,837)	(630,025)	(68)
-	-	(540)	(16,486)	(18,866)
(222)	(23)	(259,705)	(531,565)	(29,338)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	75,043	20,003
Proceeds from Sale/Maturity of Investments	6,111,519	-
Purchases of Investments	(6,243,856)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	55,597	(5)
NET CASH FROM INVESTING ACTIVITIES	(1,697)	19,998
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	758,520	185,617
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,438,178	808,093
Prior Period Adjustment/Accounting Change (See Note 15A and 15B)	(631,530)	(648)
CASH AND POOLED CASH, FISCAL YEAR END	1,565,168	993,062
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,565,168	$ 993,062
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (1,918,120)	$ 134,114
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by Operating Activities:		
Depreciation	434,552	2,379
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	280,008	3,296
(Gain)/Loss on Disposal of Capital and Other Assets	162	-
Compensated Absences and Accrued Pension Expense	1,290,228	6,516
Interest and Other Expense in Operating Income	51,173	1,528
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred		
Inflows Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(63,061)	15,855
(Increase) Decrease in Inventories	(1,552)	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	8,607	-
Increase (Decrease) in Accounts Payable	(234,020)	1,509
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	623,148	2,132
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 471,125	$ 167,329
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	258	-
Capital Assets Acquired by Grants or Donations and Payable Increases	61,565	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	(61,990)	-
Loss on Disposal of Capital and Other Assets	8,367	-
Disposal of Capital Assets	79,100	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	11,271	-
Fair Value Change in Derivative Instrument	(2,414)	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
STATE LOTTERY	HEALTHCARE AFFORDABILITY	OTHER ENTERPRISES	TOTALS	INTERNAL SERVICE FUNDS
935	750	17,317	114,048	155
-	-	16,894	6,128,413	-
-	-	(18,877)	(6,262,733)	-
(553)	(458)	(7,971)	46,610	(488)
382	292	7,363	26,338	(333)
599	31,462	(33,205)	942,993	34,242
47,468	-	793,545	3,087,284	38,152
(1,001)	-	(16,950)	(650,129)	(14,795)
47,066	31,462	743,390	3,380,148	57,599
$ 47,066	$ 31,462	$ 743,390	$ 3,380,148	$ 57,599
$ 132,029	$ 26,366	(41,704)	$ (1,667,315)	$ (136,474)
176	-	33,588	470,695	30,601
-	-	(4,805)	(4,805)	-
-	-	56,332	339,636	1,982
-	-	-	162	-
8,657	5,442	143,161	1,454,004	150,317
-	23	(20,490)	32,234	(1,437)
(1,032)	(38,496)	2,010	(84,724)	1,359
(424)	-	6,228	4,252	194
(318)	-	3,041	11,330	908
2,402	11,883	26,135	(192,091)	13,308
405	42,231	(1,485)	666,431	8,469
$ 141,895	$ 47,449	$ 202,011	$ 1,029,809	$ 69,227
-	-	203	461	1,942
-	-	482	62,046	-
-	-	(316)	(62,306)	-
-	-	(226)	8,141	1,864
-	-	-	79,100	-
-	-	6,781	18,052	115
-	-	-	(2,414)	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

(DOLLARS IN THOUSANDS)	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 92,286	$ 232,353	$ 792,820
Investments	-	472	-
Taxes Receivable, net	-	-	183,310
Other Receivables, net	1,229	11,043	305
Due From Other Funds	816	9,891	11,115
Due From Component Units	-	-	188
Inventories	-	-	3
Noncurrent Assets:			
Investments:			
Government Securities	3,824	-	-
Corporate Bonds	9,744	-	-
Repurchase Agreements	-	295	-
Asset Backed Securities	777	17,465	-
Mortgages	6,331	-	-
Mutual Funds	20,682	7,151,820	-
Guaranteed Investment Contracts		161,050	
Other Investments	28,736	769,513	-
Other Long-Term Assets	-	-	9,780
TOTAL ASSETS	164,425	8,353,902	997,521
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	3,130
Accounts Payable and Accrued Liabilities	19,514	10,608	1,296
Due To Other Governments	-	-	330,532
Due To Other Funds	7	59	-
Unearned Revenue	2	9,687	-
Compensated Absences Payable	24	-	-
Claims and Judgments Payable	18,459	-	45
Other Current Liabilities	-	-	611,531
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	5,255	48,640
Accrued Compensated Absences	31	-	-
Other Long-Term Liabilities	-	-	2,347
TOTAL LIABILITIES	38,037	25,609	$ 997,521
NET POSITION:			
Held in Trust for:			
Pension/Benefit Plan Participants	126,388	-	
Individuals, Organizations, and Other Entities	-	8,328,293	
TOTAL NET POSITION	$ 126,388	$ 8,328,293	

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, 2018

(DOLLARS IN THOUSANDS)	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,292,120
Member Contributions	87,161	-
Employer Contributions	323,447	-
Investment Income/(Loss)	3,291	475,463
Unclaimed Property Receipts	-	49,704
Other Additions	6,029	3,196
Transfers-In	1,403	86
TOTAL ADDITIONS	421,331	1,820,569
DEDUCTIONS:		
Distributions to Participants	3,519	293,178
Health Insurance Premiums Paid	149,830	-
Health Insurance Claims Paid	214,817	-
Other Benefits Plan Expense	32,000	-
Payments in Accordance with Trust Agreements	-	817,033
Administrative Expense	-	-
Other Deductions	22,471	-
Transfers-Out	209	476
TOTAL DEDUCTIONS	422,846	1,110,687
CHANGE IN NET POSITION	(1,515)	709,882
NET POSITION - FISCAL YEAR BEGINNING	127,903	7,618,411
NET POSITION - FISCAL YEAR ENDING	$ 126,388	$ 8,328,293

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Colorado have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles. 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 2018:

GASB Statement No. 75- Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. In 2018, the State implemented GASB Statement No.75. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The Colorado Water Resources and Power Development Authority – a discretely presented component unit – will implement Statement No. 75 for its financial reporting period ending December 31, 2018. Therefore, CWRPDA statements do not reflect the reporting requirements for GASB 75.

GASB Statement No. 81- Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 85- Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86- Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. See Note 13 for additional information.

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 has chosen to early implement for Fiscal Year 2018. 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.

Blended Component Units:

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

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

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

State of Colorado
Office of the State Controller
Financial Reporting and Analysis
1525 Sherman Street, 5th 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 show the segregation between the primary government and its component units. The primary government is further subdivided between governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities include proprietary funds financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

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

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):

<u>General Fund</u>

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

Resource Extraction

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

Highway Users Tax Fund

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

Capital Projects Fund

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

State Education Fund

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

PROPRIETARY FUND TYPE (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.

Unemployment Insurance

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

Lottery

The State Lottery encompasses the various lottery and lotto games run under Colorado Revised Statutes. The primary revenue source is lottery ticket sales, and the net proceeds are primarily distributed to the Great Outdoors Colorado

Program (a related organization), the Conservation Trust Fund, and when receipts are adequate, the General Purpose Revenue Fund. The funds are used primarily for open space purchases and recreational facilities throughout the State. Nonmajor funds of each fund type are aggregated into a single column for presentation in the basic financial statements. In addition to the major funds discussed above, the State reports the following fund categories in supplementary information in the Comprehensive Annual Financial Report (CAFR).

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

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

Capital Projects

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

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPE:

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

Pension and Other Employee Benefit Trust Funds

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

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources.

Social Assistance

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

Transportation

Department of Transportation.

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 primarily comprise finished goods inventories held for resale and consumable items such as office and institutional supplies, fuel, and maintenance items.

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

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

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 invests 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 as well as buildings and software.

Asset Class	Lower Threshold	Established State Thresholds
Land Improvements	$ 5,000.00	$ 50,000
Buildings	$ 5,000.00	$ 50,000
Leasehold Improvements	$ 5,000.00	$ 50,000
Intangible Assets	NA	$ 50,000
Vehicles and Equipment	NA	$ 5,000
Software (purchased)	NA	$ 5,000
Software (internally developed)	NA	$ 50,000
Collections	NA	$ 5,000
Infrastructure	NA	$ 500,000

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

Asset Class	Estimated Useful Life
Land Improvements	3 to 50 years
Buildings	3 to 70 years
Leasehold Improvements	3 to 50 years
Vehicles and Equipment	2 to 50 years
Software	2 to 20 years
Collections	3 to 20 years
Other Capital Assets	3 to 25 years
Infrastructure	20 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 exception of the University of Colorado, 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.

Assigned – This classification represents the portion of the General Purpose Revenue Fund fund balance related to certain Fiscal Year 2017-18 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 2014-15 and costs from the Fiscal Year 2016-17 Appropriations bill that were incorporated in State agency budgets for Fiscal Year 2017-18. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position*. However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the (Transfers-Out)/Transfers-In line item at the bottom of the *Statement of Activities.*

OPERATING REVENUES AND EXPENSES

The State reports three major enterprise funds, multiple nonmajor enterprise funds, and multiple internal service funds. Because these funds engage in a wide variety of activities, the State's definition of operating revenues and expenses is highly generalized. For these funds, operating revenues and expenses are defined as transactions that result from the core business activity of the proprietary fund.
In general, this definition provides consistency between operating income on the *Statement of Revenues, Expenses, and Changes in Net Position* and cash from operations on the *Statement of Cash Flows.* However, certain exceptions occur including:

- Interest earnings and expenses of proprietary funds, for which the core business activity is lending, are reported as operating revenues and expenses on the *Statement of Revenues, Expenses, and Changes in Net Position* but are reported as investing activities on the *Statement of Cash Flows.*

- Some rents, fines, donations, and certain grants and contracts are reported as nonoperating revenues on the *Statement of Revenues, Expenses, and Changes in Net Position*, but are reported as cash from operations on the *Statement of Cash Flows.*

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

NOTE 2 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

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

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

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

Total overexpenditures at June 30, 2018, were $51.9 million as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- <u>Mental Health Institutes</u> – The Department of Health Care Policy & Financing overspent this line item by $3.7 million general funds and $3.7 million federal funds. The Mental Health Institutes appropriation pays for the costs incurred by the state Mental Health Institutes when serving Medicaid clients. The Department overexpended the General Fund and federal funds of the Mental Health Institutes appropriation due to claims billing system processing errors, in which claims were getting rejected or processed at incorrect amounts. Additionally, the Department made payments on unpaid claims from the past few years from the Legacy MMIS system.

- <u>Children's Basic Health Plan Medical and Dental Costs</u> – The Department of Health Care Policy & Financing overspent this line item by $1.0 million cash funds and $5.8 million federal funds. The Children's Basic Health Plan Medical and Dental Costs appropriation covers expenditures for services rendered for CHP+ clients. The cash overexpenditures occurred as a result of an unanticipated increase in enrollment over the final few months of Fiscal Year 2018.

- Behavior Health Fee-for-Service – The Department of Health Care Policy & Financing overspent this line item by $.1 million federal funds. This appropriation line pays for Medicaid covered Behavioral Health services that are paid on a fee-for-service basis to providers. The overexpenditure occurred as a result of higher than anticipated per capita costs for expansion clients.

- Medical Services Premiums – The Department of Health Care Policy & Financing overspent this line item by $17.8 million general funds. The Medical Services Premiums appropriation covers expenditures for the majority of services rendered for Medicaid members. Approximately half of the General Fund over expenditure occurred as a result of under forecasting caseload and per capita for the Disabled Individuals to 59 (AND/AB) population which has a higher share of General Fund than other populations. The majority of the rest of the General Fund over expenditure occurred as a result of an underestimate of the General Fund contribution for the Supplemental Medical Insurance Benefit (SMIB). The underestimate was a result of unavailable data from the Department's new claims system which impaired the forecast.

- Behavioral Health Capitation Payments – The Department of Health Care Policy & Financing overspent this line item by $.4 million general funds. The Behavioral Health Capitation Payments appropriation covers expenditures for a majority of behavioral health services rendered for Medicaid clients. The overexpenditure in the General Fund has occurred as a result of a delay in receiving recoupments from the Behavioral Health Organizations for anticipated date-of-death retractions. The Department anticipates receiving these recoupments in FY 2019.

Approved Department of Human Services Overexpenditures Other Than Medicaid Subject to the $1.0 Million Limit:

- Indirect Cost Pool (Utilities, Injury Prevention Program, Payments to OIT, and County Financial Management System) lines – The Department of Human Services overspent these combined line items by $.2 million general funds and $.6 million reappropriated funds. Historically long bill line appropriations (Indirect cost pool lines) in the Executive Director's Office, Office of Information Technology Services and Office of Operations were funded with General Fund, cash funds, reappropriated funds, and federal funds.

  Based on the changes made in FY 2018 Long Bill, these lines are now funded with General Fund and reappropriated funds in each individual line and are no longer bottom line funded. The reappropriated funds are funded by the Indirect Cost Assessment lines in each of the Long Bill groups. Since this was the first year of implementing this new funding mechanism, assumptions were made that in fact didn't reflect the actual funding splits by line as calculated by the Department's Public Assistance Cost Allocation Plan (PACAP), resulting in the above lines being overspent.

It should be noted that the Department of Human Services also incurred other non-Medicaid overexpenditures as described below that were not approved, since they collectively were in excess of the $1,000,000 statutory limit as follows:

- Indirect Cost Pool (Personal Services, Operating, Utilities, Payments to Risk Management & Property Funds, Injury Prevention Program, Enterprise Content Management, Payments to OIT, County Financial Management System, and CORE Operations) lines – The Department of Human Services overspent these combined line items by $6.8 million general funds and $5.7 million reappropriated funds. Historically long bill line appropriations (Indirect cost pool lines) in the Executive Director's Office, Office of Information Technology Services and Office of Operations were funded with General Fund, cash funds, reappropriated funds, and federal funds. Based on the changes made in FY 2018 Long Bill, these lines are now funded with General Fund and reappropriated funds in each individual line and are no longer bottom line funded. The reappropriated funds are funded by the Indirect Cost Assessment lines in each of the Long Bill groups. Since this was the first year of implementing this new funding mechanism, assumptions were made that in fact didn't reflect the actual funding splits by line as calculated by the Department's Public Assistance Cost Allocation Plan (PACAP), resulting in the above lines being overspent.

- Indirect Cost Assessment lines – The Department of Human Services overspent these line items by $.4 cash funds, $.5 million reappropriated fun and $4.8 million federal funds. Associated with the above explanation, there were nine new Indirect Cost Assessment lines created in the department's Long Bill. Revenues are earned in each of the nine Indirect Cost Assessment lines and reappropriated to the Executive Director's Office, Office of Information Technology Services and Office of Operations to pay for the Department's indirect pool costs as noted above. As above, four of these lines were over spent in Reappropriated budget due to this being the first year of estimating collections by long bill group, though each line did earn the appropriate amount of revenue per the Department's Public Assistance Cost Allocation Plan (PACAP).

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

- None at June 30, 2018

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

- Highway Fund – The Department of Transportation had a deficit fund balance related to this line item of $.4 million as a result of net operating losses at the Department's print shop.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2018-19 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of Department of Health Care Policy and Financing Medicaid activity as of June 30, 2018:

- Medicaid Buy-In Cash Fund - $0.2 million
- Health Care Expansion Fund - $3.3 million
- Primary Care Sustainability Cash Fund - $.01 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 $14.2 million reduction in the amount originally calculated. Through Fiscal Year 2018, the State has returned $137.8 million of the 2015 excess revenue to taxpayers, leaving $21.3 million left to refund.

Fiscal Year 2018 revenue subject to TABOR was $13,718.6 million, which exceeded the $13,702.4 million ESRC by $16.2 million – and by $2,497.8 million over the original TABOR limit. With the addition of Fiscal Year 2018 excess revenue to the $21.3 million left from the 2015 amount payable, the State’s liability for TABOR refunds increased to $37.5 million at June 30, 2018.

Since the inception of Referendum C in Fiscal Year 2006 the State has retained $19,401.2 million (unadjusted for prior year errors) – $3,593.6 million during the initial five-year revenue retention period, and an additional $15,807.6 million as a result of the higher ESRC limit in Fiscal Years 2011 through 2018.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. The estimated reserve amount for Fiscal Year 2018 was based on the December 2017 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, 2018, the financial net positions, or fund balances of the following funds were restricted:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $83.0 million maximum set in the Long Appropriations Act. At June 30, 2018 the fund’s net assets were less than $83.0 million. The entire fund balance of $73.4 million was 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 – $68.5 million maximum set in the Long Appropriations Act. At June 30, 2018 the fund's net assets were less than $68.5 million. The entire fund balance of $61.7 million was restricted. During the fiscal year, $8.5 million was transferred from the Controlled Maintenance Trust Fund to the Disaster Emergency Fund, through seven executive orders, to pay for the following:

    - Disaster emergencies due to the Pine Tree, Deep Creek and Winter Valley wildfires in Moffat County Colorado - $4,250,000,

    - Deployment of the Colorado National Guard in support of impacts due to the solar eclipse - $30,000,

    - Cybersecurity incident at the Colorado Department of Transportation - $2,000,000,

    - Reimbursable emergency assistance to the Territory of Puerto Rico for Hurricane Maria - $260,000, and

    - Reimbursable costs for personnel and equipment related to the California wildfire emergency response - $2,000,000.

- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund – $5.0 million.

The 2017 legislative session Long Appropriations Act also designated up to $160,272,000 of State properties as the remainder of the emergency reserve.

Based on actual fiscal year nonexempt revenues in Fiscal Year 2018 the required reserve was $411.6 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 $11.2 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 AND RECEIVABLES

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 is shown in the annual Treasurer's Report. Where a major fund or fund category has a cash deficit, that deficit has been reclassified to an interfund payable to the General Purpose Revenue Fund – the payer of last resort for the pool.

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

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

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $7,440.6 million ($7,439.6 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2018, the treasurer had invested $7,635.8 million (fair value) of the pool and held no certificates of deposit.

The State had an accounting system cash deposit balance of $1,766.6 million in the Treasurer's pool as of June 30, 2018. Under the GASB Statement No. 40 definitions, $39.9 million of the State's total bank balance of $1,742.0 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.

NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

In the proprietary fund types, noncash transactions occur that do not affect the fund-level *Statement of Cash Flows – All Proprietary Funds*. These transactions are summarized at the bottom of the fund-level statement and the related combining statements. In order for a transaction to be reported as noncash, it must affect real accounts (that is, accounts shown on the *Statement of Net Position*) and be reported outside of the Cash Flows from Operating Activities section of the *Statement of Cash Flows.* The following general types of transaction are reported as noncash:

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general-purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Higher Education Institutions and certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*

- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.

- Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 4 shows the combined effect of these two sources of unrealized gains or losses.

- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the *Statement of Net Position*, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.

- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, and gain/(loss) on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Position.* Since no cash is received or disbursed in these transactions, they are reported as noncash.

- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and the related liability balances reported on the *Statement of Net* Position. Therefore, these transactions are reported as noncash.

- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.

- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Position* also includes a real account, either asset or liability, that is measured at fair value, but does not represent a current cash transaction.

RECEIVABLES

The Taxes Receivable of $1,586.6 million shown on the government-wide *Statement of Net Position* in current assets primarily comprises the following:

- $1,565.4 million in the General Purpose Revenue Fund, mainly self-assessed income and sales tax. This amount includes $159.7 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*.

- $110.8 million of unemployment insurance premiums receivable primarily recorded in the Unemployment Insurance Fund.

- $49.0 million recorded in non-major special revenue funds, which include approximately $13.4 million from gaming tax, $15.7 million from insurance premium tax, and $15.9 million from tobacco tax.

The Restricted Receivables of $632.0 million shown for Governmental Activities on the government-wide *Statement of Net Position* in noncurrent assets related primarily to $62.9 million of Taxes Receivable, $76.1 million of Other Receivables, and $488.7 million of intergovernmental receivables recorded in the Highway Users Tax Fund and State Highway Fund. All three items were reported as Restricted Receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund and State Highway Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of $1,252.0 million shown on the government-wide *Statement of Net Position* are net of $242.0 million in allowance for doubtful accounts and primarily comprise the following:

- $525.3 million of receivables recorded in the General Fund, of which $23.2 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $523.0 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $3.9 million of patient receivables.

- $526.8 million of student and other receivables of Higher Education Institutions.

- $83.9 million recorded by Other Governmental Funds includes $43.0 million of tobacco settlement revenues expected within the following year and $4.6 million of rent and royalty receivables recorded by the State Lands Fund.

- $23.9 million recorded by the Resource Extraction Fund.

INVENTORIES

Inventories of $107.0 million shown on the government-wide *Statement of Net Position* at June 30, 2018, primarily comprises:

- $69.0 million of resale inventories, of which, Resource Extraction recorded $34.9 million, and Higher Education Institutions recorded $30.4 million.

- $21.2 million of consumable supplies inventories, of which $9.9 million was recorded by the Higher Education Institutions, $7.9 million was recorded by the Highway Users Tax Fund, $2.2 million by the General Purpose Revenue Fund, and $0.6 million by Parks and Wildlife, a nonmajor enterprise fund.

- $10.7 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund.

PREPAIDS, ADVANCES, AND DEPOSITS

Prepaids, Advances, and Deposits of $113.5 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $17.3 million advanced to Colorado counties 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.
- $11.7 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $15.5 million prepaid by Higher Educational Institutions, of which $7.6 million primarily related to cash payments for library subscriptions at Colorado State University.
- $16.9 million prepaid to designated service organizations by the Department of Human Services from the Marijuana Tax Cash Fund primarily for behavioral health.
- $4.8 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.

OTHER LONG-TERM ASSETS

The $716.9 million shown as Other Long-Term Assets on the government-wide *Statement of Net Position* is primarily long-term taxes receivable and long-term loans. Long-term taxes receivable of $227.0 million recorded in the General Purpose Revenue Fund are not included as Other Long-Term Assets on the *Balance Sheet – Governmental Funds* but are shown in Taxes Receivable.

The $387.1 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($9.8 million), a major special revenue fund, and the Resource Extraction Fund ($350.8 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

The water loans are made for periods ranging from 10 to 30 years. Interest rates range from 2 to 6 percent for most projects, and they require the local entities or districts to make a yearly payment of principal and interest.
The $129.4 million shown as Other Long-term Assets on the *Statement of Net Position – Proprietary Funds* is primarily student loans issued by Higher Education Institutions but also includes livestock.

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. The fair value of most of the State's investments are determined from quoted market prices except for money market investments that are reported at amortized cost, which approximates market.

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

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

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

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2017-18, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $47,277, for the Unclaimed Property Tourism Trust Fund of $48,540 and for the Major Medical Fund of $13,279. For the Treasurer's pooled cash fund, the State Treasurer realized a loss from the sale of investments of $1,189.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2018 and 2017, the treasurer had $80.9 million and $78.4 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 $9.4 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 State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $3.6 million as of June 30, 2018. See Note 18 for additional details.

Excluding fiduciary funds, the State recognized $58.8 million of net realized gains from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2017-18.

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)	$ 1,766,651
Investments:	
Governmental Activities	8,932,689
Business-Type Activities	2,931,161
Fiduciary Activities	8,170,709
Plus: Cash in Clearing Accounts	85
Total	$ 21,801,295
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 7,316,640
Add: Warrants Payable Included in Cash	209,865
Total Cash and Pooled Cash	7,526,505
Add: Restricted Cash	1,876,024
Add: Restricted Investments	952,394
Add: Investments	11,446,372
Total	$ 21,801,295

Custodial Credit Risk

The State Treasurer's investment policy requires all securities to be held by the State Treasurer or a third party custodian designated by the Treasurer with each security evidenced by a safekeeping receipt. 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.

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the State's name.

Open-end mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. The following 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
NOT SUBJECT TO CUSTODIAL CREDIT RISK				
U.S. Government Securities	$ 1,993,186	$ -	$ 313,681	$ 2,306,867
Commercial Paper	939,581	-	-	939,581
Corporate Bonds	2,776,409	-	324,373	3,100,782
Asset Backed Securities	777,977	-	73,332	851,309
Mutual Funds	783,000	-	1,526	784,526
Other	365,674	9,362	573,807	948,843
SUBTOTAL	7,635,827	9,362	1,286,719	8,931,908
SUBJECT TO CUSTODIAL CREDIT RISK				
Mutual Funds	-	-	781	781
SUBTOTAL	-	-	781	781
TOTAL	$ 7,635,827	$ 9,362	$ 1,287,500	$ 8,932,689

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, 2018. 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. Government Securities	$ 528,368	$ -	$ 528,368	$ 472
Corporate Bonds	190,070	-	190,070	-
Investment in Foundation Pool	428,309	-	428,309	-
Asset Backed Securities	50,324	-	50,324	17,465
Money Market Funds	223,156	-	223,156	769,513
Mutual Funds	810,014	-	810,014	7,172,502
Other	310,904	20,503	331,407	188,785
SUBTOTAL	2,541,145	20,503	2,561,648	8,148,737
SUBJECT TO CUSTODIAL CREDIT RISK				
U.S. Government Securities	85,316	-	85,316	3,824
Corporate Bonds	140,578	-	140,578	9,744
Investment in Foundation Pool	47,908	-	47,908	-
Asset Backed Securities	21,280	-	21,280	777
Mutual Funds	35,972	-	35,972	-
Other	38,459	-	38,459	7,627
SUBTOTAL	369,513	-	369,513	21,972
TOTAL	$ 2,910,658	$ 20,503	$ 2,931,161	$ 8,170,709

Credit Quality Risk

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

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

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

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	$ 9,672	$ -	$ 64,208	$ 777,977	$ 783,000	$ -	$ 30,787	$ 1,665,644
Aa/AA/AA	881,262	-	833,518	-	-	-	334,888	2,049,668
A/A/A	-	-	1,816,979	-	-	-	-	1,816,979
Baa/BBB/BBB	-	-	61,704	-	-	-	-	61,704
Short-term Ratings								
P1/MIG1/A-1/F-1	-	939,581	-	-	-	-	-	939,581
Total T-Pool	890,934	939,581	2,776,409	777,977	783,000	-	365,675	6,533,576
Higher Education Institutions:								
Long-term Ratings								
Aaa/AAA/AAA	47,595	-	39,620	59,869	254,563	-	4,782	406,429
Aa/AA/AA	71,776	-	28,452	4,294	-	-	15,260	119,782
A/A/A	-	-	111,323	1,767	-	-	298	113,388
Baa/BBB/BBB	-	-	97,337	2,649	-	-	-	99,986
Ba/BB/BB	-	-	4,483	104	-	-	-	4,587
B/B/B	-	-	-	1,101	-	-	-	1,101
Caa/CCC/CCC	-	-	1,234	907	-	-	-	2,141
Ca/D/DDD	-	-	1,101	133	-	-	-	1,234
Unrated	129,819	-	47,156	780	7,501	56,581	867	242,704
Total Higher Ed	249,190	-	330,706	71,604	262,064	56,581	21,207	991,352
Fiduciary Funds:								
Long-term Ratings								
Aaa/AAA/AAA	-	-	117	17,734	-	-	295	18,146
Aa/AA/AA	995	-	1,387	-	-	-	844	3,226
A/A/A	-	-	4,650	-	-	-	157	4,807
Baa/BBB/BBB	-	-	3,462	-	-	-	-	3,462
Unrated	2,829	-	128	508	5,046,373	2,874,960	167,380	8,092,178
Total Fiduciary	3,824	-	9,744	18,242	5,046,373	2,874,960	168,676	8,121,819
All Other Funds:								
Long-term Ratings								
Aaa/AAA/AAA	-	-	21,762	73,332	1,526	-	-	96,620
Aa/AA/AA	78,318	-	122,294	-	781	-	149,642	351,035
A/A/A	-	-	138,020	-	-	-	-	138,020
Baa/BBB/BBB	-	-	42,297	-	-	-	-	42,297
Short-term Ratings								
P1/MIG1/A-1/F-1	500	-	-	-	-	-	-	500
Unrated	-	-	-	-	-	-	12,991	12,991
Total Other	78,818	-	324,373	73,332	2,307	-	162,633	641,463
Total	$ 1,222,766	$ 939,581	$ 3,441,232	$ 941,155	$ 6,093,744	$ 2,931,541	$ 718,191	$ 16,288,210

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. Government Securities	$ 1,993,186	1.078	$ 14,015	0.887	$ 10,155	2.288	$ 308,681	11.626
Commercial Paper	939,581	0.079	-	-	-	-	-	-
Corporate Bonds	2,776,409	2.675	-	-	9,744	2.661	324,373	6.649
Asset Backed Securities	778,558	2.299	-	-	777	0.074	240,498	4.832
Money Market Mutual Funds	783,000	-	-	-	769,344	0.121	-	-
Other	365,093	0.270	-	-	1,001	0.157	3,116	2.000
Total Investments	$ 7,635,827		$ 14,015		$ 791,021		$ 876,668	

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 $300.0 million with a duration of 8.3 years and a short-term inflation protected securities index fund for $53.7 million with a duration of 2.6 years. These securities are excluded from the duration table below because interest rate risk is effectively mitigated by the inflation protection attribute of the funds.

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Government Securities	$ 650,401	7.920
Corporate Bonds	313,387	7.957
Asset Backed Securities	82,975	9.371
Bond Mutual Fund	50,221	5.338
Other	20,684	11.345
Colorado School of Mines:		
Bond Mutual Fund- 1	$ 1,447	6.500
Bond Mutual Fund- 2	669	3.600
Bond Mutual Fund- 3	992	0.800
Colorado Mesa University:		
U.S. Government Securities	$ 551	3.574
Corporate Bonds	1,147	3.784
Bond Mutual Fund	189	4.100
Money Market Funds	45	0.003
Other	522	4.612
Private Purpose Trust Funds:		
CollegeInvest:		
Bond Mutual Fund- 1	$ 917,975	8.600
Bond Mutual Fund- 2	768,133	7.100
Bond Mutual Fund- 3	477,429	2.000
Bond Mutual Fund- 4	243,413	6.800
Bond Mutual Fund- 5	58,614	4.400
Bond Mutual Fund- 6	50,694	8.600
Bond Mutual Fund- 7	4,988	3.600

Foreign Currency Risk

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

Concentration of Credit Risk

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

Unrealized Gains and Losses

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. Unrealized gains are not identified as a separate component of fund balance. The following schedule shows the State's net unrealized gains and (losses) for all funds by fund category.

(Amounts in Thousands)

	Fiscal Year 2017-18	Fiscal Year 2016-17
Governmental Activities:		
Major Funds		
General - General Purpose	$ (13,661)	$ (4,898)
General - Special Purpose	(7,666)	(3,892)
Resource Extraction	(8,703)	(5,845)
Highway Users Tax	(7,062)	(5,465)
Capital Projects- Regular	(854)	(2,070)
Capital Projects- Special	(1,428)	(36)
State Education	(2,713)	(2,142)
NonMajor Funds:		
State Lands	(31,100)	(23,461)
Other Permanent Trusts	(145)	(65)
Labor	(1,485)	(1,526)
Gaming	(1,546)	(851)
Tobacco Impact Mitigation	(1,159)	(890)
Resource Management	(72)	(99)
Environment Health Protection	(1,331)	(869)
Other Special Revenue	(5,672)	(2,925)
Unclaimed Property	(8,415)	(6,081)
Information Technology	(360)	(178)
Administrative Courts	(16)	(8)
Legal Services	(106)	(42)
Other Internal Service	(6)	(2)
Business- Type Activities:		
Major Funds		
Higher Education Institutions	55,597	123,010
Unemployment Insurance	(5)	(3)
Lottery	(553)	(354)
Healthcare Affordability	(458)	
NonMajor Funds:		
CollegeInvest	(712)	(580)
Wildlife	(1,734)	(958)
College Assist	(1,979)	(883)
State Fair Authority	(13)	-
Correctional Industries	(45)	(36)
State Nursing Homes	(294)	(125)
Prison Canteens	(104)	(43)
Petroleum Storage Tank	(108)	(23)
Transportation Enterprise	(2,803)	(1,796)
Other Enterprise Activities	(180)	(35)
Fiduciary:		
Pension/Benefits Trust	(878)	(35)
Private Purpose Trust	(125,746)	422,254
	$ (173,515)	$ 479,048

Fair Value Measurements

To the extent available, the State's investments are recorded at fair value as of June 30, 2018. 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, 2018:

(Amounts in Thousands)

		Fair Value Measurements Using		
	Fair Value as of 6/30/2018	Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Government Securities	$ 2,924,847	$ 2,129,926	$ 792,806	$ 2,115
Commercial Paper	939,581	-	939,581	-
Corporate Bonds	3,441,174	87,771	3,322,698	30,705
Investment in Foundation Pool	476,218	-	-	476,218
Asset Backed Securities	941,155	2,133	938,208	814
Mutual Funds	8,803,795	8,800,786	2,795	214
Money Market Funds	769,557	769,388	-	169
Other	1,264,928	221,816	578,280	464,832
Total	$ 19,561,255	$ 12,011,820	$ 6,574,368	$ 975,067

On June 30, 2018, the University of Colorado held an investment in an equity trust. This fair value of this investment is not disclosed on the above table as its value of $244.4 million was calculated as the University's net asset value per share in the equity trust. The University also held investments in money market funds of $223.1

million, guaranteed investment agreements of $5.2 million, and private equities of $650 thousand, which are not included in the table above as they are not subject to fair value measurement.

Treasurer's Investment Pool

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

NOTE 5 – CAPITAL ASSETS

During Fiscal Year 2018, the State capitalized $10.8 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Institutions of Higher Education in the amount of $8.4 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

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

(Amounts in Thousands)

GOVERNMENTAL ACTIVITIES		Depreciation Amount
General Government	$	51,705
Business, Community and Consumer Affairs		2,302
Education		36,568
Health and Rehabilitation		8,929
Justice		50,914
Natural Resources		2,269
Social Assistance		23,409
Transportation		358,951
Internal Service Funds (Charged to programs and BTAs based on usage)		0
Total Depreciation Expense - Governmental Activities		535,047
BUSINESS-TYPE ACTIVITIES		
Higher Education Institutions		434,554
Other Enterprise Funds		33,588
Unemployment Insurance		2,379
State Lottery		176
Total Depreciation Expense - Business-Type Activities		470,697
Total Depreciation Expense Primary Government	$	1,005,744

The schedule on the following page shows the capital asset activity during Fiscal Year 2018. The schedule shows that $683.5 million of construction in progress projects were completed and added to capital assets for Governmental activities, and $869.3 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
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	116,146	$ 1,701	$ -	$ (30)	$ 117,817
Land Improvements	7,374	81	-	-	7,455
Collections	11,030	-	-	(52)	10,978
Other Capital Assets	2,136	-	-	-	2,136
Construction in Progress (CIP)	926,510	579,762	(708,883)	(20,556)	776,833
Infrastructure	978,616	-	25,420	-	1,004,036
Total Capital Assets Not Being Depreciated	2,041,812	581,544	(683,463)	(20,638)	1,919,255
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	58,365	538	-	-	58,903
Buildings	3,229,813	27,073	142,086	(17,319)	3,381,653
Software	481,643	4,858	17,522	(2,239)	501,784
Vehicles and Equipment	945,009	84,377	11,043	(53,246)	987,183
Library Materials and Collections	6,013	361	-	(105)	6,269
Other Capital Assets	37,343	29	-	-	37,372
Infrastructure	11,671,381	837	512,812	(4,082)	12,180,948
Total Capital Assets Being Depreciated	16,429,567	118,073	683,463	(76,991)	17,154,112
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(34,359)	(2,341)	-	-	(36,700)
Buildings	(1,038,589)	(85,551)	-	(622)	(1,124,762)
Software	(233,752)	(41,153)	-	930	(273,975)
Vehicles and Equipment	(589,000)	(70,401)	-	51,506	(607,895)
Library Materials and Collections	(4,406)	(403)	-	105	(4,704)
Other Capital Assets	(36,211)	(513)	-	-	(36,724)
Infrastructure	(4,455,461)	(334,685)	-	1,102	(4,789,044)
Total Accumulated Depreciation	(6,391,778)	(535,047)	-	53,021	(6,873,804)
Total Capital Assets Being Depreciated, net	10,037,789	(416,974)	683,463	(23,970)	10,280,308
TOTAL GOVERNMENTAL ACTIVITIES	12,079,601	164,570	-	(44,608)	12,199,563
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	589,204	4,878	1,765	3,951	599,798
Land Improvements	16,882	-	-	(21)	16,861
Collections	28,171	1,160	-	-	29,331
Construction in Progress (CIP)	1,215,125	808,154	(900,270)	(28,872)	1,094,137
Other Capital Assets	15,461	-	-	-	15,461
Infrastructure	56,945	1,441	29,161	-	87,547
Total Capital Assets Not Being Depreciated	1,921,788	815,633	(869,344)	(24,942)	1,843,135
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	743,523	5,663	68,745	(7,923)	810,008
Buildings	8,982,706	19,019	755,988	(25,894)	9,731,819
Software	219,308	5,551	1,357	(9,719)	216,497
Vehicles and Equipment	1,149,537	89,738	12,746	(51,054)	1,200,967
Library Materials and Collections	577,192	20,280	-	(3,232)	594,240
Other Capital Assets	4,146	-	-	(376)	3,770
Infrastructure	997,048	837	30,508	-	1,028,393
Total Capital Assets Being Depreciated	12,673,460	141,088	869,344	(98,198)	13,585,694
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(396,372)	(33,162)	-	7,825	(421,709)
Buildings	(3,245,220)	(297,225)	-	20,530	(3,521,915)
Software	(177,776)	(12,404)	-	7,343	(182,837)
Vehicles and Equipment	(836,773)	(87,124)	-	44,851	(879,046)
Library Materials and Collections	(442,361)	(22,524)	-	3,232	(461,653)
Other Capital Assets	(1,819)	(129)	-	163	(1,785)
Infrastructure	(70,281)	(18,129)	-	-	(88,410)
Total Accumulated Depreciation	(5,170,602)	(470,697)	-	83,944	(5,557,355)
Total Capital Assets Being Depreciated, net	7,502,858	(329,609)	869,344	(14,254)	8,028,339
TOTAL BUSINESS-TYPE ACTIVITIES	9,424,646	486,024	-	(39,196)	9,871,474
TOTAL CAPITAL ASSETS, NET	$ 21,504,247	$ 650,594	$ -	$ (83,804)	$ 22,071,037

Note 6 – PENSION SYSTEM AND OBLIGATIONS

<u>Defined Benefit Pension Plan</u>

Summary of Significant Accounting Policies

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through 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.* Governmental accounting standards require the net pension liability and related amounts of the SDTF and the JDTF for financial reporting purposes be measured using the plan provisions in effect as of the SDTF's and the JDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled C*hanges between the measurement date of the net pension liability* and June 30, 2018.

General Information about the Pension Plan

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

Benefits provided as of December 31, 2017. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF and the JDTF.

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. 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. The five-year requirement is not applicable to active judges. The disability benefit amount is based on the retirement benefit formula 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 provisions as of June 30, 2018: Eligible employees and the State of Colorado are required to contribute to the SDTF or the JDTF, as applicable, at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees with the exception of State Troopers are required to contribute 8 percent of their PERA-includable salary. Eligible employees who are State Troopers are required to contribute 10 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

As of June 30, 2018	
Employer contribution rate[1]	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%
Amount apportioned to the SDTF[1]	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Total employer contribution rate to the SDTF[1]	**19.13%**

[1] Rates 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:

As of June 30, 2018	
Employer contribution rate[1]	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]	(1.02)%
Amount apportioned to the SDTF[1]	11.83%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Total employer contribution rate to the SDTF[1]	**21.83%**

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

Employer contributions are recognized by the SDTF and the JDTF in the period in which the compensation becomes payable to the member and the State of Colorado is statutorily committed to pay the contributions to the SDTF and the JDTF. Employer contributions recognized by the SDTF and the JDTF from the State of Colorado were $541.3 million and $7.8 million, respectively, for the year ended June 30, 2018.

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

At June 30, 2018, the State of Colorado reported a total liability of $19.3 billion for its proportionate share of the net pension liabilities of the SDTF and the JDTF. The net pension liability for the SDTF and the JDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The State of Colorado's proportion of the net pension liability was based on the State of Colorado's contributions to the SDTF and the JDTF for the calendar year 2017 relative to the total contributions of participating employers to each trust fund.

At December 31, 2017, the State of Colorado's proportion of the SDTF was 95.37 percent, which was a decrease of .12%, and 93.99% of the JDTF, which was a decrease of .18%, from the proportion of each trust measured as of December 31, 2016. For the year ended June 30, 2018, the State of Colorado recognized pension expense of $3.85 billion related to both PERA trust funds.

At June 30, 2018, the State of Colorado reported deferred outflows of resources and deferred inflows of resources for the SDTF related to pensions from the following sources:

(Amounts in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 297,675	$ -
Changes of assumptions or other inputs	3,314,939	-
Net difference between projected and actual earnings on pension plan investments	-	719,037
Changes in proportion and differences between contributions recognized and proportionate share of contributions	117,308	134,142
Contributions subsequent to the measurement date	270,432	N/A
Total	$4,000,354	$853,179

$270.4 million reported as deferred outflows of resources related to pensions for the SDTF, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Year ended June 30:	(Amounts in thousands)
2019	$2,858,687
2020	558,403
2021	(267,101)
2022	$(273,246)
2023	-
Thereafter	-

At June 30, 2018, the State of Colorado reported deferred outflows of resources and deferred inflows of resources for the JDTF related to pensions from the following sources:

(Amounts in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$26,475	$ 1
Changes of assumptions or other inputs	30,701	10,675
Net difference between projected and actual earnings on pension plan investments	-	15,466
Changes in proportion and differences between contributions recognized and proportionate share of contributions	329	242
Contributions subsequent to the measurement date	3,884	N/A
Total	$61,389	$26,384

$3.9 million reported as deferred outflows of resources related to pensions for the JDTF, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Year ended June 30:	(amounts in thousands)
2019	$20,500
2020	13,191
2021	3,010
2022	$(5,579)
2023	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

Discount rates of 4.72 percent and 5.41 percent were used for the SDTF and the JDTF, respectively, in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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.

For the SDTF, 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 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.

For the JDTF, healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 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 assumptions for the SDTF and the JDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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:

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

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

Discount rate. The discount rate used to measure the total pension liability was 4.72 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 current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.72 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 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.54 percent higher compared to the current measurement date.

Sensitivity of the State of Colorado's proportionate share of the net pension liability to changes in the discount rate. The table below presents the proportionate share of the net pension liability for the SDTF calculated using the discount rate of 4.72 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 (3.72 percent) or 1-percentage-point higher (5.72 percent) than the current rate:

(amounts in thousands)	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Proportionate share of the net pension liability	$23,750,673	$19,091,079	$15,265,838

The table below presents the proportionate share of the net pension liability for the JDTF calculated using the discount rate of 5.41 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.41 percent) or 1-percentage-point higher (5.41 percent) than the current rate:

(amounts in thousands)	1% Decrease (4.41%)	Current Discount Rate (5.41%)	1% Increase (6.41%)
Proportionate share of the net pension liability	$280,498	$218,139	$165,120

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

Changes between the measurement date of the net pension liability and June 30, 2018.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through 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.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying 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.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. 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.

Defined Contribution Pension Plans

Voluntary Investment Program

Plan Description - Employees of the State of Colorado that are also members of the SDTF may voluntarily contribute to the 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.

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. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

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). SB 18-200 expands 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:

As of June 30, 2018	
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Total employer contribution rate to the SDTF[1]	**10.00%**

[1]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. Participating employees in the PERA DC Plan contributed \$11.4 million and the State of Colorado made employer contributions of \$14.3 million to the PERA DC Plan.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2017, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$18,500. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,000 contribution in 2017. Special 457(b) catch-up contributions allow a participant for 3 years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit (\$37,000 in 2015, 2016, and 2017), or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2017, the plan had 18,211 participants.

Note 7 - Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. 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

Plan description. Eligible employees of the State of Colorado 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 publicly available comprehensive annual financial report that can be obtained at 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.

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 of Colorado is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the State of Colorado were $29.3 million for the year ended June 30, 2018.

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

At June 30, 2018, the State of Colorado reported a liability of $438.1 million for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The State of Colorado proportion of the net OPEB liability was based on June 30, 2018 contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the State of Colorado's proportion was 33.71 percent, which was a decrease of .12 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the State of Colorado recognized OPEB expense of $4.9 million. At June 30, 2018, the State of Colorado reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(dollars in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,072	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	7,330
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,894	5,708
Contributions subsequent to the measurement date	14,441	N/A
Total	$ 21,407	$ 13,038

$14.4 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, 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:

Year ended June 30:	(dollars in thousands)
2019	$ (1,585)
2020	(1,585)
2021	(1,585)
2022	(1,585)
2023	247
Thereafter	$ 21

Actuarial assumptions. The total OPEB liability in the December 31, 2016 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	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
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.

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, 2016, 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
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

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 economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

- 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 2017 plan year.

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.

- 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 rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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. 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 needed.

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:

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

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

Sensitivity of the State of Colorado's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following 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:

(dollars in thousands)	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$426,058	$438,113	$452,631

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, 2017, 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. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- 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 end of the month.

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 of the State of Colorado's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

(dollars in thousands)	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$492,576	$438,113	$391,626

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

University of Colorado OPEB

The University-administered single-employer postemployment benefit (non-pension) program, was established by the Regents who have the authority to amend the program provisions. Under this program, the University subsidizes a portion of healthcare and life insurance premiums on a pay-as-you-go basis. This program does not issue a separate financial report.

Funded Status and Funding Progress. There are no assets accumulating in a trust for the University's OPEB plan. The University contributed $17,211,000, $15,136,000, and $14,929,000 for the years ended June 30, 2018, 2017, and 2016 respectively.

The actuarial valuation for the fiscal year ending June 30, 2018 had a measurement date of June 30, 2017. Based on the March 1, 2017 participant data, 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 $40,327,000 in OPEB expense in Fiscal Year 2018. Table 7.1 provides the details regarding the University's total OPEB plan liability from June 30, 2017 to June 30, 2018.

Table 7.1. Reconciliation of University's OPEB Liability *(in thousands)*

		Total OPEB Liability
Balance recognized at June 30, 2017	$	343,570
Cumulative effect of adoption of new accounting principle		459,516
Contributions made subsequent to the measurement date		17,211
Changes recognized for the fiscal year:		
Service cost		53,099
Interest on total OPEB liaibility		24,648
Differences between expected and actual experience		(87,654)
Changes of assumption		(46,406)
Benefit payments		(17,211)
Net changes		(73,524)
Balance regognized at June 30, 2018		
(based on June 30, 2017 measurement date)	$	746,773

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 3.60 percent as of the June 30, 2017 measurement date, and 2.85 percent as of the June 30, 2016 measurement date, 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 a7.0 percent long-term average increase for medical benefits, and an 11 percent increase for prescriptions, both trending down to an ultimate 4.5 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 RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to the rates for ages below 80 and a 108 percent factors applied to the rates for ages 80 and above, projected to2018 using the MP-2015 projection scale for males, and a 78 percent factor applied to the rates for ages below 80 and a 109 percent factor applied to the rates for ages 80 and above, projected to 2020 using the MP-2015 projection scale for females.

The valuation reflects the following assumption changes from the June 30, 2016 measurement date to the June 30, 2017 measurement date:

- Interest rate changed from 2.85 percent to 3.60 percent
- Health care trend rates were changed as noted above and detailed in the actuarial report
- Spouse age differential changed from zero years for males and females to spouses two years younger for males and one year older for females
- Spouse coverage assumption changed from 54 percent for males and 22 percent for females to 60 percent for males and 40 percent for females for PERA participants
- The following assumptions were updated based on the December 31, 2015 Colorado PERA assumption study:
    - Mortality rates
    - Withdrawal rates
    - Retirement rates (apply to PERA participants only)

Table 7.2 illustrates the impact of interest rate sensitivity on the University's total OPEB liability for the fiscal year ending June 30, 2018.

Table 7.2. Sensitivity of University's Total OPEB Liability *(in thousands)*

		1% Increase (4.60%)	Discount Rate (3.60%)	1% Decrease (2.60%)
1% decrease	$	552,706	630,561	725,579
Health Care Trend Rates		647,343	746,773	869,745
1% increase		767,054	895,755	1,057,191

Table 7.3 illustrates the deferred outflows and inflows of resources as of June 30, 2018.

Table 7.3. University's OPEB Deferred Outflows and Inflows *(in thousands)*

		2018	
		Deferred Outflows	Deferred Inflows
Liability experience	$	-	75,809
Assumption change		-	40,135
Contributions subsequent to the measurement date		19,304	-
Total	**$**	**19,304**	**115,944**

Between the June 30, 2017 measurement date of the University's total OPEB liability and the University's June 30, 2018 reporting date, the University made contributions of $19,304,000 during Fiscal Year 2018 that impacted the total OPEB liability and were treated as a deferred outflow of resources.

Table 7.4 lists the amortization bases included in the University's OPEB deferred outflows and inflows of resources as of June 30, 2018.

Table 7.4. Amortization of University's OPEB Deferred Outflows and Inflows *(in thousands)*

Date		Period			Balance		Annual
Established	Type of Base	Original	Remaining		Original	Remaining	Amortization
July 1, 2017	Liability experience	7.4	6.4	$	(87,654)	(75,809)	(11,845)
July 1, 2017	Assumption change	7.4	6.4		(46,406)	(40,135)	(6,271)
	Total changes			**$**	**(134,060)**	**(115,944)**	**(18,116)**

The deferred outflow from contributions subsequent to the measurement date of $19,304,000 will be recognized as a reduction to the University's OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows related to the University's OPEB liability will be recognized in OPEB expense as summarized in Table 7.5.

Table 7.5. Future Amortization of University's OPEB Deferred Outflows and Inflows *(in thousands)*

Years ending June 30:		
2019	$	(18,116)
2020		(18,116)
2021		(18,116)
2022		(18,116)
2023		(18,116)
2024-2025		(25,364)
Total	**$**	**(115,944)**

Prior to the adoption of Statement No. 75, the University only recorded a liability for the annual required contribution (ARC) not funded. As of June 30, 2017, based on the July 1, 2016 actuarial valuation, the unfunded actuarial accrued liability was $625,035,000. For the year ended June 30, 2017, the annual OPEB cost was $69,366,000. The University contributed $14,929,000, which was 21.5 percent of the annual OPEB cost. The net OPEB obligation was $343,570,000. The actuarial method used was the projected unit credit cost method and the discount rate used was 4.5 percent. The UAAL was being amortized straight-line over a closed period of 30 years. Table 7.6 presents changes in the University's OPEB plan for the year ended June 30, 2017.

Table 7.6. University's OPEB *(in thousands)*

		2017
Annual required contribution (ARC)	$	74,105
Interest on net obligation		13,011
Adjustment to ARC		(17,750)
Annual OPEB expense		69,366
Estimated benefit payments		(14,929)
Increase in OPEB		54,437
Beginning of year		289,133
End of year	**$**	**343,570**

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 2018, 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 State offers two statewide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

The Public Employees Retirement Association (PERA) covers short-term disability claims for State employees eligible under its retirement plan (see Note 6). The Group Benefit Plans Fund provides short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

The Group Benefit Plans short-term disability program provides an employee with 60 percent of their pay beginning after 30 days of disability or exhausting their sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability.

B. PERAPlus 457 Plan

The PERAPlus 457 plan is an IRC § 457 plan that allows for voluntary participation to provide additional benefits at retirement. All employees working for a PERA employer affiliated with the PERAPlus 457 Plan may contribute to the PERAPlus 457 Plan. In calendar year 2017, participants could defer the lesser of $18,000 (actual dollars) or 100 percent of compensation less PERA member contributions. Catch-up deferrals, up to the greater of $6,000 (actual dollars) for participants who had attained age 50 before the close of the plan year or the limits of the special section 457 plan catch-up, were allowed in 2017, subject to the limitations of IRC § 414(v) and § 457(b).

OTHER RETIREMENT PLANS

PERAPlus 401(k) Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. Title 24, Article 51, Part 14 of the Colorado Revised Statutes, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. In calendar year 2017, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $6,000 in 2017, for total contributions of $24,000. Contributions and earnings are tax deferred. On December 31, 2017, the plan had net position of $3,275.2 million and 68,891 accounts.

PERA Defined Contribution Retirement Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Title 24, Article 51, Part 15 of the Colorado Revised Statutes, assigns the authority to establish Plan provisions to the PERA Board of Trustees.

Contribution requirements are established under Title 24, Article 51, Section 1505 of the Colorado Revised Statutes. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. Additionally, the State of Colorado is required to contribute AED and SAED to the State Division as shown in the following table. The rates in the following table are expressed as a percentage of salary as defined in Title 24, Article 51, Section 101 (42) of the Colorado Revised Statutes.

	Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018	
	CY15	CY16		CY17		CY18
	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17	7-1-17 to 12-31-17	1-1-18 to 6-30-18
Amortization Equalization Disbursement (AED) as specified in C.R.S., Section 24-51-411	4.20%	4.60%	4.60%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	4.00%	4.50%	4.50%	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the State Division	8.20%	9.10%	9.10%	10.00%	10.00%	10.00%

Participating employees of the PERA defined contribution plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA defined contribution plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the Colorado Revised Statutes. As a result, forfeitures do not reduce pension expense. At December 31, 2017, the plan had a net position of $211.1 million and 6,097 participants.

The financial statements for the PERA Deferred Compensation Plan, the PERA 401k Plan, and the PERA Defined Contribution Plan can be found within PERA's financial statements as referenced at the beginning of Note 6.

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, CRS 24-10-101, 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 (CRS 24-30-1501); the State has purchased $50.0 million of excess insurance per occurrence ($10.0 million deductible). Property claims are self insured as well; $450.0 million of property loss insurance ($500,000 deductible). The State has also purchased excess liability coverage for automotive liability outside Colorado $5.0 million per occurrence ($2.0 million deductible), and $10.0 million of employee dishonesty and theft loss coverage ($250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the State, except for the University of Colorado, Colorado State University (not including CSU-Pueblo), the University of Northern Colorado, 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 $375,000 per individual. In Fiscal Year 2017-18, the State recovered approximately $4.7 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 $18.5 million of insurance recoveries during Fiscal Year 2018. Of that amount approximately $7.9 million was related to asset impairments that occurred in prior years. The remaining $10.6 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $4.7 million, as noted above), a Pension and Other Employee Benefits Fund, and $1.2 million by Higher Education in the Higher Education Institutions Fund.

The University of Colorado is self-insured for workers' compensation, auto, and general and property liability. An actuarial projection is performed to estimate the self-insured plan's undiscounted liabilities. The University purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $1.5 million per worker's compensation claim, and $1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2018 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 2018, 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 2018 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $345,775 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 2018, however, the University collected $652,675 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 2018 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 per occurrence with excess insurance purchased for claims up to $10.0 million and additional insurance purchased for up to $15.0 million, for a total of $25.0 million per occurrence. The University is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. The University carries cyber risk liability insurance up to $5.0 million ($100,000 deductible for cyber extortion; $20,000 deductible for foreign notification; and $10,000 deductible for crisis management and public relations). The University also purchased $1.0 million of international liability insurance, $25.0 million of aviation liability insurance ($1,000 deductible for each occurrence), and $1.0 million per occurrence of unmanned aerial vehicles liability insurance. The University also carries liability, professional liability, and pollution liability for the Center for Environmental Management 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. During Fiscal Year 2018, the University purchased additional limits of $40.0 million for CEMML operations including additional responsibility for prescribed burning. There were no significant reductions in insurance coverage in Fiscal Year 2018, 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 2018, 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 2017-18, 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), $1.0 million of property ($50,000 deductible), $750,000 of inland marine ($5,000 deductible), and $1.0 million of aviation ($150 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 2018, 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 2018, 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 2018 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $1.0 million of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2018, 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 2018 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 2018 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 2018, and the amount of settlements has not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of $500,000 ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2018 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 2018 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				
2017-18	23,885	2,816	4,302	22,399
2016-17	24,926	3,054	4,095	23,885
2015-16	27,429	1,767	4,270	24,926
Workers' Compensation				
2017-18	134,393	23,503	30,988	126,908
2016-17	133,672	35,984	35,263	134,393
2015-16	130,357	36,072	32,757	133,672
Group Benefit Plans:				
2017-18	16,077	233,694	231,312	18,459
2016-17	15,766	201,105	200,794	16,077
2015-16	14,717	188,021	186,972	15,766
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2017-18	16,119	7,913	7,263	16,769
2016-17	16,726	7,388	7,995	16,119
2015-16	13,858	10,180	7,312	16,726
University of Colorado Denver:				
Graduate Medical Education Health Benefits Program				
2017-18	2,309	13,012	12,632	2,689
2016-17	1,666	10,357	9,714	2,309
2015-16	1,799	7,233	7,366	1,666
Medical Malpractice				
2017-18	9,428	1,451	1,112	9,767
2016-17	11,469	1,006	3,047	9,428
2015-16	9,498	2,883	912	11,469

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
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2017-18	29,917	57,038	56,407	30,548
2016-17	26,760	54,124	50,967	29,917
2015-16	28,660	46,728	48,628	26,760
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2017-18	135	(25)	32	78
2016-17	355	(172)	48	135
2015-16	56	367	68	355
Colorado School of Mines:				
General Liability, Property, and Workers' Compensation				
2017-18	-	321	26	295
Fort Lewis College:				
Workers' Compensation				
2017-18	2	3	3	2
2016-17	-	5	3	2
2015-16	13	15	28	-
General Liability				
2017-18	3	(3)	-	-
2016-17	39	3	39	3
2015-16	-	44	5	39
Colorado Mesa University:				
Workers' Compensation				
2017-18	36	27	34	29
2016-17	220	(130)	54	36
2015-16	28	220	28	220
General Liability				
2017-18	-	18	(18)	36
2016-17	3	10	13	-
2015-16	-	35	32	3

NOTE 10 – LEASES AND SHORT-TERM DEBT

LEASE COMMITMENTS

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as non-cancellable for financial reporting purposes.

At June 30, 2018, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Capital Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 5,559	$ 114,930	$ 342,820
Business-Type Activities	-	39,550	44,945
Total	$ 5,559	$ 154,480	$ 387,765

At June 30, 2018, the State expected future minimum sublease rentals relating to operating leases of $1.7 million in business-type activities and $229,000 in governmental activities. No future minimum sublease rentals related to capital leases are expected.

During the year ended June 30, 2018, the State incurred no contingent rentals related to capital and operating leases.

For Fiscal Year 2018, the State recorded building and land rent of $62.4 million for governmental-type activities, $24.8 million for business-type activities, and $30,186 for fiduciary activities. The State also recorded equipment and vehicle rental expenditures of $11.4 million and $45.2 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 $1.5 million for business-type activities in Fiscal Year 2018.

In Fiscal Year 2018, the State entered into approximately $18.8 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, 2018, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases			
			Governmental Activities		Business-Type Activities	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Principal	Interest	Principal	Interest
2019	$ 53,111	$ 28,539	$ 25,789	$ 3,621	$ 6,529	$ 1,446
2020	43,061	22,664	23,119	3,073	5,918	1,272
2021	38,016	17,582	20,424	2,592	4,851	1,104
2022	32,621	15,815	18,734	2,147	4,376	958
2023	27,614	11,840	11,859	1,321	4,372	868
2024 to 2028	80,863	42,591	30,227	2,346	19,197	1,782
2029 to 2033	2,175	11,943	1,721	134	2,909	132
2034 to 2038	1,160	823	-	-	-	-
2039 to 2043	666	667	-	-	-	-
2044 to 2048	661	608	-	-	-	-
2049 to 2053	661	111	-	-	-	-
2054 to 2058	661	111	-	-	-	-
Thereafter	2,050	-	-	-	-	-
Total	$ 283,320	$ 153,294	$ 131,873	$ 15,234	$ 48,152	$ 7,562

SHORT-TERM DEBT

On July 18, 2017, the State Treasurer issued $600.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2017A. The notes were due and payable on June 27, 2018, at a coupon rate of 4.133 percent. The total interest related to this issuance was $23.4 million; however, the notes were issued at a premium of $18.0 million, resulting in net interest costs (including the cost of issuance) of $5.6 million and a yield of 0.914 percent. The notes were issued for cash management purposes and were repaid by June 27, 2018, 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 20, 2017, the State Treasurer issued $290.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2017A. The notes were due and payable on June 28, 2018, at a coupon rate of 4.138 percent. The total interest related to this issuance was $11.3 million; however, the notes were issued at a premium of $8.8 million, resulting in net interest costs (including cost of issuance) of $2.8 million or 0.886 percent. The notes matured on June 28, 2018, and were repaid.

On January 16, 2018, the State Treasurer issued $375.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2017B. The notes were due and payable on June 28, 2018, at a coupon rate of 4.000 percent. The total interest related to this issuance was $6.8 million; however, the notes were issued at a premium of $4.6 million, resulting in net interest costs (including cost of issuance) of $2.2 million or 1.251 percent. The notes matured on June 28, 2018, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2018:

(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	-	665,000	(665,000)	-
Total Governmental Activities Short-Term Financing	-	1,265,000	(1,265,000)	-
Total Short-Term Financing	$ -	$ 1,265,000	$ (1,265,000)	$ -

NOTE 11 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Primary Government

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 $1,753.1 million in available net revenue after operating expenses to meet the $307.1 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 2017-18 the State recorded $273.5 million of interest costs, of which $64.6 million was recorded by governmental activities and $208.9 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $6.7 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $17.2 million of interest on Certificates of Participation issued by the Judicial Branch, $31.3 million of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program and $5.3 million of interest on Education and General Fund Tax and Revenue Anticipation Notes issued by the State Treasurer. The business-type activities interest cost primarily comprises $181.3 million of interest on revenue bonds issued by institutions of higher education, $12.7 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, and $14.8 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, 2018, are as follows:

(Amounts in Thousands)

	Governmental Activities							
Fiscal	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ -	$ -	$ 2,175	$ 187	$ 53,340	$ 57,344	$ 55,515	$ 57,531
2020	-	-	2,220	142	31,365	55,793	33,585	55,935
2021	-	-	2,270	95	32,520	54,491	34,790	54,586
2022	-	-	2,314	48	33,805	52,832	36,119	52,880
2023	-	-	-	-	34,095	51,392	34,095	51,392
2024 to 2028	-	-	-	-	402,275	229,810	402,275	229,810
2029 to 2033	-	-	-	-	300,070	161,851	300,070	161,851
2034 to 2038	-	-	-	-	254,045	95,372	254,045	95,372
2039 to 2043	-	-	-	-	181,000	36,355	181,000	36,355
2044 to 2048	-	-	-	-	40,530	2,844	40,530	2,844
Subtotals	-	-	8,979	472	1,363,045	798,084	1,372,024	798,556
Unamortized Prem/Discount	-	-	-	-	63,269	-	63,269	-
Totals	$ -	$ -	$ 8,979	$ 472	$ 1,426,314	$ 798,084	$ 1,435,293	$ 798,556

(Amounts in Thousands)

Business-Type Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Mortgages Payable Principal	Mortgages Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2019	$ 128,914	$ 192,167	$ 50,116	$ 1,209	$ 503	$ 445	$ 23,970	$ 18,029	$ 203,503	$ 211,850
2020	139,029	181,724	134	1,174	372	429	35,460	17,080	174,995	200,407
2021	145,587	177,008	37	1,171	387	414	35,570	15,700	181,581	194,293
2022	150,181	171,445	37	1,171	404	397	37,075	14,185	187,697	187,198
2023	163,686	176,351	6,538	2,222	2,290	1,716	32,040	12,691	204,554	192,980
2024 to 2028	848,008	724,161	42,164	5,324	2,817	1,189	148,085	41,336	1,041,074	772,010
2029 to 2033	896,785	528,172	-	-	4,248	164	65,850	15,581	966,883	543,917
2034 to 2038	841,040	327,653	-	-	-	-	37,050	5,569	878,090	333,222
2039 to 2043	530,125	156,176	-	-	-	-	8,350	169	538,475	156,345
2044 to 2048	209,215	71,350	-	-	-	-	-	-	209,215	71,350
2049 to 2053	114,780	37,559	-	-	-	-	-	-	114,780	37,559
2054 to 2058	88,600	9,846	-	-	-	-	-	-	88,600	9,846
Subtotals	4,255,950	2,753,612	99,026	12,271	11,021	4,754	423,450	140,340	4,789,447	2,910,977
Unamortized Prem/Discount	314,560	-	-	-	-	-	38,012	-	352,572	-
Unaccreted Interest	(5,755)	-	-	-	-	-	-	-	(5,755)	-
Totals	$ 4,564,755	$ 2,753,612	$ 99,026	$ 12,271	$ 11,021	$ 4,754	$ 461,462	$ 140,340	$ 5,136,264	$ 2,910,977

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs on its variable rate debt. See Note 14 for additional information.

Assuming current interest rates are applied over the term of the debt, at June 30, 2018, 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
2019	$ 550	$ 497	$ 1,039	$ 2,086
2020	575	490	1,024	2,089
2021	575	482	1,008	2,065
2022	850	472	987	2,309
2023	925	460	963	2,348
2024 to 2028	6,500	2,093	4,376	12,969
2029 to 2033	13,300	1,399	2,925	17,624
2034 to 2038	14,610	470	983	16,063
Totals	$ 37,885	$ 6,363	$ 13,305	$ 57,553

The original principal amount of the State's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Mortgages Payable	Certificates of Participation	Total
Governmental Activities	$ -	$ 21,075	$ -	$ 1,604,875	$ 1,625,950
Business Type Activities	5,761,515	59,768	12,670	594,343	$ 6,428,296
Total	$ 5,761,515	$ 80,843	$ 12,670	$ 2,199,218	$ 8,054,246

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2017-18:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 6,760	$ 808	$ (6,647)	$ 921	$ 785
Accrued Compensated Absences	170,300	19,097	(13,994)	175,403	12,758
Claims and Judgments Payable	306,904	43,066	(126,293)	223,677	42,812
Capital Lease Obligations	142,153	44,121	(54,401)	131,873	25,789
Bonds Payable	-	-	-	-	-
Certificates of Participation	1,302,382	177,649	(53,717)	1,426,314	53,340
Notes, Anticipation Warrants, Mortgages	11,115	2,175	(4,311)	8,979	2,175
Net Pension Liability	10,919,604	1,014,248	-	11,933,852	-
Other Postemployment Benefits	-	272,038	-	272,038	-
Other Long-Term Liabilities	407,912	262,394	(252,256)	418,050	-
Total Governmental Activities Long-Term Liabilities	13,267,130	1,835,596	(511,619)	14,591,107	137,659
Business-Type Activities					
Deposits Held In Custody For Others	43,468	44,590	(43,448)	44,610	44,590
Accrued Compensated Absences	342,451	52,880	(30,121)	365,210	26,203
Claims and Judgments Payable	37,361	7,044	(8,900)	35,505	-
Capital Lease Obligations	49,891	12,284	(14,023)	48,152	6,529
Derivative Instrument Liabilities	9,251	7,035	(9,449)	6,837	-
Bonds Payable	4,376,804	1,006,685	(780,849)	4,602,640	129,464
Certificates of Participation	346,769	176,251	(61,558)	461,462	23,970
Notes, Anticipation Warrants, Mortgages	61,395	74,586	(25,934)	110,047	50,619
Net Pension Liability	6,934,502	527,981	-	7,462,483	-
Other Postemployment Benefits	343,570	594,880	-	938,450	-
Other Long-Term Liabilities	17,541	91,799	(61,600)	47,740	-
Total Business-Type Activities Long-Term Liabilities	12,563,003	2,596,015	(1,035,882)	14,123,136	281,375
Fiduciary Activities					
Deposits Held In Custody For Others	465,456	624,191	(425,607)	664,040	610,145
Accrued Compensated Absences	50	23	(18)	55	24
Other Long-Term Liabilities	373	2,347	(374)	2,346	-
Total Fiduciary Activities Long-Term Liabilities	465,879	626,561	(425,999)	666,441	610,169
Total Primary Government Long-Term Liabilities	$ 26,296,012	$ 5,058,172	$ (1,973,500)	$ 29,380,684	$ 1,029,203

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 2017-18, debt was defeased in both governmental and business-type activities.

At June 30, 2018, 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	$ 253,660
Department of Corrections	44,670
Business- Type Activities:	
University of Colorado	739,950
Colorado State University	420,585
Colorado School of Mines	31,160
Western State College	33,890
Colorado Community College System	13,465
Adams State College	16,415
Total	$ 1,553,795

The Department of Treasury issued $115,790,000 of its State of Colorado Building Excellent Schools Today Certificates of Participation, Series 2017K to partially defease its State of Colorado Building Excellent Schools Today Certificates of Participation, Series 2011G. The defeased debt had an interest rate of 4.87 percent, and the new debt had an interest rate of 2.54 percent. The remaining term of the debt was 14.27 years and the estimated debt service cash flows decreased by $21,339,349. The defeasance resulted in an economic gain of $9,059,462 and book loss of $4,349,246 that will be amortized as an adjustment of interest expense over the remaining 13.27 years of the new debt.

The Board of Regents of the University of Colorado issued $43,325,000 of its Enterprise Revenue Refunding Bonds, Series 2017A-2 to partially defease its 2012B Enterprise Revenue Bonds. The defeased debt had an interest rate of 5 percent, and the new debt had an interest rate of 3.5 percent. The remaining term of the debt was 23 years and the estimated debt service cash flows decreased by $5,374,712. The defeasance resulted in an economic gain of $3,781,593 and book gain of $1,289,071 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

The Board of Regents of the University of Colorado issued $125,150,000 of its Enterprise Revenue Refunding Bonds, Series 2017A-2 to partially defease its 2013A Enterprise Revenue Bonds. The defeased debt had an interest rate of 5 percent, and the new debt had an interest rate of 3.33 percent. The remaining term of the debt was 28 years and the estimated debt service cash flows decreased by $12,951,048. The defeasance resulted in an economic gain of $9,059,497 and book loss of $11,284,565 that will be amortized as an adjustment of interest expense over the remaining 28 years of the new debt.

The Board of Regents of the University of Colorado issued $161,630,000 of its Enterprise Revenue Refunding Bonds, Series 2017A-2 to partially defease its 2014A Enterprise Revenue Bonds. The defeased debt had an interest rate of 5 percent, and the new debt had an interest rate of 3.26 percent. The remaining term of the debt was 28 years and the estimated debt service cash flows decreased by $15,544,609. The defeasance resulted in an economic gain of $10,458,485 and book loss of $3,771,786 that will be amortized as an adjustment of interest expense over the remaining 28 years of the new debt.

The Board of Governors of Colorado State University issued $117,610,000 of its Enterprise Revenue and Refunding Bonds, Series 2017AB to partially defease its Enterprise Revenue Bonds, Series 2012A and 2013C. The defeased debt had an interest rate of 5 percent, and the new debt had an interest rate of 4.1 percent. The remaining term of the debt was 26 years and the estimated debt service cash flows decreased by $13,760,067. The defeasance resulted in an economic gain of $9,634,569 and book loss of $5,346,605 that will be amortized as an adjustment of interest expense over the remaining 26 years of the new debt.

The Board of Governors of Colorado State University issued $204,710,000 of its Enterprise Revenue and Refunding Bonds, Series 2017CD to partially defease its Enterprise Revenue Bonds, Series 2013C, 2013E, 2015A, 2015E-1, and 2015E-2. The defeased debt had an interest rate of 5 percent, and the new debt had an interest rate of 4.4 percent. The remaining term of the debt was 29 years and the estimated debt service cash flows decreased by $16,500,248. The defeasance resulted in an economic gain of $11,540,110 and book loss of $18,712,630 that will be amortized as an adjustment of interest expense over the remaining 29 years of the new debt.

The Board of Governors of Colorado State University issued $55,485,000 of its Enterprise Revenue and Refunding Bonds, Series 2017EF to partially defease its Enterprise Revenue Bonds, Series 2015A and 2015E-1. The defeased debt had an interest rate of 5 percent, and the new debt had an interest rate of 4 percent. The remaining term of the debt was 27 years and the estimated debt service cash flows decreased by $2,945,648. The defeasance resulted in an economic gain of $2,071,938 and book loss of $4,875,089 that will be amortized as an adjustment of interest expense over the remaining 27 years of the new debt.

The State Board for Community Colleges and Occupational Education issued $13,785,000 of its Systemwide Revenue Refunding and Improvement Bonds (Arapahoe Community College – Castle Rock Collaboration Campus), Series 2017A and 2017B to partially defease its Systemwide Revenue Bonds (Front Range Community College – Larimer & Westminster Campus Projects), Series 2013. The defeased debt had an interest rate of 4-5 percent, and the new debt had an interest rate of 2-5 percent. The remaining term of the debt was 17 years and the estimated debt service cash flows remained the same. The defeasance resulted in an economic gain of $849,534 and book loss of $881,832.78 that will be amortized as an adjustment of interest expense over the remaining 17 years of the new debt.

The Board of Trustees of Colorado School of Mines issued $37,885,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2018A to defease its Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds, Series 2010A. The defeased debt and new debt both had a variable interest rate. The remaining debt was defeased, and the estimated debt service cash flows increased by $464,251. The defeasance resulted in an economic loss of $619,160 and book loss of $2,049,218 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The Auraria Board of Directors issued $12,560,000 of its Series 2017 Refunding Certificate of Participation to defease its Series 2008 Certificate of Participation (Land Acquisition Project). The defeased debt had an interest rate of 6 percent, and the new debt had an interest rate of 2.42 percent. The remaining term of the debt was 11 years and the estimated debt service cash flows decreased by $1,522,130. The defeasance resulted in an economic gain of $1,334,422 and book loss of $836,562 that will be amortized as an adjustment of interest expense over the remaining 11 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, 2018 was $157.7 million ($5.1 million of which was a current liability). Superfund sites account for approximately $156.9 million ($4.2 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:3

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $65.2 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant, estimated at $2.3 million annually. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2018, the State has received $4.7 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $94.4 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction was completed in 2017. Current operating and maintenance costs are estimated at approximately $1.3 million, increasing to approximately $3.0 million in 2028, and continuing into perpetuity. The State's share of the costs to complete the remaining remediation projects is estimated to total $2.7 million through 2018. The department shares these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill located at the headwaters of the Left Hand Creek Watershed in the mountains west of Boulder of approximately $6.6 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. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $23.3 million related to the clean-up of contamination from mine waste piles and drainage. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2029, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 14 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of assets by the entity that is applicable to a future reporting period, and deferred inflows of resources represent an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2018.

(Amounts in Thousands)

	Governmental Activities	Business-Type Activites
Deferred Outflows of Resources:		
Refunding Losses	$ 5,881.00	$ 185,344
Other Post Employment Benefits	14,733	25,543
Pensions	2,542,420	1,531,917
	2,563,034	1,742,804
Deferred Inflows of Resouces		
Nonexchange Transaction	338	20
Derivative Instruments	-	767
Refunding Gains	17,390	2,589
Other	795	5,863
Service Concession Arrangements	-	136,550
Other Post Employment Benefits	6,822	120,970
Pensions	535,558	346,665
	$ 560,903	$ 613,425

A. DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement (the Agreement) in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A Refunding Bonds issued in 2010. The agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the Statement of Net Position, and accordingly, the State recognized a deferred inflow of $0.8 million as of June 30, 2018.

The Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $37.9 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan Stanley), which was 2.01 percent at June 30, 2018. Cash flows between the parties are settled on the net difference. The fair value to the Colorado School of Mines as of June 30, 2018, using Level 2 Significant Other Observable Inputs, was $6.8 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2038. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

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

- Termination Risk – Terminating the transaction while the fair value is negative would likely require a termination payment by the School.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the swap agreement counterparty's (Morgan Stanley) credit quality rating and the ability of the counterparty to withstand credit market turmoil. As of June 30, 2018, Morgan Stanley's credit rating is A3 by Moody's, and BBB+ by Standards & Poor's.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices.

B. REFUNDING GAINS AND LOSSES

Refunding gains and losses on debt refunding transactions are recorded as deferred inflows or deferred outflows, respectively, and generally amortized over the life of the new debt. On June 30, 2018, deferred outflows in governmental activities related to unamortized refunding losses included $682K in the Department of Transportation and $115K in the Department of Corrections. All of the unamortized refunding gains and losses in business-type activities were in Higher Education Institutions.

C. TIMING DIFFERENCES

Deferred Inflows are recorded for unavailable revenue resulting from timing differences that are primarily related to long-term taxes receivables. The majority of the deferred inflows balance is recognized as revenue over time in the government-wide Statement of Activities.

D. NONEXCHANGE TRANSACTIONS

Deferred inflows are recorded for grant receipts when all of the eligibility requirements for the grant have been met, except the time requirement. As of June 30, 2018, the Department of Health Care Policy and Financing, a governmental activity, held $0.3 million and Colorado State University, a business-type activity, held ($0.02) in receipts awaiting the passage of time.

E. SERVICE CONCESSION ARRANGEMENTS

Service Concession Arrangements are arrangements between a government and a governmental or nongovernmental entity in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. Deferred inflows totaling approximately $137 million were related to Service Concession Arrangements at the High Performance Transportation Enterprise. Refer to Note 19 for additional information on Service Concession Arrangements.

F. PENSIONS

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

NOTE 15 – NET POSITION AND FUND BALANCE

ACCOUNTING CHANGES

The State of Colorado implemented GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result, beginning equity was reduced by $909.3 million.

University of Colorado (CU) implementation of GASB Statement No. 81 – Irrevocable Split-Interest Agreements. Beginning net position was reduced by $1.7 million.

(Amounts in Dollars)

	Government-Wide Statements		Fund-Level Statements				
			Proprietary Funds				
			Enterprise Funds				
	Governmental Activities	Business-Type Activities	Higher Education Institutions	Unemployment Insurance	State Lottery	Other Enterprises	Internal Services
GASB Statement 75 - *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*	(260,688,642)	(648,607,230)	(630,009,419)	(647,947)	(1,000,820)	(16,949,044)	(14,796,426)
GASB Statement 81 - *Irrevocable Split-Interest Agreements*		(1,705,026)	(1,705,026)				
	(260,688,642)	(650,312,256)	(631,714,445)	(647,947)	(1,000,820)	(16,949,044)	(14,796,426)

Refer to Note 1A for additional information regarding new accounting standards.

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	$ 236,674	$ 1,183,078	$ 13,438
Business, Community and Consumer Affairs	-	69,254	-
Education	389,394	88,050	-
Health and Rehabilitation	-	10,258	-
Justice	1	2,523	-
Natural Resources	-	1,057	-
Transportation	-	179	-
TOTAL	$ 626,069	$ 1,354,399	$ 13,438
RESOURCE EXTRACTION			
General Government	$ 66,000	$ 210	$ -
Business, Community and Consumer Affairs	-	166,997	-
Education	-	630	-
Health and Rehabilitation	-	1,026	-
Natural Resources	12,987	916,936	-
TOTAL	$ 78,987	$ 1,085,799	$ -
HIGHWAY USERS TAX			
General Government	$ 66,976	$ 40,085	$ -
Health and Rehabilitation	2,933	-	-
Justice	1,012	2,155	-
Natural Resources	300	-	-
Transportation	810,302	15,835	-
TOTAL	$ 881,523	$ 58,075	$ -
CAPITAL PROJECTS			
General Government	$ -	$ 187,730	$ -
Education	-	4,629	-
Health and Rehabilitation	-	2,102	-
Justice	5	3,586	-
Natural Resources	-	98	-
Social Assistance	-	752	-
TOTAL	$ 5	$ 198,897	$ -
STATE EDUCATION			
Education	$ 205,917	$ -	$ -
TOTAL	$ 205,917	$ -	$ -
OTHER GOVERNMENTAL FUNDS			
General Government	$ 178,259	$ 582,674	$ -
Business, Community and Consumer Affairs	35,865	306,292	-
Education	-	81,135	-
Health and Rehabilitation	10,842	65,602	-
Justice	-	189,404	-
Natural Resources	6,666	10,443	-
Social Assistance	-	85,691	-
Transportation	-	6,739	-
TOTAL	$ 231,632	$ 1,327,980	$ -

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 2018, the reserve is calculated as six and one-half 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 2018 there was no use of the reserve.

As of June 30, 2018, on a legal budgetary basis the reserve was $675 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. The following minimum fund balances were established under this type of authority.

The Colorado Healthcare Affordability & Sustainability Enterprise (CHASE) Board has established a reserve of four percent of the estimated health care expansion expenditures for the CHASE Cash Fund plus any interest accrued by the fund. For Fiscal Year 2018, the maximum amount that could be kept in reserve was $91 million – although the CHASE Board lowered the target reserve to $8 million for that year. The reserve acts as a buffer to minimize the need for mid-year fee increases in the event that expenditures are higher than estimated.

NOTE 16 – INTERFUND TRANSACTIONS

INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2018, were:

DUE FROM OTHER FUNDS (DOLLARS IN THOUSANDS)	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund	$ 5,031	$ -	$ 164
Resource Extraction	2	-	-
Highway Users Tax	-	-	-
Capital Projects	143	-	-
Higher Education Institutions	5,049	342	119
MAJOR FUNDS SUBTOTAL	10,225	342	283
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	39	-	-
Tobacco Impact Mitigation	6	-	-
Other Special Revenue	13,984	-	304
OTHER GOVERNMENTAL FUNDS SUBTOTAL	14,029	-	304
ENTERPRISE FUNDS:			
Parks and Wildlife	30	-	-
Correctional Industries	-	-	-
Other Enterprise Activities	-	-	-
OTHER ENTERPRISE FUNDS SUBTOTAL	30	-	-
INTERNAL SERVICE FUNDS:			
Information Technology	23	-	34
INTERNAL SERVICE FUNDS SUBTOTAL	23	-	34
FIDUCIARY FUNDS:			
State Employee Benefit Plans	25	-	2
College Savings Plan	-	-	-
Treasury Agency Funds	-	-	-
FIDUCIARY FUNDS SUBTOTAL	25	-	2
TOTAL	$ 24,332	$ 342	$ 623

DUE TO OTHER FUNDS
(DOLLARS IN THOUSANDS)

Capital Projects	Higher Education Institutions	State Lottery	Healthcare Affordability	All Other Funds	Total
$ -	$ 276	$ 16,303	$ 8,539	23,617	$ 53,930
37	-	-	-	16,417	16,456
-	-	-	-	2,043	2,043
-	-	-	-	-	143
-	-	-	-	578	6,088
37	276	16,303	8,539	42,655	78,660
-	-	-	-	-	39
-	-	-	596	-	602
-	-	-	-	7,500	21,788
-	-	-	596	7,500	22,429
-	169	3,046	-	36	3,281
-	477	-	-	-	477
-	-	-	-	59	59
-	646	3,046	-	95	3,817
-	176	-	-	-	233
-	176	-	-	-	233
-	765	-	-	24	816
-	-	-	-	9,891	9,891
-	-	11,115	-	-	11,115
-	765	11,115	-	9,915	21,822
$ 37	$ 1,863	$ 30,464	$ 9,135	$ 60,165	$ 126,961

All of the material receivables and related payables shown in the schedule are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The General Fund receivable of $23.6 million from All Other Funds is primarily comprised of $16.9 million in payables from the Limited Gaming Fund and $3.9 million payable to various cash funds to support incurred Medicaid expenditures.

The General Fund receivable of $16.3 million from the State Lottery Fund consists of a payable from the State Lottery Fund to the Conservation Trust Fund for $12.2 million and the Building Excellent Schools Today Grant Program for $4.1 million.

The Resource Extraction Fund receivable of $16.4 million from All Other Funds consists of a payable for loans from the Wildlife Cash Fund to the Colorado Water Conservation Board Construction Fund.

The Other Special Revenue Fund receivable of $14.0 million from the General Fund primarily consists of 8.9 million in payables to the Technology Advancement and Emergency Fund for reversions and $5 million in payables to the Colorado Opportunity Scholarship Initiative Fund.

The Treasury Agency Fund receivable of $11.1 million from the State Lottery Fund represents the distribution of lottery proceeds to the Great Outdoors Colorado Fund.

The College Savings Plan receivable of $9.9 million from All Other Funds primarily consists of a $8.2 million payable from the CollegeInvest Administration Fund to the College Savings Program Fund.

INTERFUND TRANSFERS

Transfers between funds for the fiscal year ended June 30, 2018, were:

TRANSFER-OUT FUND (DOLLARS IN THOUSANDS)	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund	$ 4,241,382	$ 8,118	$ 84,259
Resource Extraction	98,865	-	-
Highway Users Tax	16,733	-	-
Capital Projects	-	-	500
State Education	9,671	-	-
Higher Education Institutions	5,718	-	-
Unemployment Insurance	19	-	-
State Lottery	61,131	-	-
Healthcare Affordability	16,256	-	-
MAJOR FUNDS SUBTOTAL	4,449,775	8,118	84,759
NONMAJOR FUNDS:			
GOVERNMENTAL FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	331	-	303
Gaming	18,869	-	3
Tobacco Impact Mitigation	117,349	-	4
Resource Management	184	-	-
Environment and Health Protection	10,837	-	-
Unclaimed Property	57	-	-
Other Special Revenue	88,428	30,000	69
PERMANENT FUNDS:			
State Lands Trust	90,553	-	-
NONMAJOR GOVERNMENTAL FUNDS SUBTOTAL	326,608	30,000	379
ENTERPRISE FUNDS:			
Parks and Wildlife	4,088	-	-
College Assist	122	-	-
State Fair	96	-	-
Correctional Industries	992	-	-
State Nursing Homes	2,255	-	-
Prison Canteens	70	-	-
Petroleum Storage	24	-	-
Transportation Enterprise	38	-	-
Other Enterprise Activities	476	-	-
NONMAJOR ENTERPRISE FUNDS SUBTOTAL	8,161	-	-
INTERNAL SERVICE FUNDS:			
Central Services	768	-	-
Financial Information Technology	144	-	-
Information Technology	671	-	-
Capitol Complex	1,510	-	-
Administrative Courts	194	-	-
Legal Services	3,141	-	-
Other Internal Service	347	-	-
INTERNAL SERVICE FUNDS SUBTOTAL	6,775	-	-
FIDUCIARY FUNDS:			
State Employee Benefit Plans	209	-	-
Treasurer's Private Purpose	476	-	-
Agency Funds	36	-	-
FIDUCIARY FUNDS SUBTOTAL	721	-	-
TOTAL	$ 4,792,040	$ 38,118	$ 85,138

TRANSFER- IN FUND
(DOLLARS IN THOUSANDS)

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 100,918	$ 25,322	$ 230,254	$ 226,000	$ 4,916,253
-	-	3,439	34,041	136,345
-	-	-	9,883	26,616
-	-	58,569	6,690	65,759
-	-	8,372	34,025	52,068
-	-	-	-	5,718
-	-	-	-	19
-	-	-	14,074	75,205
-	-	-	-	16,256
100,918	25,322	300,634	324,713	5,294,239
-	-	-	12	646
1,582	-	9,304	10,081	39,839
6,089	-	14,151	2,316	139,909
-	-	2,425	-	2,609
-	-	-	285	11,122
-	-	-	32,432	32,489
9,990	-	630	41,453	170,570
-	-	779	1,062	92,394
17,661	-	27,289	87,641	489,578
-	-	-	188	4,276
-	-	-	-	122
-	-	-	-	96
-	-	-	-	992
-	-	-	-	2,255
-	-	-	-	70
-	-	-	-	24
-	-	-	-	38
52	-	-	92	620
52	-	-	280	8,493
-	-	-	-	768
-	-	-	-	144
-	-	-	-	671
50	-	-	338	1,898
-	-	-	-	194
-	-	-	73	3,214
-	-	-	-	347
50	-	-	411	7,236
-	-	-	-	209
-	-	-	-	476
-	-	-	-	36
-	-	-	-	685
$ 118,681	$ 25,322	$ 327,923	$ 413,045	$ 5,800,231

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Fund. These include $3,961.9 million from the General Purpose Revenue Fund to the State Public School Fund (both within the General Fund), $100.9 million to the Capital Projects funds (for controlled maintenance and capital projects), and $230.3 million to the Higher Education Institutions (primarily for student financial aid, occupational education, and job training).

Additional transfers-out from the General Fund include $84.3 million to the Highway Users Tax Fund and $113.6 million from the State Public School Fund to the Charter School Institute Fund (both within the General Fund). The largest of the transfer-out from the General Fund to All Other Funds is a $110.0 million transfer to the Marijuana Tax Cash Fund.

The Resource Extraction transfer-out to the General Fund includes a $41.4 million transfer the State Public School Fund and a $56.8 million transfer to the General Purpose Revenue Fund in the General Fund.

The Tobacco Impact Mitigation Fund includes transfers-out to the General Fund of $113.3 million from the Tobacco Litigation Settlement Fund.

The Other Special Revenue transfers-out to the General Fund includes $40.0 million from the Retail Marijuana Excise Tax Fund to the School Capital Construction Assistance Fund (a special purpose fund in the General Fund).
The State Lands Trust transfer-out to the General Fund includes $21.0 million to the State Public School Fund and $69.2 million to the School Capital Construction Assistance Fund.

NOTE 17 – PLEDGED REVENUE AND DONOR RESTRICTED ENDOWMENTS

PLEDGED REVENUE

Various institutions of higher education, the Department of Labor and Employment, and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2018, the following pledges were in place:

The Department of Transportation Statewide Bridge Enterprise pledged $106 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 $588.7 million of the pledge commitment remains outstanding.

The Department of Transportation High-Performance Transportation Enterprise pledged $437.9 million to meet current year interest payments of $18.2 million on debt issued 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, for which user fees will be collected starting in calendar year 2020. The debt was originally issued in Fiscal Year 2018, and has a final maturity date of Fiscal Year 2057. The entire amount of the pledge commitment remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1999 and furthest maturity date of Fiscal Year 2055. In some instances, the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $1.6 billion. Individually significant Higher Education Institution pledges include:

- $1.3 billion (net) pledged by the University of Colorado to secure $133.1 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was issued in Fiscal Year 2016 and has a final maturity date of Fiscal Year 2047. The pledged revenue represents approximately 76.9 percent of the revenue stream, and $2.3 billion of the pledge (principal and interest) remains outstanding.

- $162.4 million (net) pledged by Colorado State University to secure $69.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2008 and has a final maturity date of Fiscal Year 2055. The pledged revenue represents 56.8 percent of the total revenue stream, and $1.7 billion of the pledge (principal and interest) remains outstanding.

- $45.2 million (net) pledged by the Colorado School of Mines to secure $19.6 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 related debt was originally issued in Fiscal Year 1999 and has a final maturity date of Fiscal Year 2048. The pledged revenue represents approximately 77.9 percent of the revenue stream, and $499.3 million of the pledge (principal and interest) remains outstanding.

- $32.6 million (gross) pledged by Metropolitan State University of Denver to secure $7 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 $144.1 million of the pledge (principal and interest) remains outstanding.

- $26.1 million (net) pledged by Colorado Mesa University to secure $14.4 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2010 and has a final maturity date of Fiscal Year 2045. The pledged revenue represents approximately

56.1 percent of the revenue stream and $347 million of the pledge (principal and interest) remains outstanding.

- $42.3 million pledged by the University of Northern Colorado to secure $11 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The debt issuances had an earliest origination date of Fiscal Year 2008 and furthest maturity date of Fiscal Year 2046. The pledged revenue represents 43.8 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. $221.7 million of the pledge (principal and interest) remains outstanding.

- $12.9 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 59.4 percent of the net and 100 percent of the gross auxiliary revenue stream. $80.6 million of the pledge (principal and interest) remains outstanding.

- $9.5 million (net) pledged by Colorado State University – Pueblo to secure $6.2 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2008 and has a final maturity date of Fiscal Year 2044. The pledged revenue represents 52.2 percent of the revenue stream, and $170.8 million of the pledge (principal and interest) remains outstanding.

- $7.8 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 2008 and furthest maturity date of Fiscal Year 2038. The pledged revenue represents 35.9 percent of the revenue stream, and $70.3 million of the pledge (principal and interest) remains outstanding.

- $10.2 million (net) pledged by the Western State Colorado University to secure $6.2 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The debt issuances had an earliest origination date of Fiscal Year 2010 and furthest maturity date of Fiscal Year 2045. The pledged revenue represents 42.5 percent of the revenue stream, and $165.5 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements: Principal	Interest	Total
Higher Education Institutions	$ 2,277,865	$ (630,746)	$ 1,647,119	$ 127,378	$ 161,525	$ 288,903
Statewide Bridge Enterprise	106,022	-	106,022	-	18,234	18,234
	$ 2,383,887	$ (630,746)	$ 1,753,141	$ 127,378	$ 179,759	$ 307,137

DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in its institutions of higher education. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor restricted endowment appreciation reported by the State's institutions of higher education totaled $18.5 million.

The University of Colorado reported net appreciation on endowment investments of $16.1 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 $2.2 million of net appreciation on endowment investments that was available for spending. The School reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The School has an authorized spending rate of 4.5% of the rolling 36-month average market value of the endowment investments.

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

CU Medicine, formerly University Physicians Incorporated (UPI), performs the billing, collection, and disbursement functions for professional services rendered as authorized in Section 23-20-114, Colorado Revised Statues 1973.
Campus Village Apartments, LLC (CVA) is organized, operated and dedicated exclusively to the charitable purposes of promoting the general welfare, development, growth and wellbeing of the University, and specifically for the primary purpose of acquiring, constructing, improving, equipping and operating a student housing facility, to include related improvements and amenities.

Auraria Higher Education Center

The Auraria Higher Education Center's parking segment charges students, faculty and staff fees for the use of parking lots and structures. The Center's student facilities segment charges fees to students for the use of its facilities. This segment is part of the Higher Education Institutions Enterprise.

The following page presents condensed financial information for the State's segments.

CONDENSED STATEMENT OF NET POSITION

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO June 30, 2018 CU MEDICINE	AURARIA HIGHER EDUCATION CENTER June 30, 2017 CAMPUS VILLAGE APARTMENTS	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:				
Current Assets	$ 343,343	$ 8,462	$ 4,441	$ 10,287
Other Assets	259,959	-	4,723	21
Capital Assets	37,670	29,217	46,007	20,854
Total Assets	640,972	37,679	55,171	31,162
DEFERRED OUTFLOW OF RESOURCES	-	-	1,754	392
LIABILITIES:				
Current Liabilities	66,175	1,293	2,766	5,042
Noncurrent Liabilities	6,488	51,937	43,637	29,174
Total Liabilities	72,663	53,230	46,403	34,216
DEFERRED INFLOW OF RESOURCES	-	-	61	41
NET POSITION:				
Net Investment in Capital Assets	29,899	(22,281)	1,572	2,296
Restricted for Permanent Endowments:				
Restricted Net Position	-	5,676	4,555	2,261
Unrestricted	538,410	1,053	4,334	(7,260)
Total Net Position	$ 568,309	$ (15,552)	$ 10,461	$ (2,703)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	CU MEDICINE	CAMPUS VILLAGE APARTMENTS	PARKING FACILITIES	STUDENT FACILITIES
OPERATING REVENUES:				
Tuition and Fees	$ -	$ -	$ -	$ 5,460
Sales of Goods and Services	1,007,542	7,015	10,647	17,782
Other	-	-	-	55
Total Operating Revenues	1,007,542	7,015	10,647	23,297
OPERATING EXPENSES:				
Depreciation	4,627	1,420	2,463	1,765
Other	890,129	3,514	5,522	20,326
Total Operating Expenses	894,756	4,934	7,985	22,091
OPERATING INCOME	112,786	2,081	2,662	1,206
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income	4,226	272	131	38
Gifts and Donations	(20,459)	-	-	-
Other Nonoperating Revenues	-	-	-	-
Debt Service	(296)	(2,945)	(1,631)	(727)
Other Nonoperating Expenses	(1,440)	(402)	(3,270)	(3,513)
Total Nonoperating Revenues(Expenses)	(17,969)	(3,075)	(4,770)	(4,202)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Transfers- In	-	-	(1,408)	(727)
Transfers- Out	-	-	(3,141)	(3,066)
Special and Extraordinary Items	-	-		
Total Contributions, Transfers, and Other	-	-	(4,549)	(3,793)
CHANGE IN NET POSITION	94,817	(994)	(6,657)	(6,789)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	473,492	(14,558)	17,118	4,086
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 568,309	$ (15,552)	$ 10,461	$ (2,703)

CONDENSED STATEMENT OF CASH FLOWS

	CU MEDICINE	CAMPUS VILLAGE APARTMENTS	PARKING FACILITIES	STUDENT FACILITIES
NET CASH PROVIDED (USED) BY:				
Operating Activities	$ 80,714	$ 2,017	$ 3,256	$ 2,191
Noncapital Financing Activities	(20,459)	(400)	(1,408)	2,337
Capital and Related Financing Activities	(3,176)	(4,559)	(3,191)	(3,681)
Investing Activities	(7,648)	2,574	(132)	(69)
NET DECREASE IN CASH AND POOLED CASH	49,431	(368)	(1,475)	778
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	81,057	765	5,410	5,182
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 130,488	$ 397	$ 3,935	$ 5,960

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 the University of Colorado 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 2018 UCHealth paid the University $85.3 million and the University paid UCHealth $9.6 million. At June 30, 2018, the University had accounts receivable from UCHealth of $6.0 million and had no accounts payable to UCHealth.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust's members, which are the University of Colorado, the University of Colorado Hospital Authority, and the University of Colorado 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 2018 the Trust paid medical claims on behalf of the University of $214.6 million. The University made contributions of $230.8 million to the Trust and its employees contributed $29.6 million. At June 30, 2018, the University had accounts receivable from the Trust of $879,000 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 2018, the Board awarded $75.8 million to the Division of Parks and Wildlife at the Department of Natural Resources. At June 30, 2018, GOCO owed the Department of Natural Resources $6.7 million.

The Colorado Health Benefit Exchange, operating as Connect for Health Colorado, operates the State's health insurance marketplace. During Fiscal Year 2017-18, the Colorado Health Benefit Exchange reimbursed the State $515,172 for software programming expenses and received $2.8 million in payments from the State for eligibility determinations and system changes.

The Colorado Housing and Finance Authority (CFHA) Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds two CHFA bonds with a face value of $3.6 million as of June 30, 2018. The Department received $786,857 in principal and interest payments in Fiscal Year 2018.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

COMMITMENTS

On August 24, 2017, Keiwit 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 what included CBE issuing $120,765,426 of Private Activity Bonds (PABs) and closing on a TIFIA loan totaling $416,000,000. Since CBE acted as a conduit issuer for the TIFIA loan and the PABs, CBE has no liabilities to record, and the debt will be repaid by KMP. Construction officially started in the summer of 2018 with completion estimated to be 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 $88,716,505 to HPTE. PRD subsequently assumed the operations, maintenance, and revenues from U.S. 36 Phase II. PRD has the right to collect tolls and raise rates with permission from the HPTE Board. If the Board does not approve the rate increase, HPTE must compensate PRD for any lost revenue.

HPTE reported deferred inflow of resources related to the arrangement of $136,549,878 which is included on the *Statement of Net Position*. The table below shows the carrying amount of HPTE's capital assets at fiscal year-end pursuant to the concession arrangement.

Project	Description	Carrying Amount
U.S. 36 Phase I	Tolling Equipment and Software	$ 232,717
U.S. 36 Phase I	Managed Lanes	146,246,226
U.S. 36 Phase I	36 Tolling Stations	802,428
U.S. 36 Phase II	Tolling Equipment and Software	232,135
U.S. 36 Phase II	Managed Lanes	97,304,604
U.S. 36 Phase II	36 Tolling Stations	294,966

ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund, Institutions of Higher Education, and Colorado Department of Transportation Funds (primarily the Highway Users Tax Fund) include multi-year encumbrances of $80.5 million, $31.3 million and $1.1 billion, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees (formerly the Metropolitan State College of Denver Board of Trustees) approved the incorporation of a special purpose nonprofit corporation to be known as HLC @ Metro, Inc. The HLC @ Metro, Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately $55.0 million in revenue bonds in October 2010, loaning the proceeds to HLC @ Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open to the general public. Should HLC @ Metro, Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due, and HLC @ Metro, Inc. is obligated to repay all payments made on its behalf. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2018, no liability was recorded by the University as HLC @ Metro, Inc. was deemed fully capable of making its debt payments.

CONTINGENCIES

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material, but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is also the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

Significant matters that are considered as a contingent liability to the State are summarized below.

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.

In 2016, the federal Department of Health and Human Services, Centers for Medicare and Medicaid (CMS) performed an onsite visit and review of the State-operated Pueblo Regional Center (PRC). As a result, CMS issued a report that claimed the PRC violated federal administrative requirements related to the Medicaid Home and Community Based Services waiver program over the period November 2014 through November 2015. CMS has informed the State that they may disallow certain payments it made to the State for services provided over the one-year period cited. The State has filed a federal administrative appeal with CMS. The State is awaiting a response from CMS. Although it is unknown what amount of related federal funding expended will be disallowed, if any, a possible loss could exceed $5 million.

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, it is believed that in most cases the State 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 State-operated youth service center (center) is the subject of a lawsuit involving alleged negligence on the part of the center's response to an injury of a person in custody at the facility. The plaintiff has sued the State for $10 million in damages. A trial date is pending. In another case at a State correctional institution an inmate alleged negligence related to timely and effective medical treatment of an injury. The inmate is seeking approximately $8 million in damages. For both the claims at the center and correctional facility the likelihood of an unfavorable outcome is uncertain. A third case is related to alleged negligence by a State-licensed child care provider. The plaintiff is seeking $5 million in damages. As of September 10, 2018, a lawsuit had not been filed. However, the State could be potentially named as a defendant if the case is pursued by the plaintiff.

In addition, the State is a party to a lawsuit related to its refusal to pay the cost for providing Direct Acting Anti-Viral (DAAV) medications in the treatment of Hepatitis C. The lawsuit was filed as a Class Action on behalf of inmates at Colorado correction facilities. In response to this case, the State has made a legislative budget request for approximately $41.0 million ($20.5 million each year for both Fiscal Years 2019 and 2020) to cover the cost of this treatment. The parties have requested the case be administratively closed. However, a new lawsuit could resurface if the State is unable to obtain budget approval for this purpose.

Tax Disputes

Two large corporate entities have filed lawsuits challenging the State's Notice of Final Determination regarding the payment of State income tax, penalties, and interest assessed. They seek to reverse the State's related assessments. The State's total exposure is approximately $36 million. The likelihood of an unfavorable outcome in both instances is uncertain.

Loan Guarantees

As of June 30, 2018 the total amount of student loans outstanding awarded by the State was approximately $6.9 billion. In the event of an adverse loss, defined as a default rate of in excess of 9 percent, a liability to the State would be incurred. If this were to occur the State would be responsible for repayment of up to 25 percent of the outstanding balance, or approximately $1.7 billion. The probability of a default rate exceeding 9 percent is highly remote.

Bonds

Based on Colorado statute the State is liable for defaults on Colorado school district bonds and notes. The bonds and notes outstanding total approximately $9.2 billion. Of the total outstanding, approximately $599.4 million is insured. It is believed that defaults are highly unlikely.

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.

Two separate lawsuits have been 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. One of the entities does not expressly seek a refund of alleged unconstitutionally collected fees, but does request declaratory and injunctive relief. It is estimated that the State's exposure on this claim is $20 million. In a separate case the plaintiff is seeking in excess of $5.59 billion in damages through Fiscal Year 2019, plus 10 percent interest from Fiscal Year 2011 to present. The likelihood for an unfavorable outcome in both cases 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 four programs during the fiscal year: Colorado Enterprise Zone Business Tax Credits, Colorado Enterprise Zone Contribution Tax Credits (included as part of the Enterprise Zone Business Tax Credits program), Job Growth Incentive Tax Credits, and the Regional Tourism Act program.

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

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

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

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

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

- The Job Growth Incentive Tax Credit (JGITC) is a performance-based job creation incentive program created under Section 39-22-531 C.R.S., in which businesses must create and maintain permanent new jobs for one year before receiving the tax credit. The JGITC provides a state income tax credit equal to 50% of FICA paid by the business on the net job growth for each calendar year in the credit period. A business must undertake a job creation project for which the State of Colorado is competing with at least one other state for the project. The JGITC must be a major factor in the business decision to locate or retain the project in Colorado, and a business may not start or announce the proposed project (including locating or expanding in the State, hiring employees related to the project, or making material expenditures for the project) until a final application has been submitted and approved by the EDC.

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

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

- The Regional Tourism Act (RTA) program was created under Sections 24-46-301 through 309 C.R.S., and provides Tax Increment Financing (TIF) to support construction of unique and extraordinary large scale tourism and entertainment facilities that will drive net new visitors and revenue to Colorado. A percentage of state sales tax within a geographic area in a given year that exceeds a base year amount is collected by the Department of Revenue and diverted to a project financing entity. The EDC shall not approve any project that would likely create an annual state sales tax revenue dedication of more than $50 million to all regional tourism projects. A local government will need to submit a regional tourism project application to OEDIT within the application cycle deadline. OEDIT will review the application for general completeness and to make an initial determination regarding whether the application has met the general criteria for a regional tourism project. The EDC will review applications forwarded with OEDIT recommendations and may approve or reject the project based on a demonstration that the following criteria are materially met:

    - The project is of an extraordinary/unique nature and is reasonably anticipated to contribute significantly to economic development and tourism in the State and communities where the project is located.

    - The project is reasonably anticipated to result in a substantial increase in out-of-state tourism.

    - A significant portion of sales tax revenue generated by the project is reasonably anticipated to be attributable to transactions with nonresidents of the zone.

    - The local government has provided reliable economic data demonstrating that in the absence of state sales tax increment revenue, the project is not reasonably anticipated to be developed within the foreseeable future.

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

- The Historic Preservation Tax Credit was created under Section 39-22-514.5 C.R.S. The program issues tax credits to owners of commercial and residential properties who perform certified rehabilitations on their certified historic structures. Tax credit certificates are issued for specific dollar amount based on amount of qualifying investment made. Taxpayers that have made a qualified rehabilitation receive the credit upon completion of rehabilitation, and the provision for recapturing abated taxes would be an income tax return audit conducted by the Department of Revenue. For taxpayers to quality for the credit, the property must be on a historical register (national, state, or local), and the rehabilitation must maintain the historic register status. A commercial property owner must apply to the program within 90 days of completion of the rehabilitation. Qualified rehabilitation costs are those that support the National Historic Preservation Standard.

The maximum credit for the State Tax Credit is $50,000 for residential properties within a ten-year period; the amount resets with change of ownership. The maximum credit for the State Tax Credit for commercial properties is $1 million per year per property. The State Tax Credit for commercial properties has a cap on the amount that can be awarded to all projects during a calendar year - $5 million to projects with rehabilitation expenditures of $2 million or less and $5 million to projects with rehabilitation expenditures greater than $2 million. These credits are awarded on a first come – first serve basis.

Taxpayers must register with OEDIT and submit a tax credit application using OEDIT's project checklist. Applications are reviewed by History Colorado's Office of Archaeology and Historic Preservation, which has up to 45 days to review applications for the State Tax Credit for residential properties and the Federal ITC. History Colorado and the Colorado Office of Economic Development and International Trade have 90 days to review commercial applications for State Tax Credits.

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

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Colorado Enterprise Zone Business Tax Credits	$ 54,515
Colorado Enterprise Zone Contribution Tax Credits	14,567
Job Growth Incentive Tax Credits	6,885
Regional Tourism Act[1]	6,398
Historic Preservation Tax Credit	4,148
Total	$ 86,513

[1] Amount represents Tax Credit Certificates issued for calendar year 2017.

NOTE 21 – SUBSEQUENT EVENTS

A. DEBT ISSUANCES AND REFUNDINGS

On July 18, 2018, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2018A. The notes mature on June 27, 2019. The total due on that date includes $310,000,000 in principal and $12,618,333 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of $7,943,900, an average coupon rate of 4.32%, and a true interest cost of 1.57%.

On July 18, 2018, University of Northern Colorado Board of Trustees issued $19,130,000 in fixed rate Institutional Enterprise Revenue Refunding Bonds, Series 2018A and 2018B, at a $1,775,120.70 premium for total proceeds of $20,905,120.70. The 2018A bonds were issued at $7,110,000 with a coupon rate between 3.625% and 5%. They will mature on June 1, 2041. The 2018B bonds were issued at $12,020,000 are set to mature on June 1, 2036 and have coupon rates between 4% and 5%. The proceeds of $20,700,000 will refund the series 2008A and 2011B bonds, while the remaining $200,000 represents cost of issuance.

On July 19, 2018, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2018. The notes mature on June 26, 2019. The total due on that date includes $600,000,000 in principal and $24,338,889 in interest. The GTRAN was issued with a premium of $15,552,000, an average coupon rate of 4.33%, and a true interest cost of 1.53%.

On August 1, 2018, Campus Village Apartments (CVA) directed the trustee of the Series 2008 Student Housing Revenue Refunding Bonds to redeem all of the outstanding bonds and any accrued interest (2018 Redemption). The 2018 Redemption consisted of $53,040,000 in outstanding principal and $481,000 in accrued interest. The 2018 Redemption was funded with $48,015,000 in proceeds from the issuance of the Series 2018A University Enterprise Revenue Bonds (Series 2018A) by the University, a debt service fund of $481,000 maintained by CVA, and $5,205,000 in proceeds from the August 1, 2018 maturity of the Guaranteed Investment Agreement and its accrued interest. The balance of the funding was used to pay for costs of issuance of the Series 2018A estimated at $180,000. Additionally, during the year ended June 30, 2018, the board of directors of CUPCO adopted a resolution to designate CVA a "facility" under the University's Master Bond Resolution and to pledge all net revenues generated by CVA to repayment of the Series 2018A. For Fiscal Year 2019 and forward, the board of directors of the University of Colorado Property Corporation (CUPCO) pledged that any net proceeds generated through any sale or long-term lease of CVA be promptly available for distribution to the University.

On August 9, 2018, the Board of Governors of the Colorado State University System approved the sale of Series 2018 Bonds, issued in one or more subseries in an aggregate amount not to exceed $30,000,000. These funds will be used for 2018 improvement projects including the Center for Vector borne Infectious Diseases and the JBS Global Food Center.

The Regents have authorized up to $200,000,000 of commercial paper to fund capital projects during their construction. On September 9, 2018 the University issued an additional $30,000,000 of commercial paper to continue funding construction projects at CU-Boulder, bringing the total outstanding to $70,000,000. The University anticipates additional issuance of commercial paper in this program during Fiscal Year 2019.

On September 18, 2018, the State issued Building Excellent Schools Today (BEST) Refunding Certificates of Participation (COP), Series 2018L in the amount of $75,290,000 and Refunding Certificates of Participation, Series 2018M in the amount of $93,535,000. These BEST COPs were issued as tax exempt bonds with premiums of $9,264,401 and $14,359,928, respectively; average coupon rates of 4.49% and 5.00%, respectively; and true interest costs of 2.76% and 3.01%, respectively. For both series, base rents are due semiannually beginning on March 15, 2019, with Series 2018L having a final maturity date of March 15, 2030 and Series 2018M having a final maturity date of March 15, 2031.

B. OTHER

On July 13, 2018, the Colorado School of Mines paid $2,960,000 cash for the purchase of land. The land will be used to develop a student residence hall and other mixed-use space.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2018

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 3,269,520	
Income Taxes			7,230,217	
Other Taxes			284,005	
Federal Grants and Contracts			-	
Tuition and Fees			-	
Sales and Services			663	
Interest Earnings			20,840	
Medicaid Provider Revenues			-	
Other Revenues			26,000	
Transfers-In			288,050	
Capital Contributions			-	
TOTAL REVENUES AND TRANSFERS-IN			11,119,295	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 10,506	$ 10,506	10,469	$ 37
Corrections	769,192	778,298	775,145	3,153
Education	4,102,172	4,071,448	4,070,866	582
Governor	35,325	34,525	34,114	411
Health Care Policy and Financing	2,821,772	2,796,026	2,796,452	(426)
Higher Education	894,908	893,190	892,913	277
Human Services	866,955	884,176	880,494	3,682
Judicial Branch	513,002	517,650	515,023	2,627
Labor and Employment	21,381	21,263	20,896	367
Law	16,214	16,214	15,733	481
Legislative Branch	48,281	48,281	48,281	-
Local Affairs	27,856	24,662	24,614	48
Military and Veterans Affairs	10,530	10,531	9,984	547
Natural Resources	30,865	30,865	30,840	25
Personnel & Administration	12,499	11,499	11,460	39
Public Health and Environment	48,798	46,779	46,766	13
Public Safety	123,448	124,688	124,314	374
Regulatory Agencies	1,845	1,845	1,844	1
Revenue	78,995	78,052	77,651	401
Treasury	3,448	3,448	1,186	2,262
SUB-TOTAL OPERATING BUDGETS	10,437,992	10,403,946	10,389,045	14,901
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	889	203	203	-
Corrections	6,078	33,960	13,131	20,829
Education	-	14,235	8,731	5,504
Governor	33,283	65,427	30,428	34,999
Health Care Policy and Financing	1,876	-	-	-
Higher Education	72,326	85,383	52,426	32,957
Human Services	34,697	51,666	12,287	39,379
Military and Veterans Affairs	-	7,181	1,583	5,598
Personnel & Administration	3,150	17,126	10,188	6,938
Public Health and Environment	1,445	93	-	93
Public Safety	-	3,315	3,315	-
Revenue	-	62,492	18,736	43,756
Transportation	802	1,000	500	500
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	154,546	342,081	151,528	190,553
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 10,592,538	$ 10,746,027	10,540,573	$ 205,454
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ 578,722	

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, 2018

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 15,762	
Income Taxes			617,000	
Other Taxes			99,782	
Tuition and Fees			1,766,332	
Sales and Services			1,346,738	
Interest Earnings			35,483	
Health Care Provider Fees			13	
Other Revenues			705,416	
Transfers-In			1,456,858	
Capital Contributions			1,999	
TOTAL REVENUES AND TRANSFERS-IN			6,045,383	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 33,829	$ 31,344	28,234	$ 3,110
Corrections	76,348	75,325	63,355	11,970
Education	889,108	815,821	711,802	104,019
Governor	273,263	272,903	219,539	53,364
Health Care Policy and Financing	1,289,056	1,290,170	1,260,327	29,843
Higher Education	2,947,641	2,959,598	2,834,061	125,537
Human Services	305,689	313,450	262,285	51,165
Judicial Branch	151,746	156,132	132,344	23,788
Labor and Employment	68,865	68,884	64,705	4,179
Law	61,053	60,565	57,249	3,316
Legislative Branch	1,648	1,648	1,450	198
Local Affairs	38,241	32,809	30,850	1,959
Military and Veterans Affairs	2,236	2,236	2,000	236
Natural Resources	225,266	225,007	169,642	55,365
Personnel & Administration	125,683	125,695	113,602	12,093
Public Health and Environment	239,411	241,944	211,740	30,204
Public Safety	230,937	230,880	211,454	19,426
Regulatory Agencies	85,284	86,009	79,801	6,208
Revenue	211,088	219,357	198,581	20,776
State	22,894	22,796	21,881	915
Transportation	35,572	35,572	33,487	2,085
Treasury	2,812	2,839	2,699	140
SUB-TOTAL OPERATING BUDGETS	7,317,670	7,270,984	6,711,088	559,896
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	17,319	4,607	12,712
Corrections	-	1,320	-	1,320
Governor	18,369	8,401	47	8,354
Higher Education	156,933	128,623	74,498	54,125
Human Services	1,957	1,974	426	1,548
Labor and Employment	6,300	44,266	16,907	27,359
Natural Resources	7,753	29,769	4,705	25,064
Personnel & Administration	-	1,445	925	520
Public Health and Environment	17,471	19,303	7,346	11,957
Public Safety	-	3,990	1,196	2,794
Transportation	600	500	500	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	209,383	256,910	111,157	145,753
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 7,527,053	$ 7,527,894	6,822,245	705,649
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (776,862)	

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, 2018

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ -	
Income Taxes			-	
Other Taxes			-	
Federal Grants and Contracts			$ 5,742,875	
Tuition and Fees			-	
Sales and Services			-	
Interest Earnings			-	
Medicaid Provider Revenues			-	
Other Revenues			-	
Transfers-In			-	
TOTAL REVENUES AND TRANSFERS-IN			5,742,875	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Health Care Policy and Financing	$ 5,588,183	$ 5,535,195	5,366,839	$ 168,356
Human Services	323,876	345,967	315,774	30,193
Labor and Employment	38,289	42,069	35,603	6,466
Military and Veterans Affairs	-	300	290	10
Public Health and Environment	19,749	19,749	14,622	5,127
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,970,097	5,943,280	5,733,128	210,152
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,970,097	$ 5,943,280	5,733,128	$ 210,152
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 9,747	

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, 2018

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES			
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS
BUDGETARY BASIS:				
Revenues and Transfers-In Appropriated (Required Supplementary Information):				
General	$ 11,040,265	$ -	$ -	$ 79,031
Cash	844,126	81,990	271,587	95,249
Federal	3,444,219	-	-	290
Sub-Total Revenues and Transfers-In Appropriated	15,328,610	81,990	271,587	174,570
Revenues and Transfers-In Non-Appropriated (Supplementary Information):				
General	765,351	-	-	-
Cash	4,663,138	432,182	2,033,849	29,083
Federal	2,394,518	138,512	769,476	18,105
Sub-Total Revenues and Transfers-In Non-Appropriated	7,823,007	570,694	2,803,325	47,188
Total Revenues and Transfers-In Appropriated and Non-Appropriated	23,151,617	652,684	3,074,912	221,758
Expenditures/Expenses and Transfers-Out Appropriated (Required Supplementary Information):				
General Funded	10,389,047	-	-	151,527
Cash Funded	710,458	48,263	264,175	87,225
Federally Funded	3,434,445	-	-	290
Expenditures/Expenses and Transfers-Out Appropriated	14,533,950	48,263	264,175	239,042
Expenditures/Expenses and Transfers-Out Non-Appropriated(Supplementary Information):				
General Funded	748,717	-	-	-
Cash Funded	4,425,192	347,190	2,131,028	7,698
Federally Funded	2,365,755	138,684	701,759	18,294
Expenditures/Expenses and Transfers-Out Non-Appropriated	7,539,664	485,874	2,832,787	25,992
Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated	22,073,614	534,137	3,096,962	265,034
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Appropriated	794,660	33,727	7,412	(64,472)
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Non-Appropriated	283,343	84,820	(29,462)	21,196
BUDGETARY BASIS ADJUSTMENTS:				
Increase/(Decrease) for Unrealized Gains/Losses	(21,328)	(8,703)	(7,062)	(2,282)
Increase/(Decrease) for GAAP Expenditures Not Budgeted	187,332	160,278	830,623	71,068
Increase/(Decrease) for GAAP Revenue Adjustments	(357,971)	(299,081)	(830,623)	(74,668)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	886,036	(28,959)	(29,112)	(49,158)
GAAP BASIS FUND BALANCES/NET POSITION:				
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	1,154,018	1,241,863	980,720	248,124
Accounting Changes (See Note 15B)	-	-	-	-
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 2,040,054	$ 1,212,904	$ 951,608	$ 198,966

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

		PROPRIETARY FUND TYPES							
STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	HEALTHCARE AFFORDABILITY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,119,296
645,587	867,626	1,777,586	14,278	-	866,565	222,213	355,072	3,504	6,045,383
-	42	-	-	-	2,297,339	983	-	-	5,742,873
645,587	867,668	1,777,586	14,278	-	3,163,904	223,196	355,072	3,504	22,907,552
-	-	-	-	-	-	-	-	-	765,351
-	1,788,380	1,316,865	572,151	613,829	750	320,944	96,051	2,256,744	14,123,966
-	179,710	-	15,388	-	157,074	352,710	-	-	4,025,493
-	1,968,090	1,316,865	587,539	613,829	157,824	673,654	96,051	2,256,744	18,914,810
645,587	2,835,758	3,094,451	601,817	613,829	3,321,728	896,850	451,123	2,260,248	41,822,362
-	-	-	-	-	-	-	-	-	10,540,574
505,064	928,990	2,789,050	25,552	89,483	832,807	202,590	335,124	3,457	6,822,238
-	37	-	-	-	2,297,339	1,017	-	-	5,733,128
505,064	929,027	2,789,050	25,552	89,483	3,130,146	203,607	335,124	3,457	23,095,940
-	-	-	-	-	-	-	-	-	748,717
34,025	1,372,109	640,699	400,344	528,553	4,945	178,489	101,262	1,531,678	11,703,212
-	158,268	18,166	15,139	-	157,075	319,977	-	-	3,893,117
34,025	1,530,377	658,865	415,483	528,553	162,020	498,466	101,262	1,531,678	16,345,046
539,089	2,459,404	3,447,915	441,035	618,036	3,292,166	702,073	436,386	1,535,135	39,440,986
140,523	(61,359)	(1,011,464)	(11,274)	(89,483)	33,758	19,589	19,948	47	(188,388)
(34,025)	437,713	658,000	172,056	85,276	(4,196)	175,188	(5,211)	725,066	2,569,764
(2,713)	(50,924)	(8)	(5)	(553)	(458)	(7,657)	(487)	(3,054)	(105,234)
370	684,762	(24,472)	(2,512)	(4,285)	(18,702)	(146,734)	(151,334)	1,373	1,587,767
(369)	(875,879)	(1,232)	(875)	-	-	(19,402)	(1,613)	(15,065)	(2,476,778)
-	-	(550,753)	-	-	-	-	-	-	(550,753)
103,786	134,313	(929,929)	157,390	(9,045)	10,402	20,984	(138,697)	708,367	836,378
102,131	2,636,647	2,342,586	918,757	(27,116)	-	1,336,104	(401,113)	7,746,314	18,279,035
-	-	(631,714)	(648)	(1,001)	-	(16,949)	(14,796)	-	(665,108)
$ 205,917	$ 2,770,960	$ 780,943	$ 1,075,499	$ (37,162)	$ 10,402	$ 1,340,139	$ (554,606)	$ 8,454,681	$ 18,450,305

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND – GENERAL PURPOSE REVENUE COMPONENT

The General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash and federal funds for budgetary purposes, and it includes State Public School, Risk Management, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund component balance of the General Fund represents $1,118.5 million of the GAAP General Fund of $2,040.1 million on the *Balance Sheet – Governmental Funds*.

The General Purpose Revenue Fund is the principal operating fund of the State and it is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. General purpose revenues are revenues that are not designated for specific purposes. The general fund surplus is the fund balance that remains after subtracting: a statutorily defined reserve; and prior year encumbrances approved as rollforwards (see below). Thus, the general fund budgetary balance is the total of the reserve, the rollforwards and the surplus; it varies from the GAAP fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been statutorily deferred into the following year for the budgetary basis (see Note RSI-1A).

The Budgetary Comparison Schedule on the following page includes both appropriated and nonappropriated activity.

Amounts shown in the Original Budget and Final Budget columns are derived from two sources: high-level economic forecasts published by the Office of State Planning and Budgeting provide data for beginning and ending budgetary fund balances, Resources (Inflows) and specific Transfers within the Charges to Appropriations (Outflows); whereas detailed budget expenditures recorded in the accounting ledger after legislative approval provide data for the Charges to Appropriations (Outflows) by cabinet. Due to this combination of high-level and detailed amounts, there is a variance between forecast and budgeted expenditures.

The Budgetary Comparison Schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. Excess augmenting revenues represent earned revenues for specific cash-funded and federal-funded expenditures in the General Purpose Revenue Fund. Actual expenditures related to these excess augmenting revenues are shown separately, and both become part of total fund balance.

In order to measure the general fund surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the budgetary fund balance and reduce the ending general fund surplus balance in the line item titled “State Controller Approved Rollfowards” because the related balances are not available for subsequent appropriation.

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - GENERAL PURPOSE REVENUE COMPONENT
FOR THE YEAR ENDED JUNE 30, 2018

(DOLLARS IN THOUSANDS)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Budgetary Fund Balance, July 1	631,682	631,682	631,682
Resources (Inflows):			
Sales and Use Tax	3,312,200	3,413,900	3,403,503
Other Excise Taxes	101,600	102,700	97,470
Individual Income Tax, net	6,677,800	6,980,600	6,989,828
Corporate Income Tax, net	565,600	684,700	736,022
Insurance Tax	301,500	300,500	303,594
Parimutuel, Courts, and Other	24,400	131,200	156,359
Investment Income	15,900	11,400	19,530
Transfers-In From Other Funds	89,200	111,700	98,614
Amounts Available for Appropriation	11,719,882	12,368,382	12,436,602
Federal Grants and Contracts	-	-	5,827,523
Cash and Other Funding Sources			664,992
Revenues not Budgeted	-	-	4,090
Total General Fund Revenues	11,719,882	12,368,382	18,933,207
Charges to Appropriations (Outflows):			
Agriculture	10,506	10,506	10,469
Corrections	769,192	778,389	775,236
Education	4,102,172	4,071,521	4,070,939
Governor	35,325	36,812	36,402
Health Care Policy and Financing	2,821,772	2,798,838	2,799,264
Higher Education	894,908	894,727	894,450
Human Services	867,291	889,613	885,922
Judicial Branch	513,002	517,655	515,028
Labor and Employment	21,381	21,664	21,272
Law	16,214	16,214	15,733
Legislative Branch	48,281	48,297	48,297
Local Affairs	32,247	29,252	29,185
Military and Veterans Affairs	10,530	10,531	9,984
Natural Resources	30,865	30,865	30,840
Personnel and Administration	12,499	12,141	12,102
Public Health and Environment	48,798	46,779	46,766
Public Safety	123,448	124,688	124,314
Regulatory Agencies	5,995	5,995	5,994
Revenue	117,595	217,355	212,139
Treasury	169,464	177,286	167,203
Transfers-Out To Other Funds	194,800	213,500	209,819
Transfers-Out to Capital Projects Fund	109,200	112,100	112,084
Transfers-Out to Highway Users Fund - C.R.S. 24-75-219	79,000	79,000	79,000
Transfers-Out to State Education Fund - C.R.S. 24-75-220	25,300	25,300	25,321
Total Charges to Appropriations	11,059,785	11,169,028	11,137,763
Federal Grants and Contracts	-		5,794,386
Cash and Other Funding Sources			630,163
Expenditures not Budgeted	-	-	(58,055)
Total General Fund Expenditures	11,059,785	11,169,028	17,504,257
Budgetary Fund Balance, June 30	660,097	1,199,354	1,428,950
Budgetary Fund Reserve - Current Year - Statutory - C.R.S. 24-75-201.1	(675,400)	(674,900)	(675,300)
Budgetary Fund Reserve - Current Year - State Controller Approved Rollforwards	-	-	(13,438)
Ending General Fund Surplus (Deficit)	$ (15,303)	$ 524,454	$ 740,212

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS

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.

The budgetary fund types used by the State differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the State that have been designated to support specific expenditures. Federal funds are primarily made up of revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated by the General Assembly.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.
- Pension expense related to unfunded pension liabilities are not recognized on a budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of the State government, with the exception of custodial funds and federal moneys not requiring matching state funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure and institution of higher education capital projects.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 19. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission. In Fiscal Year 2016-17, the Department of Transportation capitalized project expenditures of $532.8 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act and special bills, excluding informational only appropriations. The column titled Final Spending Authority includes the original appropriation and supplemental appropriations of the Legislature.

Spending occurs outside of the legislative appropriations process primarily for custodial purposes, federally-funded activity for which there is no general-purpose revenue matching requirement, statutory transfers, and other miscellaneous budgetary items. Additional budget-to-actual schedules related to nonappropriated activity are included in the Supplementary Section of the Comprehensive Annual Financial Report.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 2. Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary schedules. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments”.

D. BUDGET TO GAAP RECONCILIATION

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

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

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

Proportionate Share:

The State Division and Judicial Division 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 plan. 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 2014.

(Amounts In Thousands)	CY 2017		CY 2016		CY 2015		CY 2014	
	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division
State's proportion of the net pension liability (asset)	95.37%	93.99%	95.49%	94.17%	95.71%	93.98%	95.85%	93.60%
State's proportionate share of Net Pension liability (asset)	$ 19,091,079	$ 218,139	$ 17,539,728	$ 239,423	$ 10,079,252	$ 172,828	$ 9,015,773	$ 129,500
State's covered payroll	$ 2,796,014	$ 46,764	$ 2,751,094	$ 46,320	$ 2,687,152	$ 44,159	$ 2,586,800	$ 40,114
State's proportionate share of the net pension liability (assets) as a percentage of its covered	682.80%	466.47%	637.55%	516.89%	375.09%	391.38%	348.53%	322.83%
Plan fiduciary net position as a percentage of the total pension liability	43.20%	58.70%	42.59%	53.19%	56.11%	60.17%	59.84%	66.88%

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 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Contractually required contributions	$ 549,049	$ 524,478	$ 492,159	$ 453,406	$ 419,912	$ 368,468	$ 276,326	$ 256,682	$ 291,892	$ 277,229
Contributions in relation to the contractually required contributions	(549,049)	(524,478)	(492,159)	(453,406)	(419,912)	(368,468)	(276,326)	(256,682)	(291,892)	(277,229)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	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	2,504,059
Contributions as a percentage of covered payroll	19.08%	18.64%	17.76%	16.87%	15.98%	14.62%	11.26%	12.84%	11.97%	11.07%

State Division

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Contractually required contributions	$ 541,295	516,932	484,588	$ 446,528	$ 413,694	$ 362,791	$ 272,068	$ 252,727	$ 287,394	$ 272,957
Contributions in relation to the contractually required contributions	(541,295)	(516,932)	(484,588)	(446,528)	(413,694)	(362,791)	(272,068)	(252,727)	(287,394)	(272,957)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	$ 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	2,474,678
Contributions as a percentage of covered payroll	19.13%	18.68%	17.78%	16.88%	15.97%	14.63%	11.23%	12.83%	11.93%	11.03%

Judicial Division

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Contractually required contributions	$ 7,754	$ 7,546	$ 7,571	$ 6,878	$ 6,218	$ 5,677	$ 4,258	$ 3,955	$ 4,498	$ 4,272
Contributions in relation to the contractually required contributions	(7,754)	(7,546)	(7,571)	(6,878)	(6,218)	(5,677)	(4,258)	(3,955)	(4,498)	(4,272)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	47,454	46,181	46,332	42,088	38,057	41,019	30,766	28,577	29,132	29,381
Contributions as a percentage of covered payroll	16.34%	16.34%	16.34%	16.34%	16.34%	13.84%	13.84%	13.84%	15.44%	14.54%

B. SIGNFICANT CHANGES IN ASSUMPATIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

Changes in assumptions are discussed in Note 6.

NOTE RSI-3 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) INFORMATION

A. PROPORTIONATE SHARE OF PERA HEALTH CARE TRUST FUNDS OPEB LIBILITY 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 2017	CY 2016
State's proportion (percentage) of the collective net OPEB liability	33.83%	33.71%
State's proportionate share of the collective net OPEB liability	$ 439,714	$ 437,079
State's covered payroll	$ 2,842,778	$ 2,797,414
State's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	15.47%	15.62%
Fiduciary net position as a percentage of the total OPEB liability	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 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Contractually required contributions	$ 29,346	$ 28,699	$ 28,272	$ 27,410	$ 26,810	$ 25,712	$ 25,025	$ 20,384	$ 24,869	$ 25,541
Contributions in relation to the contractually required contributions	(29,346)	(28,699)	(28,272)	(27,410)	(26,810)	(25,712)	(25,025)	(20,384)	(24,869)	(25,541)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	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	2,504,059
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. SIGNFICANT CHANGES IN ASSUMPATIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

Changes in assumptions and other inputs affecting trends in actuarial information are discussed in Note 7.

C. CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS – UNIVERSITY OF COLORADO SYSTEM

University OPEB Plan		Fiscal Year Ending June 30, 2018
Service cost	$	53,099,000
Interest cost		24,648,000
Changes in benefit terms		-
Differences between expected and actual experience		(87,654,000)
Changes of assumptions		(46,406,000)
Benefit payments		(17,211,000)
Net change in total OPEB liability		(73,524,000)
Total OPEB liability (beginning)		820,297,000
Total OPEB liability (ending)	$	746,773,000
Plan Fiduciary Net Position		
Contributions	$	17,211,000
Net investment income		-
Benefit payments		(17,211,000)
Administrative expense		-
Net change in plan fiduciary net position		-
Plan fiduciary net position (beginning)		-
Plan fiduciary net position (ending)		-
Total OPEB liability (ending)	$	746,773,000
Net position as a % of OPEB liability		0.00%
Covered-employee payroll	$	1,475,177,000
Total OPEB liability as a % of payroll		50.62%

COLORADO

Office of the State Controller

Department of Personnel
& Administration

APPENDIX B

FORMS OF THE MASTER INDENTURE, THE 2018N SUPPLEMENTAL INDENTURE, THE 2018N LEASE, THE 2018N SITE LEASE AND THE 2018N SUBLEASE

(Page numbering is that of the respective documents)

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
MASTER TRUST INDENTURE
by

ZIONS FIRST NATIONAL BANK,
as Trustee

authorizing

State of Colorado
Building Excellent Schools Today
Certificates of Participation

Dated as of August 12, 2009

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
MASTER TRUST INDENTURE

This State of Colorado Building Excellent Schools Today Master Trust Indenture (this "Master Indenture") is dated as of August 12, 2009, and is executed and delivered by Zions First National Bank, a national banking association duly organized and validly existing under the laws of the United States, as trustee for the benefit of the Owners of the Certificates (the "Trustee"). ***Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached hereto, as such Glossary is amended, supplemented and restated from time to time***.

RECITALS

This Master Indenture is being executed and delivered to provide for the execution, delivery and payment of and security for the Certificates, the proceeds of which will be used to finance Projects. The Certificates evidence undivided interests in the right to receive Lease Revenues. The Certificates will be executed and delivered in Series and Supplemental Indentures will be executed and delivered to provide additional terms applicable to each Series of Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners and the State as follows:

ARTICLE I

SECURITY FOR CERTIFICATES

Section 1.01. Trust Estate. The Trustee, in consideration of the premises, the purchase of the Certificates by the Owners and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Certificates and all other amounts payable to the Owners with respect to the Certificates, to secure the performance and observance of all the covenants and conditions set forth in the Certificates and the Indenture, and to declare the terms and conditions upon and subject to which the Certificates are executed, delivered and secured, has executed and delivered this Master Indenture and has granted, assigned, pledged, bargained, sold, alienated, remised, released, conveyed, set over and confirmed, and by these presents does grant, assign, pledge, bargain, sell, alienate, remise, release, convey, set over and confirm, in trust upon the terms set forth herein all and singular the following described property, franchises and income, including any title or interest therein acquired after these presents, all and singular the following described property, franchises and income, including any title therein acquired after these presents:

(a) the Leased Property and the tenements, hereditaments, appurtenances, rights, privileges and immunities thereto belonging or appertaining, subject to the terms of each Lease including, but not limited to, the terms of such Lease permitting the existence of Permitted Encumbrances;

(b) all rights, title and interest of the Trustee in, to and under each Lease (other than the Trustee's rights to payment of its fees and expenses under such Lease and the rights of third parties to Additional Rent payable to them under such Lease);

(c) all Base Rent payable pursuant to each Lease;

(d) all Federal Direct Payments with respect to the interest component of Base Rentals paid to the Trustee pursuant to any Lease;

(e) the State's Purchase Option Price paid pursuant to each Lease, if paid (including any Net Proceeds used to pay the State's Purchase Option Price);

(f) all money and securities from time to time held by the Trustee under this Indenture in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and

(g) any and all other property, revenues or funds from time to time hereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security hereunder, by any Person in favor of the Trustee, which shall accept any and all such property and hold and apply the same subject to the terms hereof.

The Subleases, the Matching Money Bonds and moneys paid by the Sublessees pursuant to the Subleases and the Matching Money Bonds are not included in the Trust Estate.

Section 1.02. Discharge of Indenture. If this Master Indenture is discharged in accordance with Section 9.01 hereof, the right, title and interest of the Trustee and the Owners in and to the Trust Estate shall terminate and be discharged; otherwise this Master Indenture is to be and remain in full force and effect.

Section 1.03. Certificates Secured on a Parity Unless Otherwise Provided. The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of all Outstanding Certificates, and any of them, without preference, priority or distinction as to lien or otherwise, except as expressly set forth in the Indenture.

Section 1.04. Limited Obligations.

(a) Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the Colorado General Assembly to the Assistance Fund in accordance with the Act from any legally available source if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases are subject to appropriation by the Colorado General Assembly 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 any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

(b) The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Site Lease, any Sublease, any Matching Moneys Bond 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, Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statues or other State law; (iii) as a delegation of governmental powers by the State; (iv) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

(c) The provisions of this Section are hereby expressly incorporated into each Supplemental Indenture. The Certificates shall contain statements substantially in the form of subsections (a) and (b) of this Section.

Section 1.05. Certificates Constitute a Contract. The Certificates shall constitute a contract between the Trustee and the Owners. In no event shall any decision by the Colorado General Assembly not to appropriate any amounts payable under a Lease be construed to constitute an action impairing such contract.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND DELIVERY OF CERTIFICATES

Section 2.01. Authorization, Name and Amount. No Certificates may be executed and delivered hereunder except in accordance with this Article. The Certificates may be issued in one or more Series. Each Series of Certificates shall be named State of Colorado Building Excellent Schools Today Certificates of Participation, followed by the Tax Treatment Designation of such Series (omitting the word "Certificates"), a year and letter that corresponds to the year and letter in the name of the Lease that is entered into in connection with the issuance of such Series of Certificates and, if more than one Series of Certificates are issued at the same time, a dash and a number to distinguish such Series of Certificates from the other Series of

Certificates issued at the same time. The aggregate principal amount of Certificates that may be executed and delivered is not limited in amount.

Section 2.02. Purpose, Payment, Authorized Denominations and Numbering.

(a) The Certificates shall be sold, executed and delivered for the purpose of paying the Costs of the Projects and the Costs of Issuance, making deposits to funds, accounts and subaccounts held by the Trustee or, if proceeds of the applicable Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, making deposits to a defeasance escrow account and paying other costs associated with the defeasance.

(b) The Certificates shall be issuable only as fully registered Certificates in Authorized Denominations. The Certificates shall be numbered in such manner as shall be determined by the Trustee.

(c) The principal of and premium, if any, on any Certificate shall be payable to the Owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof and upon presentation and surrender at the Operations Center of the Trustee. Payment of interest on the Certificates shall be made by check or draft of the Trustee mailed, on or before each Interest Payment Date, to the Owner thereof at his address as it last appears on the registration records of the Trustee at the close of business on the Record Date. Any such interest not so timely paid shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Trustee to the Owners of the Certificates, not less than ten days prior to the Special Record Date, by first-class mail to each such Owner as shown on the Trustee's registration records on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to in writing between the Owner of any Certificate and the Trustee.

Section 2.03. Form of Certificates. The Certificates of each Series shall be in substantially the form set forth in the Supplemental Indenture authorizing such Series of Certificates or an exhibit, appendix or other attachment thereto, with such changes thereto, not inconsistent with this Master Indenture or such Supplemental Indenture, as may be necessary or desirable and approved by the State.

Section 2.04. Execution and Authentication of Certificates. The manual signature of a duly authorized signatory of the Trustee shall appear on each Certificate. Any Certificate shall be deemed to have been executed by a duly authorized signatory of the Trustee if signed by the Trustee, but it shall not be necessary that the same signatory sign all of the Certificates executed and delivered hereunder. If any signatory of the Trustee whose signature appears on a Certificate shall cease to be such official before delivery of the Certificates, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained a duly authorized signatory of the Trustee until delivery.

Section 2.05. Mutilated, Lost, Stolen or Destroyed Certificates. In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like Series, date, maturity, interest rate and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received such evidence, information or indemnity from the Owner of the Certificate as the Trustee may reasonably require, and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee. In the event that any such Certificate shall have matured, instead of issuing a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the Owner of the Certificate with its reasonable fees and expenses in this connection and require payment of such fees and expenses as a condition precedent to the delivery of a new Certificate.

Section 2.06. Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates.

(a) Records for the registration and transfer of Certificates shall be kept by the Trustee which is hereby appointed the registrar for the Certificates. The principal of, interest on, and any prior redemption premium on any Certificate shall be payable only to or upon the order of the Owner or his legal representative (except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest). Upon surrender for transfer of any Certificate at the Operations Center of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Trustee shall enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees a new fully registered Certificate or Certificates of a like Series, aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned.

(b) Fully registered Certificates may be exchanged at the Operations Center of the Trustee for an equal aggregate principal amount of fully registered Certificates of the same Series, maturity and interest rate of other Authorized Denominations. The Trustee shall execute and deliver Certificates which the Owner making the exchange is entitled to receive, bearing numbers not previously assigned.

(c) The Trustee may require the payment, by the Owner of any Certificate requesting exchange or transfer, of any reasonable charges as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such exchange or transfer.

(d) The Trustee shall not be required to transfer or exchange (i) all or any portion of any Certificate during the period beginning at the opening of business 15 days before the day of the mailing by the Trustee of notice calling any Certificates for prior redemption and ending at the close of business on the day of such mailing, or (ii) all or any portion of a Certificate after the mailing of notice calling such Certificate or any portion thereof for prior redemption.

(e) Except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest, the person in whose name any Certificate shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest on any Certificate shall be made only to or upon the written order of the Owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge such Certificate to the extent of the sum or sums paid.

(f) Notwithstanding any other provision hereof, except as otherwise provided in a Supplemental Indenture with respect to one or more Series of Certificates, the Certificates shall be delivered only in book-entry form registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, acting as securities depository of the Certificates and principal of, premium, if any and interest on the Certificates shall be paid by wire transfer to DTC; provided, however, if at any time the State or the Trustee determines that DTC is no longer able to act as, or is no longer satisfactorily performing its duties as, securities depository for the Certificates, the State may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the Certificates in the names of the beneficial owners thereof provided to it by DTC. The Trustee shall have no liability to DTC, Cede & Co., any substitute securities depository, any Person in whose name the Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Certificates or any other Person for (A) any determination made by the State or the Trustee pursuant to the proviso at the end of the immediately preceding sentence or (B) any action taken to implement such determination and the procedures related thereto that is taken pursuant to any direction of or in reliance on any information provided by DTC, Cede & Co., any substitute securities depository or any Person in whose name the Certificates are reregistered.

Section 2.07. Cancellation of Certificates. Whenever any Outstanding Certificate shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment thereof or for or after replacement pursuant to Section 2.05 or 2.06 hereof, such Certificate shall be promptly cancelled by the Trustee.

Section 2.08. Negotiability. Subject to the registration provisions hereof, the Certificates shall be fully negotiable and shall have all the qualities of negotiable paper, and the Owners thereof shall possess all rights enjoyed by the holders or owners of negotiable instruments under the provisions of the Uniform Commercial Code-Investment Securities. The principal of and interest on the Certificates shall be paid, and the Certificates shall be transferable, free from and without regard to any equities, set-offs or cross-claims between the Trustee and the original or any intermediate owner of any Certificates.

Section 2.09. Conditions to Execution and Delivery of Certificates. No Series of Certificates may be executed and delivered unless each of the following conditions has been satisfied:

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

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

(c) If the proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, the Trustee shall have received a form of a defeasance escrow agreement and the other items required by Section 9.01 hereof.

(d) The State has certified to the Trustee that: (i) the Fair Market Value of the property added to the Leased Property in connection with the execution and delivery of such Series of Certificates is at least equal to 90% of the principal amount of such Series of Certificates; and (ii) no Event of Default or Event of Nonappropriation exists under any Lease. The certification of the State pursuant to clause (i) may be given based and in reliance upon certifications by the Sublessees that leased the Leased Property to the Trustee pursuant to Site Leases.

(e) 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.

(f) 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 established for each Sublessee, the amount, if any, of the Allocated Investment Earnings for each Project Account, the amount to be deposited into the Cost of Issuance Account and, if proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, the amount to be deposited into the defeasance escrow account established pursuant to Section 9.01 hereof.

(g) The Trustee has received a written opinion of Bond Counsel to the effect that (i) the Certificates of such Series have been duly authorized, executed and delivered pursuant to the Act and the Indenture (including the Supplemental Indenture executed and delivered in connection with the execution and delivery of such Series of Certificates) and will not cause an Adverse Tax Event, and (ii) the execution, sale and delivery of the Series of Certificates will not constitute an Event of Default or a Failure to Perform or cause any violation of the covenants set forth in the Indenture.

Section 2.10. Execution and Delivery of Supplemental Indenture, Site Lease, Lease, Amendment to Site Lease, Lease or Defeasance Escrow Agreement; Delivery of Certificates; Application of Proceeds. If the conditions set forth in Section 2.09 hereof have been satisfied, the Trustee shall execute and deliver the Supplemental Indenture, any Site Lease, any Lease, any amendment to any existing Site Lease, Lease or any defeasance escrow agreement provided to it pursuant to Section 2.09 hereof in the form provided to it and shall deliver the Series of Certificates and apply the proceeds of the Series of Certificates as directed by the State.

Section 2.11. Principal Strips, Interest Strips and Tax Credit Strips. If and as provided in a Supplemental Indenture, (a) Principal Strips and Interest Strips, (b) Principal Strips and Tax Credit Strips or (c) Principal Strips, Interest Strips and Tax Credit Strips may be authorized, executed, authenticated and delivered in lieu of or to replace any Certificate. If Principal Strips and Interest Strips and/or Tax Credit Strips are authorized, executed, authenticated and delivered in lieu of or to replace a Certificate, (i) the rights of the Owners of such Certificate shall be allocated among the owners of the Principal Strips and Interest Strips and/or Tax Credit Strips as provided in such Supplemental Indenture and (ii) all references to such Certificate in the Indenture, the Leases, the Subleases, the Site Leases and all related documents shall, except as otherwise provided in such Supplemental Indenture, be deemed to refer to the owners of the Principal Strip and Interest Strip and/or the Tax Credit Strip authorized, executed, authenticated and delivered in lieu of or to replace such Certificate, collectively.

ARTICLE III

FUNDS AND ACCOUNTS

Section 3.01. Certificate Fund.

(a) ***Creation of Certificate Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Certificates of Participation Certificate Fund (the "Certificate Fund") and, within such fund, the Interest Account; the Principal Account; the Purchase Option Account; and a separate Sinking Fund Account for each Series of Qualified School Construction Certificates, the names of each of which Sinking Fund Accounts shall include the same Series designation as the related Series of Qualified School Construction Certificates.

(b) ***Deposits into Accounts of Certificate Fund***.

(i) *Deposits into Interest Account*. There shall be deposited into the Interest Account: (A) accrued interest and capitalized interest, if any, received at the time of the execution and delivery of each Series of Certificates; (B) that portion of each payment of Base Rent by the State which is designated and paid as the interest component of Base Rent under a Lease; (C) any Federal Direct Payment received with respect to the interest component of Base Rent payable by the State under any Lease; (D) any moneys transferred to the Interest Account from the State Expense Fund pursuant to Section 3.03(c) hereof; (E) any moneys transferred to the Interest Account from the Rebate Fund pursuant to Section 3.04(d) hereof; and (F) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Interest Account.

(ii) *Deposits into Principal Account*. There shall be deposited into the Principal Account: (A) that portion of each payment of Base Rent by the State which is designated and paid as the Amortizing Principal component of Base Rent under a Lease; (B) any moneys transferred to the Principal Account from a Sinking Fund Account pursuant to paragraph (iv) of subsection (c) of this Section; (C) any moneys transferred to the Principal Account from the State Expense Fund pursuant to Section 3.03(c) hereof; and (D) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Principal Account.

(iii) *Deposits into Purchase Option Account*. There shall be deposited into the Purchase Option Account: (A) the State's Purchase Option Price; (B) any money transferred to the Purchase Option Account from the State Expense Fund pursuant to Section 3.02(c) hereof; and (C) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Purchase Option Account.

(iv) *Deposits into Sinking Fund Accounts*. There shall be deposited into each Sinking Fund Account (A) that portion of each payment of Base Rent by the State which is designated and paid as the Sinking Fund Principal component of Base Rent under the Lease with the same Series designation as such Sinking Fund Account; (B) any moneys transferred to such Sinking Fund Account from the State Expense Fund pursuant to Section 3.03(c) hereof; and (C) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into such Sinking Fund Account.

(c) ***Use of Moneys in Accounts of Certificate Fund***.

(i) *Use of Moneys in Interest Account*. Except as otherwise specifically provided below in this paragraph, moneys in the Interest Account shall be used solely for the payment of interest on the Certificates, except that:

(A) interest on Certificates payable as part of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under a Lease to purchase a portion of (but not all) the Leased Property shall be paid solely from the Purchase Option Account;

(B) moneys representing accrued interest and capitalized interest received at the time of the execution and delivery of any Series of Certificates shall be used solely to pay the first interest due on such Series of Certificates;

(C) any moneys other than those described in clause (B) above that are transferred to the Interest Account with specific instructions as to their use shall be used solely in accordance with such instructions;

(D) any moneys remaining in the Interest Account after all the interest payable from the Interest Account on all Certificates has been paid shall be transferred to the Principal Account; and

(E) notwithstanding the foregoing, all moneys in the Interest Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(ii) *Use of Moneys in Principal Account*. Except as otherwise specifically provided below in this paragraph, moneys in the Principal Account shall be used solely for the payment of principal of the Certificates, except that:

(A) principal of Qualified School Construction Certificates of any Series shall be paid solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates;

(B) principal of Certificates payable as part of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under a Lease to purchase a portion of (but not all) the Leased Property shall be paid solely from the Purchase Option Account;

(C) except as otherwise provided in clause (A) or (B) above, any moneys that are transferred to the Principal Account with specific instructions as to their use shall be used solely in accordance with such instructions; and

(D) notwithstanding the foregoing, all moneys in the Principal Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) shall be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(iii) *Use of Moneys in Purchase Option Account*. Except as otherwise specifically provided below in this paragraph, moneys in the Purchase Option Account shall be used solely for the payment of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under one or more Leases to purchase a part or all of the Leased Property, except that:

(A) the State's Purchase Option Price paid with respect to a portion (but not all) of the Leased Property subject to a Lease shall be used only to pay the redemption price of Certificates with the same Series designation as such Lease;

(B) the portion of the redemption price of Qualified School Construction Certificates of any Series representing Funded Principal shall be paid solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates; and

(C) notwithstanding the foregoing, all moneys in the Purchase Option Account shall be used (I) in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(iv) *Use of Moneys in Sinking Fund Accounts*. Except as otherwise specifically provided below in this paragraph, moneys in each Sinking Fund Account shall be used solely for the payment of the principal of and the principal portion of the redemption price of Qualified School Construction Fund Certificates with the same Series designation as such Sinking Fund Account. Notwithstanding the foregoing, (A) moneys remaining in a Sinking Fund Account after payment of the principal of and the principal portion of the redemption price of Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account shall be transferred to the Principal Account; and (B) all moneys in the Sinking Fund Accounts shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

Section 3.02. Capital Construction Fund.

(a) ***Creation of Capital Construction Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Capital Construction Fund (the "Capital Construction Fund"), and, within such fund, the Costs of Issuance Account and a separate Project Account for each Project that is being financed for each Sublessee 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 and the name of the Sublessee for which the Project is being financed. The Trustee may establish such additional accounts within the Capital Construction Fund or such subaccounts within any of the existing or any future accounts of the Capital Construction Fund as may be necessary or desirable.

(b) ***Deposits into Accounts of Capital Construction Fund***.

(i) *Proceeds of Certificates*. Proceeds from the sale of each Series of Certificates shall be deposited into the Costs of Issuance Account and the Project Accounts in the amounts designated by the State in connection with the execution and delivery of such Series of Certificates. When the State designates the amount of proceeds from the sale of a Series of Certificates to be deposited into a Project Account, it shall also designate the Allocated Investment Earnings, if any, for such Project Account.

(ii) *Earnings from Investment of Project Accounts*. Earnings from the investment of moneys in all the Project Accounts when received shall be aggregated and allocated among the Project Accounts in proportion to the ratio of (A) the Allocated Investment Earnings for each Project Account that have not previously been deposited into such Project Account pursuant to this paragraph to (B) the Allocated Investment Earnings for all Project Accounts that have not previously been deposited into the Project Accounts pursuant to this paragraph. The amount of investment earnings so allocated to a Project Account shall be deposited into such Project Account until the amount so deposited equals the Allocated Investment Earnings for such Project Account. After the amount of investment earnings allocated to a Project Account exceeds the Allocated Investment Earnings for such Project Account, the excess shall be deposited into the State Expense Fund, except that any such investment earnings resulting from the investment of proceeds of any Series of Qualified School Construction Certificates, at the direction of the State, (I) shall be transferred to another Project Account or the Assistance Fund and, subject to terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of such Series of Qualified School Construction Certificates, shall be used to pay the costs of a capital construction project as defined in the Act; or (II) shall be used in any other manner directed by the State upon receipt of an opinion of Bond Counsel that such transfer or use will not cause an Adverse Tax Event.

(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 hereof, the State may, at any time but subject to the terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of the Series of Certificates from the Project Account from which the moneys are transferred, direct the Trustee to transfer any moneys held in any Project Account to any other Project Account or to the Assistance Fund to pay the costs of a capital construction project as defined in the Act if the State determines that (A) the sum of the money remaining in, and money expected to be deposited in the future into, the Project Account from which the transfer is made will be sufficient to pay the unpaid Costs of the Project for the Project for which such Project Account was established or (B) no further Costs of the Project will be funded from the Project Account from which the transfer is made.

(c) ***Use of Moneys in Costs of Issuance Account***. Moneys held in the Costs of Issuance Account shall be used to pay Costs of Issuance as directed by the State. The Trustee shall transfer any amounts held in the Costs of Issuance Account that are not required to pay Costs of Issuance to the State Expense Fund or one or more Project Accounts as directed by the State. Notwithstanding the foregoing, moneys in the Costs of Issuance Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Lease to purchase all the Leased Property subject to all Leases.

(d) ***Use of Moneys in Project Accounts***.

(i) Moneys held in each Project Account shall be disbursed to the Sublessee for whose Project the Account was established to pay, or reimburse the Sublessee for, Costs of the Project for which such Project Account was established upon receipt of a requisition in substantially the form attached hereto as Appendix A, signed by the Sublessee Representative and the State Representative.

(ii) Upon the receipt by the Trustee of the Completion Certificate for the Project, the remaining moneys held in such Project Account shall be transferred by the Trustee to the State Expense Fund.

(iii) Notwithstanding the foregoing, (A) the Trustee shall separately account for Available Project Proceeds of each Series of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of each Series of Qualified School Construction

Certificates); (B) Available Project Proceeds of any Series of Qualified School Construction Certificates held in any Project Account that have not been expended as of the last day of the Available Project Proceeds Expenditure Period for such Series of Qualified School Construction Certificates shall be used to pay the redemption price of Qualified School Construction Certificates of such Series in connection with an Unexpended Proceeds Redemption of such Series of Qualified School Construction Certificates; and (C) all moneys in all Project Accounts shall be (I) used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Lease to purchase all the Leased Property subject to all Leases.

Section 3.03. State Expense Fund.

(a) ***Creation of State Expense Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Certificates of Participation State Expense Fund (the "State Expense Fund").

(b) ***Deposits into State Expense Fund***. There shall be deposited into the State Expense Fund: (i) upon the execution and delivery of each Series of Certificates, proceeds from the sale of such Series of Certificates in the amount, if any, directed by the State; (ii) earnings from the investment of moneys in the Project Accounts allocated to such Project Account pursuant to Section 3.02(b)(ii) hereof, to the extent the earnings so allocated exceed the Allocated Investment Earnings for such Project Account; (iii) any moneys transferred to the State Expense Fund from the Costs of Issuance Account of the Capital Construction Fund pursuant to Section 3.02(c) hereof; (iv) any moneys transferred to the State Expense Fund from a Project Account pursuant to Section 3.02(d)(ii) hereof; and (v) all other moneys received by the Trustee that are accompanied by instructions from the State to deposit the same into the State Expense Fund.

(c) ***Use of Moneys in State Expense Fund***.

(i) Moneys held in the State Expense Fund that are not Available Project Proceeds of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of Qualified School Construction Certificates) shall be applied by the Trustee as directed in writing by the State to: (A) reimburse or compensate the State for costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Subleases, the Matching Money Bonds or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (B) pay Base Rent to the Trustee or Additional Rent to the appropriate recipient; (C) make a deposit to the Certificate Fund, the Capital Construction Fund, the Rebate Fund or any account or subaccount of any such fund; and (D) pay the

Costs of any Project or the costs of any capital construction project as defined in the Act.

(ii) Moneys held in the State Expense Fund that are Available Project Proceeds of any Series of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of Qualified School Construction Certificates) shall be applied as directed in writing by the State, subject to the terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of such Series of Qualified School Construction Certificates, to pay the Costs of any Project or the costs of a capital construction project as defined in the Act.

(iii) Notwithstanding the foregoing, (A) the Trustee shall separately account for Available Project Proceeds of each Series of Qualified School Construction Certificates (including earnings from the investment of Available Project Proceeds of each Series of Qualified School Construction Certificates); (B) Available Project Proceeds of any Series of Qualified School Construction Certificates held in the State Expense Fund that have not been expended as of the last day of the Available Project Proceeds Expenditure Period for such Series of Qualified School Construction Certificates shall be used to pay the redemption price of Qualified School Construction Certificates of such Series in connection with an Unexpended Proceeds Redemption of such Series of Qualified School Construction Certificates; and (C) all moneys in the State Expense Fund shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

Section 3.04. Rebate Fund.

(a) ***Creation of Rebate Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Capital Construction Fund Rebate Fund (the "Rebate Fund"). The Trustee shall create separate accounts within the Rebate Fund for each Series of Certificates (except that more than one Series may be combined for this purpose on the advice of Bond Counsel).

(b) ***Deposits into Rebate Fund***. There shall be deposited into the appropriate account of the Rebate Fund (i) any moneys transferred to the Rebate Fund from the State Expense Fund pursuant to Section 3.03(c) hereof; (ii) all amounts paid by the State pursuant to subsection (e) of this Section; and (iii) all other moneys received by the Trustee that are accompanied by instructions to deposit the same into the Rebate Fund.

(c) ***Use of Moneys in Rebate Fund***. Not later than 60 days after the date designated in the tax compliance certificate or similar certificate executed and delivered by the State in connection with the execution and delivery of a Series of Certificates and every five years thereafter, the Trustee shall, at the direction of the State, pay to the United States of America 90% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates as of such payment date. No later than 60 days after the final retirement of each Series of Certificates, the Trustee shall, at the direction of the State, pay to the United States of America 100% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates, which account shall remain in effect for such period of time as is necessary for such final payment to be made. Each payment required to be paid to the United States of America pursuant to this Section shall be filed with the 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 Leases, has agreed to make or cause to be made all rebate calculations required to provide the information required to transfer moneys to the Rebate Fund pursuant to subsection (b) of this Section. The Trustee shall make deposits to and disbursements from accounts of the Rebate Fund in accordance with the written directions of the State given pursuant to the tax compliance certificates or similar certificates (including any investment instructions attached thereto) executed and delivered by the State in connection with the execution and delivery of the each Series of Certificates. The Trustee shall, at the written direction of the State, invest moneys in each account of the Rebate Fund pursuant to the investment instructions attached to such tax compliance certificates and shall deposit income from said investments immediately upon receipt thereof in such account of the Rebate Fund, all as set forth in such certificates. The Trustee shall conclusively be deemed to have complied with such tax compliance certificates if it follows the written directions of the State, including supplying all necessary information requested by the State in the manner set forth in the tax compliance certificates, and shall not be required to take any actions thereunder in the absence of written directions from the State. Such investment instructions may be superseded or amended by new instructions drafted by, and accompanied by an opinion of, Bond Counsel addressed to the Trustee to the effect that the use of such new instructions will not cause an Adverse Tax Event. The State may employ, at its expense, a designated agent to calculate the amount of deposits to and disbursements from the Rebate Fund. If a withdrawal from the Rebate Fund is permitted as a result of the computation described in the investment instructions, the amount withdrawn shall be deposited in the Interest Account of the Certificate Fund.

(e) ***Payments by State***. The State has agreed in the Leases, subject to the terms of the Leases, that, if, for any reason, the amount on deposit in the Rebate Fund is less than the amount required to be paid to the United States of America on any date, the State will pay to the Trustee as Additional Rent under the Leases the amount required to make such payment on such date.

Section 3.05. Nonpresentment of Certificates. In the event any Certificate shall not be presented for payment when due, if funds sufficient to pay such Certificate shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to such Certificate. Except as otherwise required by State escheat laws, funds so held but unclaimed by an Owner shall be transferred to the Principal Account of the Certificate Fund and shall be applied to the payment of the principal of other Certificates after the expiration of five years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be made available for such use on such earlier date, on any earlier date designated by the Trustee.

Section 3.06. Moneys to be Held in Trust. The Certificate Fund, the Capital Construction Fund, the State Expense Fund and, except for the Rebate Fund and any defeasance escrow account established pursuant to Section 9.01 hereof and the accounts and subaccounts thereof, any other fund or account created hereunder shall be held by the Trustee, for the benefit of the Owners as specified in the Indenture, subject to the terms of the Indenture and the Leases. The Rebate Fund and the accounts thereof shall be held by the Trustee for the purpose of making payments to the United States of America pursuant to Section 3.04(c) hereof. Any escrow account established pursuant to Section 9.01 hereof shall be held for the benefit of the Owners of the Certificates to be paid therefrom as provided in the applicable escrow agreement.

Section 3.07. Repayment to the State from Trustee. After payment in full of the principal of, premium, if any, and interest on the Certificates, all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts required to be paid hereunder, any remaining amounts held by the Trustee hereunder shall be paid to the State.

ARTICLE IV

REDEMPTION OF CERTIFICATES

Section 4.01. Redemption Provisions Set Forth in Supplemental Indentures. The terms on which each Series of Certificates are subject to redemption shall be as set forth in the Supplemental Indenture authorizing the execution and delivery of such Series of Certificates.

Section 4.02. Notice of Redemption.

(a) Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States first-class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Certificates as to which no such failure has occurred.

(b) Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

(c) If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Certificates called for redemption, which moneys are or will be available for redemption of Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Section 4.03. Redemption Payments.

(a) On or prior to the date fixed for redemption, the Trustee shall apply funds to the payment of the Certificates called for redemption, together with accrued interest thereon to the redemption date, and any required premium. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to this Indenture (which, in the case of certain redemptions, may be less than the full principal amount of the Outstanding Certificates and accrued interest thereon to the redemption date), interest on the Certificates or portions thereof thus called for redemption shall no longer accrue after the date fixed for redemption.

(b) The Trustee shall pay to the Owners of Certificates so redeemed, the amounts due on their respective Certificates, at the Operations Center of the Trustee upon presentation and surrender of the Certificates.

Section 4.04. Cancellation. All Certificates which have been redeemed shall not be reissued but shall be canceled by the Trustee in accordance with Section 2.07 hereof.

Section 4.05. Delivery of New Certificates Upon Partial Redemption of Certificates. Upon surrender and cancellation of a Certificate for redemption in part only, a new Certificate or Certificates of the same Series and maturity and of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion thereof, shall be executed on behalf of and delivered by the Trustee.

ARTICLE V

INVESTMENTS

Section 5.01. Investment of Moneys.

(a) All moneys held as part of any fund, account or subaccount created hereunder shall, subject to Sections 5.02 and 6.04 hereof, be invested and reinvested by the Trustee, at the written direction of the State, in Permitted Investments. The Trustee may conclusively presume that any investment so directed by the State is a Permitted Investment. Any and all such investments shall be held by or under the control of the Trustee. The Trustee may invest in Permitted Investments through its own investment department, through the investment department of any Trust Bank or trust company under common control with the Trustee or through the State Treasurer. The Trustee may sell or present for redemption any investments so purchased whenever it shall be necessary in order to provide moneys to meet any payment hereunder, and the Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation hereunder.

(b) Except as otherwise provided below or by Article III hereof, investments shall at all times be a part of the fund, account or subaccount from which the moneys used to acquire such investments shall have come, and all earnings on such investments shall be credited to, and losses thereon shall be charged against, such fund, account or subaccount. Notwithstanding the preceding sentence:

(i) Earnings from investments of moneys held in the Project Accounts shall be deposited as provided in Section 3.02(b)(ii) hereof.

(ii) Earnings from investments of moneys held in the Rebate Fund shall be deposited as provided in Section 3.04 hereof.

(iii) Earnings from investments of moneys held in any defeasance escrow account established pursuant to Section 9.01 hereof shall be deposited as provided in the defeasance escrow agreement governing such defeasance escrow account.

(c) The Trustee shall sell and reduce to cash a sufficient amount of such investments in the respective funds, accounts and subaccounts whenever the cash balance in any Project Account is insufficient to pay a requisition when presented, whenever the cash balance in the Principal Account or Interest Account of the Certificate Fund is insufficient to pay the principal of or interest on the Certificates when due, or whenever the cash balance in any fund, account or subaccount is insufficient to satisfy the purposes of such fund, account or subaccount. In computing the amount in any fund, account or subaccount for any purpose hereunder, investments shall be valued at their Fair Market Value.

Section 5.02. Tax Certification. The Trustee certifies and covenants to and for the benefit of the Owners that so long as any of the Certificates remain Outstanding, moneys in any fund or account held by the Trustee under this Indenture, whether or not such moneys were derived from the proceeds of the sale of the Certificates or from any other source, will not be deposited or invested in a manner which will be a violation of Section 6.04 hereof.

ARTICLE VI

CONCERNING THE TRUSTEE

Section 6.01. Certifications, Representations and Agreements. The Trustee certifies, represents and agrees that:

(a) The Trustee (i) is a commercial bank and a national banking association that is duly organized, validly existing and in good standing under the laws of the United States, (ii) is duly qualified to do business in the State, (iii) is authorized, under its articles of association and bylaws and applicable law, to act as trustee under the Indenture, to own and hold, in trust and as Trustee, the Leased Property leased to the Trustee pursuant to the Site Leases, to lease the Leased Property to the State pursuant to the Leases and to execute, deliver and perform its obligations under the Lease, the Indenture and the Site Leases.

(b) The execution, delivery and performance of the Leases, the Indenture and the Site Leases and the ownership of the Leased Property by the Trustee have been duly authorized by the Trustee.

(c) The Leases, the Indenture and the Site Leases have been duly executed and delivered by the Trustee and are valid and binding obligations enforceable against the Trustee in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

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

(e) There is no litigation or proceeding pending or threatened against the Trustee affecting the right of the Trustee to execute, deliver or perform its obligations under the Leases, the Indenture, the Subleases or the Site Leases or to own the Leased Property.

(f) The Trustee acknowledges and recognizes that the Leases will be terminated upon the occurrence of an Event of Nonappropriation, and that a failure by the Colorado General Assembly to appropriate funds in a manner that results in an Event of Nonappropriation is solely within the discretion of the Colorado General Assembly.

Section 6.02. Duties of the Trustee. The Trustee hereby accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default or Event of Nonappropriation and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically assigned to it in the Leases and the Indenture. In case an Event of Default or Event of Nonappropriation has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Leases and the Indenture, and use the degree of care as a reasonable and prudent person would exercise under the circumstances in the conduct of the affairs of another. Notwithstanding the foregoing, the Trustee shall in all events be liable for damages and injury resulting from its negligence or willful misconduct.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same retained in accordance with the standard of care set forth in subsection (a) of this Section, and shall be entitled to act upon an Opinion of Counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital herein, in this Master Indenture or any Certificate, Supplemental Indenture, Lease, Sublease, Matching Money Bond or any offering document or other document related thereto, for collecting any insurance moneys, for the sufficiency of the security for the Certificates executed and delivered hereunder or intended to be secured hereby, or for the value of or title to the Leased Property. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates, except for information about the Trustee furnished by the Trustee, if any.

(d) The Trustee shall not be accountable for the use of any Certificates delivered to the Initial Purchaser thereof. The Trustee may become the Owner of Certificates with the same rights which it would have if not Trustee.

(e) The Trustee shall be protected in acting, without inquiry, upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate shall be conclusive and binding upon any Certificates executed and delivered in place thereof.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for actions that are in accordance with the standard of care set forth in subsection (a) of this Section.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default or Event of Nonappropriation under a Lease, except failure by the State to cause to be made any of the payments to the Trustee required to be made under such Lease, unless (i) an officer in the Trustee's Denver, Colorado corporate trust department has actual knowledge thereof or (ii) the Trustee has been notified in writing thereof by the State or by the Owners of at least 10% in aggregate principal amount of Certificates then Outstanding.

(h) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Indenture or law.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything in the Indenture to the contrary, the Trustee shall have the right, but shall not be required, to demand in respect of the delivery of any Certificates, the withdrawal of any cash, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee.

(k) Notwithstanding any other provision hereof, the Trustee shall not be required to advance any of its own funds in the performance of its obligations hereunder unless it has received assurances from the Owners of the Certificates or indemnity from the Owners of the Certificates satisfactory to it that it will be repaid.

(l) Notwithstanding any other provision hereof, the Trustee shall not be directly or indirectly obligated, in its individual capacity, to make any payment of principal, interest or premium in respect to the Certificates.

(m) Records of the deposits to, withdrawals from and investment earnings on moneys in the funds and accounts held by the Trustee hereunder shall be retained by the Trustee until six years after the later of the final payment of the related Series of Certificates.

(n) The Trustee shall deliver written reports to the State within 15 days after the end of each calendar month that include at least the following information: (i) the balance in each fund, account and subaccount created hereunder as of the first day and the last day of such calendar month; (ii) all moneys received by the Trustee during such calendar month, broken down by source, including but not limited to Base Rent, Federal Direct Payments and earnings from the investment moneys held as part of any fund, account or subaccount created hereunder, and by the fund, account or subaccount into which such moneys are deposited; (iii) all disbursements from each fund, account and subaccount created hereunder during such calendar month; and (iv) all transfers to and from each fund, account and subaccount created hereunder during such calendar month.

(o) The Trustee shall notify the State within 10 days after any claim by any Owner or any other Person that any certification, representation or agreement of the Trustee set forth in Section 6.01 hereof is not accurate or complete or that the Trustee has failed to perform any of its duties or obligations under or has failed to comply with any provision of the Indenture, any Lease or any Site Lease.

(p) The Trustee shall provide to any Sublessee at its request an accounting of all receipts and disbursements from such Sublessee's Project Account.

Section 6.03. Maintenance of Existence; Performance of Obligations.

(a) The Trustee shall at all times maintain its existence and will use its best efforts to maintain, preserve and renew all the rights and powers provided to it under its articles of association and bylaws, action of its board of directors and applicable law; provided, however, that this covenant shall not prevent the assumption, by operation of law or otherwise, by any Person of the rights and obligations of the Trustee under the Indenture, but only if and to the extent such assumption does not materially impair the rights of the Owners of any Outstanding Certificates or the State.

(b) The Trustee shall do and perform or cause to be done and performed all acts and things required to be done or performed in its capacity as Trustee under the provisions of the Indenture, the Leases or the Site Leases and any other instrument or other arrangement to which it is a party.

Section 6.04. Tax Covenant. The Trustee shall not take any action or omit to take any action with respect to the Certificates, the proceeds of the Certificates, the Trust Estate or any other funds or property that would result in an Adverse Tax Event or Adverse Federal Direct Payment Event. In furtherance of this covenant, the Trustee agrees, at the written direction of the State, to comply with the procedures set forth in the tax compliance certificate or similar certificate delivered by the State in connection with the execution and delivery of each Series of Certificates. The covenants set forth in this Section shall remain in full force and effect notwithstanding the payment in full or defeasance of the Certificates until the date on which all obligations of the Trustee in fulfilling such covenants have been met.

Section 6.05. Sale or Encumbrance of Leased Property. As long as there are any Outstanding Certificates, and as except otherwise permitted by the Indenture and except as the Leases otherwise specifically require, the Trustee shall not sell or otherwise dispose of any of the Leased Property unless it determines that such sale or other disposal will not materially adversely affect the rights of the Owners.

Section 6.06. Rights of Trustee under Leases and Site Leases. The Trustee hereby covenants for the benefit of the Owners that the Trustee will observe and comply with its obligations under the Leases and the Site Leases. Wherever in any Lease or Site Lease it is stated that the Trustee shall be notified or wherever any Lease or Site Lease gives the Trustee some right or privilege, such part of such Lease or Site Lease shall be as if it were set forth in full in this Master Indenture.

Section 6.07. Defense of Trust Estate. The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect its interest in the Leased Property and the other property or property rights included in the Trust Estate and all the rights of the Owners under this Indenture against all claims and demands of all Persons whomsoever.

Section 6.08. Compensation of Trustee. During the Lease Term for each Lease, the Trustee shall be entitled to compensation in the form of Additional Rent in accordance with such Lease. In no event shall the Trustee be obligated to advance its own funds in order to take any action in its capacity as Trustee hereunder.

Section 6.09. Resignation or Replacement of Trustee.

(a) The present or any future Trustee may resign by giving written notice to the Owners of a majority in principal amount of the Certificates and the State not less than 60 days before such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor qualified as provided in subsection (d) of this Section; provided, however, that if no successor is appointed within 90 days following the date designated in the notice for the Trustee's resignation to take effect, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor.

(b) The present or any future Trustee may be removed at any time (i) by the State, for any reason upon delivery to the Trustee of an instrument signed by the State Representative seeking such removal, provided that the State shall not be entitled to remove the Trustee pursuant to this clause if an Event of Default has occurred and is continuing or if any Event of Nonappropriation has occurred; (ii) if an Event of Default has occurred and is continuing or if an Event of Nonappropriation has occurred, by the Owners of a majority in principal amount of the Certificates Outstanding upon delivery to the Trustee of an instrument or concurrent instruments signed by such Owners or their attorneys in fact duly appointed; or (iii) by any Owner, upon delivery to the Trustee of an instrument signed by such Owner or his or her attorney in fact duly appointed following a determination by a court of competent jurisdiction that the Trustee is not duly performing its obligations hereunder or that such removal is in the best interests of the Owners.

(c) In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the State. The State, upon making such appointment, shall forthwith give notice thereof to each Owner, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. The Owners of a majority in principal amount of the Certificates Outstanding may thereupon act to appoint a successor trustee to such successor appointed by the State, by an instrument or concurrent instruments signed by such Owners, or their attorneys in fact duly appointed. Any successor so appointed by the State shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Owners of a majority in principal amount of the Certificates Outstanding.

(d) Every successor shall be a commercial bank with trust powers in good standing, located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, qualified to act hereunder, having a capital and surplus of not less than $50,000,000. Any successor trustee shall execute, acknowledge and deliver to the present or then trustee an instrument accepting appointment as successor trustee hereunder, lessor under the Leases and lessee under the Site Leases, and thereupon such successor shall, without any further act, deed or conveyance, (i) become vested with all the previous rights, title and interest in and to, and shall become responsible for the previous obligations with respect to, the Leased Property and the Trust Estate and (ii) become vested with the previous rights, title and interest in, to and under, and shall become responsible for the trustee's obligations under the Indenture, the Leases and the Site Leases, with like effect as if originally named as Trustee herein and therein. The previous trustee shall execute and deliver to the successor trustee (A) such transfer documents as are necessary to transfer the Trustee's interest in the Leased Property to the successor trustee, (B) an instrument in which the previous trustee resigns as trustee hereunder, as lessor under the Leases and as lessee under the Site Leases and (C) at the request of the successor trustee, one or more instruments conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the previous trustee in the Leased Property, the Trust Estate, the Indenture, the Leases and the Site Leases in a manner sufficient, in the reasonable judgment of the successor trustee, to duly assign, transfer and deliver to the successor all properties and moneys held by the previous trustee in accordance with the laws of the State. Should any other instrument in writing from the previous trustee be required by any successor for more fully and certainly vesting in and confirming to it the rights, title and interest to be transferred pursuant to this Section, the previous trustee shall, at the reasonable discretion and at the request of the successor trustee, make, execute, acknowledge and deliver the same to or at the direction of the successor trustee.

(e) The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section shall be filed and/or recorded by the successor trustee in each recording office, if any, where the Indenture, the Lease and/or the Site Leases shall have been filed and/or recorded.

Section 6.10. Conversion, Consolidation or Merger of Trustee. Any commercial bank with trust powers into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole or substantially as a whole shall be the successor of the Trustee under the Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto or thereto, anything herein or therein to the contrary notwithstanding. In case any of the Certificates shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case any of such Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of such successor Trustee.

Section 6.11. Intervention by Trustee. In any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners, the Trustee may intervene on behalf of Owners and shall do so if requested in writing by the Owners of at least 10% in principal amount of Certificates Outstanding and provided indemnification in accordance with Section 6.02(k) hereof.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Remedies of Trustee Upon the Occurrence of an Event of Default or Event of Nonappropriation. Upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease, 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 use moneys in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund and any defeasance escrow account) in accordance with Section 7.15(b) hereof;

(b) the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without any further demand or notice, exercise any of the remedies available to it under the Leases (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues enforcing remedies following a similar event under a similar instrument; and

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

Section 7.02. Remedies of Trustee Upon Material Breach by Sublessee of Site Lease. Upon a material breach by the Site Lessor of a Site Lease, the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without further demand or notice, take any action at law or in equity that may appear necessary or desirable to enforce the rights of the Trustee and the Owners (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues enforcing remedies following a breach of a similar instrument).

Section 7.03. Failure to Perform by Trustee. Any of the following shall constitute a Failure to Perform:

(a) default in the payment of the principal of, premium, if any, and interest on any Certificate when due to the extent such failure is not directly caused by an Event of Default or an Event of Nonappropriation;

(b) failure of the Trustee to enforce and diligently pursue any remedy available under Section 7.01 or 7.02 hereof; and

(c) failure by the Trustee to comply with any other provision of the Indenture within 30 days after receiving notice of noncompliance (subject to any right to indemnification applicable to the Trustee's compliance with such provision of the Indenture).

Section 7.04. Remedies of Owners Upon a Failure to Perform. Subject to the other provisions of this Article, upon the occurrence of any Failure to Perform, the Owner of any Certificate may:

(a) commence proceedings in any court of competent jurisdiction to enforce the provisions of this Indenture against the Trustee;

(b) subject to Section 6.09 hereof, cause the Trustee to be removed and replaced by a successor trustee; and

(c) subject to Section 7.05 hereof, take any other action at law or in equity that may appear necessary or desirable to enforce the rights of such Owner.

Section 7.05. Limitations Upon Rights and Remedies of Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Leases or the Site Leases unless (a) an Event of Default or Event of Nonappropriation or a breach by the Sublessee of a Site Lease has occurred of which the Trustee has been notified as provided in Section 6.02(g) hereof, or of which by Section 6.02(g) hereof it is deemed to have notice, (b) the Owners of not less than a majority in principal amount of Certificates then Outstanding shall have made written request to the Trustee to institute such suit, action or proceeding and shall have offered Trustee assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such suit, action or proceeding in a form reasonably satisfactory to the Trustee and customarily required by trustees of Colorado municipal bond issues enforcing remedies under similar instruments; and (c) the Trustee has not, after reasonable opportunity, instituted such action, suit or proceedings in its own name.

Section 7.06. Majority of Owners May Control Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in principal amount of the Certificates then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the Trustee to act or refrain from acting or to direct the manner or timing of any action by the Trustee under the Indenture or any Lease or Site Lease or to control any proceeding relating to the Indenture or any Lease or Site Lease; provided that such direction shall not be otherwise than in accordance with the provisions hereof.

Section 7.07. Trustee to File Proofs of Claim in Receivership, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the State or the Leased Property, the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due and payable on the Certificates under this Indenture, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

Section 7.08. Trustee May Enforce Remedies Without Certificates. The Trustee may enforce its rights and remedies under the Leases, the Site Leases and the Indenture without the possession of any of the Certificates or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners of the Certificates, and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions hereof.

Section 7.09. No Remedy Exclusive. No right or remedy available under this Article or otherwise is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.10. Waivers. The Trustee may in its discretion waive any Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease and its consequences, and, notwithstanding anything else to the contrary contained in this Indenture, shall do so upon the written request of the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding; provided, however, that an Event of Nonappropriation shall not be waived without the consent of the Owners of 100% of the Certificates then Outstanding as to which the Event of Nonappropriation exists, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be (including interest on all overdue installments at the highest rate due on the Certificates), and all expenses of the Trustee in connection with such Event of Nonappropriation shall have been paid or provided for. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease 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 hereunder 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 impair any right consequent thereon.

Section 7.11. Delay or Omission No Waiver. No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform, or acquiescence therein; and every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

Section 7.12. No Waiver of Default or Breach to Affect Another. No waiver of any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to

Perform by the Trustee shall extend to or affect any subsequent or any other then existing Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform or shall impair any rights or remedies consequent thereon.

Section 7.13. Position of Parties Restored Upon Discontinuance of Proceedings. In case the Trustee or the Owners shall have proceeded to enforce any right under the Leases, the Site Leases or the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Person or Persons enforcing the same, then and in every such case the State, the Trustee and the Owners shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee and the Owners shall continue as if no such proceedings had been taken.

Section 7.14. Purchase of Leased Property by Owner; Application of Certificates Toward Purchase Price. Upon the occurrence of an Event of Default or Event of Nonappropriation and the sale or lease of the Leased Property by the Trustee pursuant to a Lease (but subject to the 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 this Indenture and the taking of all other courses of action permitted herein or therein.

Section 7.15. Use of Moneys Received from Exercise of Remedies.

(a) Moneys received from the exercise of remedies pursuant to this Article shall be used as follows:

(i) Moneys in the Certificate Fund shall be used, first, to make payments to the Owners of the Certificates pursuant to subsection (b) of this Section.

(ii) Moneys in each Project Account shall be used, first, to pay Costs of the Project payable from such Project Account if and to the extent the Trustee determines that it is in the best interests of the Owners to do so.

(iii) Moneys in the State Expense Fund shall be used, first, to pay costs and expenses described in Section 3.03(c)(i)(A) hereof.

(iv) Moneys in the Certificate Fund, the Project Accounts and the State Expense Fund that are not used pursuant to paragraphs (i), (ii) or (ii) above, moneys in the Costs of Issuance Account of the Capital Construction Fund and all other moneys received from the exercise of remedies pursuant to this Article shall be used in the following order of priority:

(A) *First*, to pay Additional Rent due to third parties other than the Trustee and the State;

(B) *Second*, to pay the fees and expenses of the Trustee determined in accordance with Section 9.05 of the 2009A Lease and similar provisions of other Leases;

(C) *Third*, to make payments to the Owners in accordance with subsection (b) of this Section; and

(D) *Fourth*, the remainder shall be paid to the State.

(b) Moneys that are available to make payments to the Owners pursuant to subsection (a) of this Section shall be used as follows:

(i) Moneys in each Sinking Fund Account shall be used to pay the unpaid principal of Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account. If the amount in a Sinking Fund Account is not sufficient to pay all principal due on the School Construction Certificates with the same Series designation as such Sinking Fund Account, the amount available shall be used to pay unpaid principal of the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account in the order in which such principal was originally due, with unpaid principal due on the earliest principal payment dates paid first. If the amount available in a Sinking Fund Account is not sufficient to pay all unpaid principal due on the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account on a particular principal payment date, the amount available shall be used to pay principal of the Owners of the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account in proportion to the amount of unpaid principal due to such Owners on such principal payment date. For purposes of this paragraph, the principal component of the redemption price of Qualified School Construction Certificates subject to mandatory sinking fund redemption shall be treated as principal.

(ii) All other moneys available to make payments to the Owners shall be applied in the following order of priority:

(A) *First*, to pay the unpaid interest, plus interest on past due interest, on the Certificates. If the amount available is not sufficient to pay all such interest, the amount available shall be used to pay interest (including interest on past due interest) in the order in which the interest was originally due, with interest payable on the earliest Interest Payment Dates (plus interest on such interest) paid first. If the amount available is not sufficient to pay all such interest with respect to a particular Interest Payment Date, the amount available shall be used to pay interest (including interest on past due interest) to the Owners in proportion to the amount that would have been paid to them if the amount available had been sufficient.

(B) *Second*, to pay the unpaid principal of the Certificates. If the amount available is not sufficient to pay all such principal, the amount available shall be used to pay unpaid principal in the order in which it was originally due, with principal due on the earliest principal payment dates paid first. If the amount available is not sufficient to pay all unpaid principal due on a particular principal payment date, the amount available shall be used to pay unpaid principal to the Owners in proportion to the amount of principal that would have been paid to them if the amount available had been sufficient. For purposes of this paragraph, the principal component of the redemption price of Certificates subject to mandatory sinking fund redemption shall be treated as principal.

(C) *Third*, to pay an amount equal to the premium, if any, that would have been paid to Owners as a result of the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases if their Certificates had been redeemed prior to maturity on the date on which payments are made pursuant to this subsection. If the amount available is not sufficient to pay all such amounts, the amount available shall be paid to the Owners to which a premium would have been paid in proportion to the amount of premium that would have been paid to them if the amount available had been sufficient.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.01. Supplemental Indentures Not Requiring Consent of Owners. The Trustee may, with the written consent of the State but without the consent of, or notice to, the Owners, execute and deliver a Supplemental Indenture for any one or more or all of the following purposes:

(a) to amend, modify or restate the Glossary attached hereto in any manner directed by the State in writing, provided that the State has certified in writing that, after such amendment, modification or restatement, the Glossary is accurate and that such amendment, modification or restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases;

(b) to add to the covenants and agreements of the Trustee contained in the Indenture other covenants and agreements to be thereafter observed by the Trustee;

(c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if the State certifies in writing that such provisions are necessary or desirable;

(d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases;

(e) to subject to the Indenture additional revenues, properties or collateral;

(f) to set forth the terms and conditions and other matters in connection with the execution and delivery of any Series of Certificates or Principal Strips, Interest Strips or Tax Credit Strips pursuant to Article II hereof;

(g) to facilitate the Stripping of Certificates;

(h) to effect or facilitate any change to avoid an Adverse Tax Event or Adverse Federal Direct Payment Event, including, but not limited to, a change to conform to any guidance or regulations promulgated by the United States Internal Revenue Service or the United States Treasury Department that relate to the treatment for federal income tax purposes of any Outstanding or proposed Certificates;

(i) to effect any other change that, in the reasonable judgment of the State (which may be exercised in reliance upon certifications or advice provided by investment bankers or others with experience in the municipal bond industry), does not materially adversely affect the rights of the Owners; or

(j) to modify any Certificate to conform to any Supplemental Indenture or to any amendment to the Master Indenture, any Supplemental Indenture, any Lease or any Site Lease.

Section 8.02. Supplemental Indentures Requiring Consent of Owners.

(a) Exclusive of Supplemental Indentures under Section 8.01 hereof, the written consent of the State and the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding shall be required for the execution and delivery by the Trustee of any Supplemental Indenture; provided, however, that without the consent of the Owners of all the Certificates Outstanding nothing herein contained shall permit, or be construed as permitting:

> (i) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, 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 originally permitted hereby);
>
> (iii) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, except as permitted herein; or

(iv) a reduction in the percentage of the aggregate principal amount of the Certificates required for consent to any Supplemental Indenture.

(b) If at any time the Trustee shall propose to execute and deliver any Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution and delivery of such Supplemental Indenture to be mailed to the Owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Denver, Colorado corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Owners of not less than a majority, or, with respect to the matters specified in paragraphs (i) through (iv) of subsection (a) of this Section, 100%, in aggregate principal amount of the Certificates Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Section 8.03. Execution of Supplemental Indenture. Any Supplemental Indenture executed and delivered in accordance with the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such Supplemental Indenture shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any Supplemental Indenture, express reference may be made thereto in the text of the Certificates executed and delivered thereafter, if any, if deemed necessary or desirable by the Trustee. As a condition to executing any Supplemental Indenture, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under this Indenture and the Act and will not cause an Adverse Tax Event.

Section 8.04. Amendments of Leases or Site Leases Not Requiring Consent of Owners. The Trustee shall, at the direction of the State without the consent of or notice to the Owners, amend, change or modify any Lease or Site Lease, as the State determines is required:

(a) by the provisions of the Leases, the Indenture or the Site Leases;

(b) for the purpose of curing any ambiguity or formal defect or omission in the Leases, the Indenture or the Site Leases;

(c) in order more precisely to identify the Leased Property; or

(d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases or the Site Leases;

(e) in connection with the execution and delivery of any Series of Certificates;

(f) in connection with the redemption of any Certificates;

(g) in connection with any Supplemental Indenture permitted by this Article;

(h) to effect any change in any Lease or Site Lease for any purpose for which a Supplemental Indenture may be executed and delivered pursuant to Section 8.01 hereof;

(i) to effect any change that (i) does not reduce the revenues available to the Trustee from the Leases below the amount required to make all the payments and transfers required by Article III hereof, (ii) does not reduce the Fair Market Value of the Leased Property and (iii) does not cause an Adverse Tax Event;

(j) to effect any change to any Project permitted by the Act;

(k) to effect any other change in any Lease or Site Lease that, in the reasonable judgment of the State (which may be exercised in reliance upon certifications or advice provided by investment bankers or others with experience in the municipal bond industry), does not materially adversely affect the rights of the Owners.

Section 8.05. Amendments of Leases or Site Leases Requiring Consent of Owners. Except for the amendments, changes or modifications permitted by Section 8.04 hereof, the Trustee shall not consent to any other amendment, change or modification of any Lease or Site Lease without notice to and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding given and procured as provided in Section 8.02 hereof. If at any time the State shall request the consent of the Trustee to any such proposed amendment, change or modification of any Lease or Site Lease, the Trustee shall, upon receipt of amounts necessary to pay expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 8.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the office of the Trustee designated therein for inspection by all Owners.

Section 8.06. Execution of Amendment of Lease or Site Lease. As a condition to executing any amendment to any Lease or Site Lease, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under the Indenture and the Lease or Site Lease, as applicable, and will not cause an Adverse Tax Event.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Discharge of Indenture.

(a) If, when the Certificates secured hereby shall become due and payable in accordance with their terms or otherwise as provided in this Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid, or provision shall have been made for the payment of the same, together with all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts payable hereunder, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Trustee to the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall transfer and convey to (or to the order of) the State all property then held in trust by the Trustee pursuant to this Indenture, and the Trustee shall execute such documents as may be reasonably required by the State and shall turn over to (or to the order of) the State any surplus in any fund, account or subaccount created under this Indenture, except any escrow accounts theretofore established pursuant to this Section.

(b) All or any portion of the Outstanding Certificates shall prior to the maturity or redemption date thereof be deemed to have been paid ("defeased") within the meaning and with the effect expressed in subsection (a) of this Section if (i) in case such Certificates are to be redeemed on any date prior to their maturity, the Trustee shall have given notice of redemption of such Certificates on said redemption date, such notice to be given on a date and otherwise in accordance with the provisions of Article IV hereof, and (ii) there shall have been deposited in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer of such Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the redemption date or maturity date thereof, as the case may be. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this Section or principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Certificates; provided any cash received from such principal or interest payments on such Defeasance Securities deposited in trust, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities of the type described in clause (ii) of this subsection maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Certificates on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificates shall be deemed paid as aforesaid, such Certificates shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

(c) Prior to any discharge of this Indenture pursuant to this Section or the defeasance of any Certificates pursuant to this Section becoming effective, there shall have been delivered to the Trustee (i) a verification report from a certified public accountant verifying the deposit described in subsection (b)(ii) of this Section; and (ii) an opinion of Bond Counsel, addressed to the Trustee, to the effect that all requirements of the Indenture for such defeasance have been complied with and that such discharge or defeasance will not cause an Adverse Tax Event.

(d) In the event that there is a defeasance of only part of the Certificates of any maturity, the Trustee, at the expense of the State, may institute a system to preserve the identity of the individual Certificates or portions thereof so defeased, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates.

Section 9.02. Further Assurances and Corrective Instruments. So long as the Indenture is in full force and effect, the Trustee shall have full power to carry out the acts and agreements provided to the Indenture and will from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Indenture and such further instruments as may reasonably be requested by the State for correcting any inadequate or incorrect description of the Trust Estate, or for otherwise carrying out the intention of or facilitating the performance of the Indenture.

Section 9.03. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under the Indenture, except those resulting from a violation of the standard of care set forth in Section 6.02(a) hereof.

Section 9.04. Evidence of Signature of Owners and Ownership of Certificates.

(a) Any request, consent or other instrument which the Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing, proof of the execution of any such instrument or of an instrument appointing any such attorney, or the ownership of Certificates shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(i) the fact and date of the execution by any Owner or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public; and

(ii) the fact of the ownership by any person of Certificates and the amounts and numbers of such Certificates, and the date of the ownership of the same, may be proved by the registration records of the Trustee.

(b) Any request or consent of the Owner of any Certificate shall bind all transferees of such Certificate in respect of anything done or suffered to be done by the Trustee or the Trustee in accordance therewith.

Section 9.05. Parties Interested Herein. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Trustee, the Owners of the Certificates and the State, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture; and all the covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Trustee shall be for the sole and exclusive benefit of the Owners, the State, the Trustee and their respective successors and assigns.

Section 9.06. Trustee Representative. Whenever under the provisions of the Indenture the approval of the Trustee is required or the Trustee is required to take some action at the request of the State or the Owners, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, and the State and the Owners shall be authorized to act on any such approval or request.

Section 9.07. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of the Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 9.08. Interpretation and Construction. This Master Indenture and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Master Indenture. For purposes of this Master Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Master Indenture to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Master Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Master Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

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

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

Section 9.09. Manner of Giving Notices. All notices, certificates or other communications under the Indenture shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: eric.rothaus@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: David J. McDermott, facsimile number: 303-866-4233, electronic mail address:

david.mcdermott@state.co.us; if to the Trustee, to Zions First National Bank, 1001 Seventeenth Street, Suite 1050, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 720-947-7480, electronic mail address: corporatetrust@zionsbank.com; and if to any Sublessee, to the notice address set forth in such Sublessee's Sublease. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 9.10. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the Trustee, as the case may be, contained in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Trustee and not of any member, director, officer, employee, servant or other agent of the Trustee in his or her individual capacity. No recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Trustee or any natural person executing the Indenture or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 9.11. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under the Indenture is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture.

Section 9.12. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to the 2009A Lease is set forth in Appendix B to the Series 2009A Supplemental Indenture. As additional Leased Property is leased pursuant to a Lease other than the 2009A Lease, legal descriptions of the land included in such additional Leased Property will be set forth in such Lease and in the Supplemental Indenture with the same Series designation as such Lease. If the land included in the Leased Property subject to a Lease is modified pursuant to the terms of such Lease or other land is substituted for land included in Leased Property subject to any Lease pursuant to the terms of such Lease, the legal descriptions set forth in the applicable Supplemental Indenture will be amended to describe the land included in such Leased Property after such modification or substitution.

Section 9.13. Severability. In the event that any provision of the Indenture, other than the placing of the Trust Estate in trust, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 9.14. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of the Indenture. Any provision of the Indenture, whether or not incorporated in the Indenture by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated in the Indenture by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of the Indenture to the extent that the Indenture is capable of execution. At all times during the performance of the Indenture, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 9.15. Execution in Counterparts. This Master Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

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

ZIONS FIRST NATIONAL BANK, as Trustee

By ______________________________________
Authorized Signatory

[Signature Page to Master Indenture]

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

The foregoing instrument was acknowledged before me this 11th day of August, 2009, by Stephanie Nicholls, as an authorized signatory of Zions First National Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

____
Notary Public

My commission expires:

____

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APPENDIX A

FORM OF PROJECT ACCOUNT REQUISITION

[omitted for form of Master Indenture appended to Official Statement]

APPENDIX B

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

[omitted for form of Master Indenture appended to Official Statement]

APPENDIX C

GLOSSARY

[omitted for form of Master Indenture appended to Official Statement; see Glossary appended to Form of Series 2018N Supplemental Indenture, which amends and restates in its entirety the Glossary to this Master Indenture]

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FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2018N SUPPLEMENTAL TRUST INDENTURE

by

ZIONS BANCORPORATION, NATIONAL ASSOCIATION
as Trustee

authorizing

State of Colorado
Building Excellent Schools Today
Certificates of Participation
Tax-Exempt Series 2018N

Dated as of December 6, 2018

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2018N SUPPLEMENTAL TRUST INDENTURE

This State of Colorado Building Excellent Schools Today Series 2018N Supplemental Trust Indenture (this "Series 2018N Supplemental Indenture") is dated as of December 6, 2018, and is executed and delivered by, Zions Bancorporation, National Association, a national banking association duly organized and validly existing under the laws of the United States, as trustee for the benefit of the Owners of the Certificates (the "Trustee"). ***Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009, as such Glossary is amended, supplemented and restated by Appendix D hereto and as it may be further amended, supplemented and restated from time to time***.

RECITALS

The Master Indenture has been executed and delivered to provide for the issuance and payment of and security for Certificates. This Series 2018N Supplemental Indenture is a Supplemental Indenture and is being executed to provide additional terms applicable to the Series 2018N Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners as follows:

ARTICLE I

SERIES 2018N CERTIFICATES

Section 1.01. Authorization and Name. The following Certificates shall be executed and delivered pursuant to the Act, the Master Indenture and this Series 2018N Supplemental Indenture: State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2018N.

Section 1.02. Principal Amounts, Dated Dates, Maturity Dates and Interest.

(a) The Series 2018N Certificates are hereby designated as Tax-Exempt Certificates.

(b) The aggregate principal amount of the Series 2018N Certificates shall be $240,425,000.

(c) The Authorized Denominations of the Series 2018N Certificates are $5,000 and any integral multiple thereof.

(d) The Series 2018N Certificates executed and delivered on the date the Series 2018N Certificates are first executed and delivered shall be dated the date they are originally executed and delivered and shall bear interest from such date. Any Series 2018N Certificate executed and delivered upon transfer and exchange of another Series 2018N Certificate shall be dated as of its date of authentication and shall bear interest from the Interest Payment Date next preceding its date of authentication, unless the date of authentication is an Interest Payment Date in which case such Series 2018N Certificate shall bear interest from such Interest Payment Date or unless the date of authentication precedes the first Interest Payment Date in which case such Series 2018N Certificate shall bear interest from the date the Series 2018N Certificates are first executed and delivered.

(e) Interest on the Series 2018N Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.

(f) The Series 2018N Certificates shall mature on the dates and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

Maturity Date (March 15)	**Principal Amount**	**Interest Rate**
2019	$4,310,000	4.000%
2020	2,360,000	4.000
2021	2,390,000	4.000
2022	2,485,000	5.000
2023	2,600,000	5.000
2024	2,725,000	5.000
2025	2,860,000	5.000
2026	2,995,000	5.000
2027	3,130,000	5.000
2028	3,285,000	5.000
2029	3,385,000	5.000
2030	3,545,000	5.000
2031	3,370,000	5.000
2032	3,055,000	5.000
2033	3,205,000	5.000
2034	3,365,000	5.000
2035	3,525,000	5.000
2036	3,695,000	5.000
2037	23,875,000	5.000
2038	25,065,000	5.000
2039	26,315,000	4.000
2043	108,885,000	4.000

Section 1.03. Redemption.

(a) ***Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default***. The Series 2018N Certificates shall be redeemed in whole, on such date as the Trustee may determine to be in the best interests of the

Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, at a redemption price equal to the lesser of (i) the principal amount of the Series 2018N Certificates (with no premium), plus accrued interest to the redemption date; or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Leases with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under any Lease that gave rise to such redemption and (B) the other amounts available in the Trust Estate for payment of the redemption price of the Series 2018N Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, which amounts shall be allocated among the Series 2018N Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease in proportion to the principal amount of each such Certificate, provided that available moneys in any Sinking Fund Account shall be allocated only among Qualified School Construction Certificates that are Sinking Fund Certificates with the same Series designation as such Sinking Fund Account. **The payment of the redemption price of any Series 2018N Certificate pursuant to this redemption provision and any similar redemption provision applicable to any other Certificate shall be deemed to be the payment in full of such Series 2018N Certificate and such other Certificate, and no Owner of any such Series 2018N Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate shall have any right to any payment from the Trustee or the State in excess of such redemption price.**

In addition to any other notice required to be given under the Indenture, the Trustee shall, immediately upon the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2018N Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under such Lease (I) that such event has occurred and (II) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price thereof. If the funds then available to the Trustee are sufficient to pay the redemption price of the Series 2018N and other Certificates that are subject to redemption, such redemption price shall be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the redemption price of the Series 2018N Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) 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 Leases; (bb) subject to the applicable provisions of the Indenture, immediately begin to exercise and diligently pursue all appropriate remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default; and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

(b) ***Mandatory Sinking Fund Redemption***.

(i) The Series 2018N Certificates maturing on March 15, 2043 bearing interest at a per annum interest rate of 4.000% are subject to mandatory sinking fund redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2018N Certificates maturing on a particular date shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2018N Certificates maturing on such date and bearing such rate, rounded to the nearest Authorized Denomination.

Mandatory Sinking Fund Redemption Date (March 15)	**Principal Amount**
2040	$20,465,000
2041	21,285,000
2042	22,140,000
2043*	44,995,000

* 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) deliver to the Trustee for cancellation any Series 2018N Certificates with the same maturity date and interest rate as the Series 2018N Certificates subject to such mandatory sinking fund redemption and (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for any Series 2018N Certificates with the same maturity date and interest rate as the Series 2018N Certificates subject to such mandatory sinking fund redemption which prior to such date have been redeemed (otherwise than by mandatory sinking fund redemption) and cancelled and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Series 2018N Certificate so delivered or previously redeemed shall be credited at the principal amount thereof to the mandatory sinking fund redemption obligation on the mandatory sinking fund redemption dates by lot, and the principal amount of Series 2018N Certificates to be redeemed as part of such mandatory sinking fund redemption on such dates shall be accordingly reduced.

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

Section 1.04. Form of Certificates. The Series 2018N Certificates shall be in substantially the form set forth in Appendix A hereto, with such changes thereto not inconsistent with the Indenture, as may be necessary or desirable and approved by the State. Although attached as an appendix for the convenience of the reader, Appendix A is an integral part of this Series 2018N Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.

ARTICLE II

SEPARATE ACCOUNTS AND SUBACCOUNTS FOR EACH SERIES OF CERTIFICATES

Section 2.01. Creation of Separate Accounts and Subaccounts. The Trustee shall create the separate accounts and subaccounts in the funds and accounts described below in order to account for the Lease Revenues paid with respect to each Series of Certificates, the proceeds of each Series of Certificates and earnings from the investment of moneys in each such account and subaccount. The name of each such account and subaccount shall include the Series designation of the appropriate Series of Certificates. The following are the separate accounts and subaccounts to be created:

(a) if the Costs of a Participating K-12 Institution's Project are to be funded from proceeds of more than one Series of Certificates, a separate Project Account for each such Series of Certificates;

(b) separate accounts of the State Expense Fund and the Rebate Fund;

(c) separate Sinking Fund Accounts for each Series of Qualified School Construction Certificates; and

(d) separate subaccounts of the Interest Account, the Principal Account, the Purchase Option Account and the Costs of Issuance Account.

Section 2.02. Separate Project Accounts. Notwithstanding any provision of Article III of the Master Indenture, if more than one Project Account is established for the payment of Costs of a Participating K-12 Institution's Project, moneys shall be disbursed from such Project Accounts to pay Costs of the Participating K-12 Institution's Project in the order determined by the State.

ARTICLE III

AMENDMENTS TO INDENTURE

Section 3.01. Amendment of Section 3.01(c)(ii)(A) of the Master Indenture. Section 3.01(c)(ii)(A) of the Master Indenture is amended to read as follows:

(A) principal of Qualified School Construction Certificates that are Sinking Fund Certificates shall be payable solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates;

Section 3.02. Amendment of Section 3.02(d)(i) of the Master Indenture. Section 3.02(d)(i) of the Master Indenture is amended to read as follows:

(i) Moneys held in each Project Account shall be disbursed to the Sublessee for whose Project the Account was established to pay, or reimburse the Sublessee for, Costs of the Project for which such Project Account was established upon receipt of a requisition in substantially the form attached hereto as Appendix A, signed by the Sublessee Representative and the State Representative. If a separate account has been created in the State Expense Fund (A) from which moneys are to be transferred to a Project Account that has been established to pay, or reimburse the Sublessee for, Costs of a Project to the extent moneys in such Project Account are not sufficient to pay, or reimburse the Sublessee for, Costs of such Project and (B) into which future earnings from the investment of moneys in such Project Account and/or other Project Accounts are to be deposited, then, at the written direction of the State, moneys in such Project Account also may be transferred to the Interest Account or the Principal Account of the Certificate Fund in an amount up to the amount of future earnings that are to be deposited into such Project Account.

Section 3.03. Amendment of Section 3.03 of the Master Indenture. Section 3.03 of the Master Indenture is amended by adding the following new subsection (d):

(d) **New Subaccounts of Series 2010F Account of State Expense Fund**. The Trustee shall create three new subaccounts within the Series 2010F Account of the State Expense Fund: the State Expense Fund Series 2010F Account Subaccount for Center Joint Consolidated School District No. 26 Account, the State Expense Fund Series 2010F Account Subaccount for School District No. 1 in the County of Adams (MAPLETON 1) and the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1. Notwithstanding any other provision hereof:

(i) Future earnings from the investment of moneys in the Project Accounts funded with the proceeds of the 2010C Certificates, the 2010F Certificates, the 2011G Certificates and any additional Tax-Exempt Certificates shall be deposited into the following subaccounts, on a pro rata basis, until the balances in such subaccounts are equal to the amounts indicated: $482,519.98 into the State Expense Fund Series 2010F Account Subaccount for Center Joint Consolidated School District No. 26, $32,186.19 into the State Expense Fund Series 2010F Account Subaccount for District No. 1 in the County of Adams (MAPLETON 1) and $381,312.70 into the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1.

(ii) Until the Trustee receives a Completion Certificate for the related Project, moneys in the following subaccounts of the State Expense Fund Series 2010F Account shall be transferred to the following Series 2010F Project Accounts: (A) moneys in the State Expense Fund Series 2010F Account

Subaccount for Center Joint Consolidated School District No. 26 shall be transferred to the Series 2010F Project Account of Center Joint Consolidated School District No. 26 to the extent moneys in such Project Account are not sufficient to pay, or reimburse Center Joint Consolidated School District No. 26 for, Costs of its Project; (B) moneys in the State Expense Fund Series 2010F Account Subaccount for School District No. 1 in the County of Adams (MAPLETON 1) shall be transferred to the Series 2010F Project Account of School District No. 1 in the County of Adams (MAPLETON 1) to the extent moneys in such Project Account are not sufficient to pay, or reimburse School District No. 1 in the County of Adams (MAPLETON 1) Center Joint for, Costs of its Project; and (C) moneys in the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1 shall be transferred to the Series 2010F Project Account of Akron School District No. R-1 to the extent moneys in such Project Account are not sufficient to pay, or reimburse Akron School District No. R-1 for, Costs of its Project.

(iii) After the Trustee receives a Completion Certificate for the related Project, the remaining moneys in the subaccount of the State Expense Fund Series 2010F Account for the related district shall be transferred to the Series 2010F Account of the State Expense Fund and shall be used to pay the Costs of any Project or the costs of any capital construction project as defined in the Act that qualify as capital expenditures for federal income tax purposes.

Section 3.04. Amended and Restated Form of Project Account Requisition. The form of Project Account Requisition attached as Appendix A to the original Master Indenture, as previously amended, is hereby amended and restated in its entirety in Appendix B hereto.

Section 3.05. Amended and Restated Glossary. In accordance with Section 8.01 of the Master Indenture, the Trustee hereby amends, supplements and restates the Glossary as set forth in Appendix D hereto based on the written direction by the State in the Series 2018N Lease and the written certification by the State in the 2018N Lease that, after such amendment, supplement and restatement the Glossary is accurate and that such amendment, supplement and restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases.

Section 3.06. References to Subleases and Sublessees. In order to accommodate the leasing of Leased Property to the Trustee pursuant to a Site Lease by a Participating K-12 Institution's Chartering Authority and the financing of Projects for Participating K-12 Institutions that are not Sublessees pursuant to Participation Agreements, whenever, in the body of the Master Indenture or any appendix to the Master Indenture, except Appendices A and C to the original Master Indenture (which are amended and restated in their entirety pursuant to Section 3.02 and 3.03 hereof):

(a) the term "Sublessee" is used to refer to the lessor under a Site Lease, such term shall be replaced with "Site Lessor";

(b) the term "Sublessee" is used to refer to a Project of a Sublessee, the Project Account of a Sublessee, the financing of a Project for a Sublessee, the Costs of a Sublessee's Project or payments by a Sublessee pursuant to a Sublease, such term shall be replaced with "Participating K-12 Institution"; and

(c) the term "Sublease" is used, such term shall be replaced with "Sublease or Participation Agreement," except where the term Sublease is used with respect to the terms of a Sublease granting a Sublessee the option to purchase the Leased Property subject to its Sublease (because a Participating K-12 Institution that is not a Sublessee does not have the option to purchase any Leased Property).

Section 3.07. Manner of Giving Notices. The electronic mail address for notices to the State pursuant to Section 9.09 of the Master Indenture is hereby amended to read: ryan.parsell@state.co.us. The electronic mail address and facsimile number for notices to the Trustee pursuant to Section 9.09 of the Master Indenture are hereby amended to read: denvercorporatetrust@zionsbank.com and 855.547.6178, respectively.

Section 3.08. Separate Project Accounts. Section 2.02 of the Series 2010B-C Supplemental Indenture, Section 3.02 of the Series 2010D-F Supplemental Indenture and Section 2.02 of the Series 2011G Supplemental Indenture are amended to read as follows:

Notwithstanding any provision of Article III of the Master Indenture, if more than one Project Account is established for the payment of Costs of a Participating K-12 Institution's Project, moneys shall be disbursed from such Project Accounts to pay Costs of the Participating K-12 Institution's Project in the order determined by the State.

ARTICLE IV

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS OF TRUSTEE

The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Series 2018N Supplemental Indenture as if set forth in full herein.

ARTICLE V

MISCELLANEOUS

Section 5.01. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of this Series 2018N Supplemental Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 5.02. Interpretation and Construction. This Series 2018N Supplemental Indenture and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Series 2018N Supplemental Indenture. For purposes of this Series 2018N Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Series 2018N Supplemental Indenture to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Series 2018N Supplemental Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Series 2018N Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

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

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

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

Section 5.03. Legal Description of Land Included in Leased Property.

(a) The legal description of the land included in the Leased Property subject to the 2018N Lease is set forth in Appendix C hereto. If the land included in the Leased Property subject to the 2018N Lease is modified pursuant to the terms of the 2018N Lease or other land is substituted for land included in the Leased Property subject to the 2018N Lease pursuant to the terms of the 2018N Lease, the legal description set forth in Appendix C hereto will be amended to describe the land included in the Leased Property subject to the 2018N Lease after such modification or substitution.

(b) The Leased Property subject to the 2018N Lease described in Appendix C hereto, the Leased Property subject to the 2009A Lease described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture, the Leased Property subject to the 2010B-C Lease described in Appendix D to the Series 2010B-C Supplemental Indenture, the Leased Property subject to the 2010D-F Lease described in Appendix E to the Series 2010D-F Supplemental Indenture, the Leased Property subject to the 2012H Lease described in Appendix C to the Series 2012H Supplemental Indenture, the Leased Property subject to the 2013I Lease described in Appendix C to the Series 2013I Supplemental Indenture, the Leased Property subject to the 2015 Lease described in Appendix C to the 2015 Supplemental Indenture, the Leased Property subject to the 2017J Lease described in Appendix C to the 2017J Supplemental Indenture, the Leased Property subject to the 2017K Lease described in Appendix B to the Series 2017K Supplemental Indenture, the Leased Property subject to the 2018L Lease described in Appendix B to the Series 2018L Supplemental Indenture and the

Leased Property subject to the 2018M Lease described in Appendix B to the Series 2018M Supplemental Indenture (as well as any additional Leased Property subject to any additional Building Excellent Schools Today Lease Purchase Agreement), are part of the Leased Property that is subject to the Indenture. Accordingly, this Section and Appendix C hereto are amendments to the Master Indenture, the Series 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2012H Supplemental Indenture, the Series 2013I Supplemental Indenture, the 2015 Supplemental Indenture, the Series 2017J Supplemental Indenture, the 2017K Supplemental Indenture, the Series 2018L Supplemental Indenture and the Series 2018M Supplemental Indenture and to the legal description of land included in the Leased Property described in Appendix B to the Master Indenture, Appendix B to the Series 2009A Supplemental Indenture, Exhibit D to the Series 2010B C Supplemental Indenture, Exhibit E to the Series 2010D-F Supplemental Indenture, Exhibit C to the Series 2012H Supplemental Indenture, Exhibit C to the Series 2013I Supplemental Indenture, Exhibit C to the 2015 Supplemental Indenture, Exhibit B to the Series 2017K Indenture, Appendix B to the Series 2018L Supplemental Indenture and Appendix B to the Series 2018M Supplemental Indenture; and the Leased Property subject to the Master Indenture, the 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2012H Supplemental Indenture, the Series 2013I Supplemental Indenture, the 2015 Supplemental Indenture, the Series 2017J Supplemental Indenture, the Series 2017JK Supplemental Indenture, the Series 2018L Supplemental Indenture, the Series 2018M Supplemental Indenture and this Series 2018N Supplemental Indenture include all of (i) the property described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture, (ii) the property described in Appendix D to the Series 2010B-C Supplemental Indenture, (iii) the property described in Appendix E to the Series 2010D-F Supplemental Indenture, (iv) the property described in Appendix C to the Series 2012H Supplemental Indenture, (v) the property described in Appendix C to the Series 2013I Supplemental Indenture, (vi) the property described in Appendix C to the 2015 Supplemental Indenture, (vii) the property described in Appendix C to the Series 2017J Supplemental Indenture, (viii) the property described in Appendix B to the Series 2017K Supplemental Indenture, (ix) the property described in Appendix B to the Series 2018L Supplemental Indenture, (x) the property described in Appendix B to the Series 2018M Supplemental Indenture and (ix) the property described in Appendix C hereto.

Section 5.04. Execution in Counterparts. This Series 2018N Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.05. Incorporation of Certain Miscellaneous Provisions of Master Indenture. The provisions of Sections 9.02, 9.03, 9.04, 9.05, 9.06, 9.09, 9.10, 9.11, 9.13 and 9.14 of the Master Indenture shall apply to this Series 2018N Supplemental Indenture as if set forth in full herein.

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IN WITNESS WHEREOF, the Trustee has executed this Series 2018N Supplemental Indenture as of the date first above written.

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as Trustee

By ___________________________________
Authorized Signatory, Zions Bank Division

[Signature Page to Series 2018N Supplemental Indenture]

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

The foregoing instrument was acknowledged before me this ___ day of December, 2018 by ______________, as an authorized signatory of Zions Bancorporation, National Association.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

____
Notary Public

My commission expires:

____

APPENDIX A

FORM OF SERIES 2018N CERTIFICATE

[omitted for form of Series 2018N Supplemental Indenture appended to Official Statement]

APPENDIX B

FORM OF PROJECT ACCOUNT REQUISITION

[omitted for form of Series 2018N Supplemental Indenture appended to Official Statement]

APPENDIX C

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY SUBJECT TO THE 2018N LEASE

[omitted for form of Series 2018N Supplemental Indenture appended to Official Statement]

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APPENDIX D

GLOSSARY

"*Act*" means the Building Excellent Schools Today Act, part 1 of article 43.7 of title 22, C.R.S., as it may be amended from time to time.

"*Additional Rent*" means (a) when used with respect to amounts payable by the State pursuant to a Lease, the costs and expenses incurred by the State in performing its obligations under such 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 Participating K-12 Institution pursuant to a Sublease or Participation Agreement, the costs and expenses incurred by the Participating K-12 Institution in performing its obligations under such Sublease or Participation Agreement other than its obligations with respect to the Sublessee's Purchase Option Price under such Sublease and its Matching Moneys obligations (whether in the form of cash, Base Rent, a Matching Moneys Bond and payments thereon or Matching Moneys Installment Payments). Amounts payable by a Participating K-12 Institution pursuant to a Sublease or Participation Agreement are not included in the Trust Estate.

"*Adverse Federal Direct Payment Event*" means an event that would (a) cause a Taxable Build America Certificate to fail to qualify as a qualified bond within the meaning of Section 54AA(g)(2) of the Code or (b) cause a Taxable Qualified School Construction Certificate to fail to qualify as a qualified tax credit bond within the meaning of Section 54A of the Code and as a qualified school construction bond with the meaning of Section 54F(a) of the Code.

"*Adverse Tax Event*" means:

(a) with respect to a Tax Credit Build America Certificate, an event that would cause the Certificate to fail to qualify as a build America bond within the meaning of Section 54AA(d) of the Code;

(b) with respect to a Taxable Build America Certificate, a Taxable Qualified School Construction Certificate or a Taxable No Tax Credit Certificate, the term Adverse Tax Event shall have no meaning;

(c) with respect to a Tax-Exempt Certificate, an event that would cause interest on the Certificate 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); and

(d) with respect to a Tax Credit Qualified School Construction Certificate, an event that would cause the Certificate to fail to qualify as a qualified school construction bond within the meaning of Section 54F of the Code.

"*Allocated Investment Earnings*" means, when used with respect to any Project Account, the dollar amount, if any, designated by the State at the time such account is created of investment earnings from the Project Accounts that is to be deposited over time into such Project Account pursuant to Section 3.02(b)(ii) of the Master Indenture.

"*Amortizing Principal*" means the payments of Base Rent by the State pursuant to a Lease that are designated and paid as Amortizing Principal under such Lease.

"*Assistance Board*" means the public school capital construction assistance board created in section 22-43.7-106(1) of the Act.

"*Assistance Fund*" means the public school capital construction assistance fund created in section 22-43.7-104(1) of the Act.

"*Authorized Denominations*" means, with respect to any Series of Certificates, the denominations specified in the Supplemental Indenture authorizing such Series of Certificates.

"*Available Project Proceeds*" with respect to any Series of Qualified School Construction Certificates has the meaning assigned to it in Section 54A of the Code.

"*Available Project Proceeds Expenditure Period*" means, with respect to any Series of Qualified School Construction Certificates, the third anniversary of the date such Series of Qualified School Construction Certificates are originally executed and delivered or, in the event the United States Internal Revenue Service grants an extension of the three year expenditure period, the last day of the extended expenditure period.

"*Base Rent*" means (a) when used with respect to amounts payable by the State pursuant to a Lease, the amounts designated and paid as Base Rent under such Lease; and (b) when used with respect to amounts payable by a Participating K-12 Institution pursuant to a Sublease, the payments, if any, by the Participating K-12 Institution pursuant to such Sublease that are designated and paid as Base Rent under such Sublease. Base Rent payable by Participating K-12 Institutions pursuant to Subleases is not included in the Trust Estate.

"*Base Rent Payment Date*" means, when used with respect to Base Rent payable pursuant to a 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 (a) as of the date of execution and delivery of the Series 2018N Certificates, Kutak Rock LLP, and (b) as of any other date, Kutak Rock LLP or such other attorneys selected by the State with nationally recognized expertise in the issuance of municipal securities that qualify as Taxable Build America Certificates, Tax Credit Build America Certificates, School Construction Certificates and Tax-Exempt Certificates.

"*Building Excellent Schools Today Lease Purchase Agreement*" means a lease purchase agreement entered into by the State Treasurer on behalf of the State on the instructions of the Assistance Board to provide financial assistance as defined in the Act to Eligible K-12 Institutions pursuant to section 22-43.7-110(2) of the Act.

"*Business Day*" means any day other than a Saturday, a Sunday or a day on which banks in New York, New York or Denver, Colorado are authorized by law to remain closed.

"*Capital Construction Fund*" means the special fund created by Section 3.02 of the Master Indenture.

"*Certificate Fund*" means the special fund created by Section 3.01 of the Master Indenture.

"*Certificates*" means all the certificates executed and delivered pursuant to the Master Indenture.

"*Charter*" means the charter granted to the charter school by the Chartering School District or other contract between the charter school and the Chartering School District under which the charter school operates.

"*Chartering Authority*" means the school district or State Charter School Institute that has granted or entered into a charter school's charter.

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

"*Colorado Recovery Act*" means the Colorado Recovery and Reimbursement Finance Act of 2009, C.R.S. title 11, article 59.7, as it may be amended from time-to-time.

"*Comparable Treasury Issue*" means, with respect to any Series of Certificates, the U.S. Treasury security selected by a Reference Dealer designated by the State as having a maturity comparable to the remaining term to maturity of the Series of Certificates to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Series of Certificates being redeemed.

"*Comparable Treasury Price*" means:

(a) with respect to the Series 2010B Certificates and any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) (or any successor release) that has become publicly available three business days prior to the date of redemption (excluding inflation-indexed securities) or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee, or the independent accounting firm or financial advisor retained for such purpose, as applicable, is unable to obtain five such Reference Treasury Dealer Quotations, the average of all such quotations; and

(b) with respect to any Series of Certificates other than the Series 2010B Certificates and any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on a day at least three Business Days but no more than 45 Business Days preceding such redemption date, as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) (or any successor release) that has become publicly available prior to the date of redemption (excluding inflation-indexed securities) or (ii) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (A) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee or the independent accounting firm or financial advisor retained for such purpose, as applicable, is unable to obtain five such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Completion Certificate*" for each Project is defined in the Sublease or Participation Agreement of the Participating K-12 Institution for which the Project was financed.

"*Completion Date*" for each Project is defined in the Sublease or Participation Agreement of the Participating K-12 Institution for which the Project was financed.

"*Contractor*" means any Person who performs Work in connection with a Project.

"*Costs*" or "*Costs of a Project*" means, with respect to each Project, the costs of capital construction (as defined in § 22-43.7-103(6) of the Act) of such Project that are incurred prior to the Completion Date for such Project.

"*Costs of Issuance*" means costs financed with the proceeds of a Series of Certificates (a) that are incurred in connection with the preparation, negotiation, execution and delivery of any Site Lease, Lease, Sublease, Participation Agreement or Matching Moneys Bond, 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, 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; and (b) (i) if proceeds of such Series of Certificates are deposited into one or more Project Accounts, such costs are incurred prior to the last Completion Date for a Project that is to be funded from one of such Project Accounts and (ii) if proceeds of such Series of Certificates are used to defease Certificates pursuant to the Master Indenture, such costs are incurred in connection with the defeasance of such Certificates.

"*Costs of Issuance Account*" means the account of the Capital Construction Fund created by and designated as such in Section 3.02(a) of the Master Indenture.

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

"Defeasance Securities" means Permitted Investments which are:

(a) cash;

(b) U.S. Treasury Certificates, Notes and Bonds, including State and Local Government Series ("SLGs");

(c) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself and CATS, TIGRS and similar securities;

(d) Resolution Funding Corp. (REFCORP): only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(e) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided that if the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA-rated pre-refunded municipal bonds;

(f) the following obligations issued by the following agencies if such obligations are backed or guaranteed by the full faith and credit of the United States or the full faith and credit of the United States is pledged for the payment of principal of and interest on such obligations:

(i) U.S. Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership;

(ii) Farmers Home Administration (FmHA) certificates of beneficial ownership;

(iii) Federal Financing Bank;

(iv) General Services Administration participation certificates;

(v) U.S. Maritime Administration Guaranteed Title XI financing;

(vi) U.S. Department of Housing and Urban Development (HUD):

(A) Project Notes;

(B) Local Authority Bonds;

(C) New Communities Debentures—U.S. government guaranteed debentures; and

(D) U.S. Public Housing Notes and Bonds—U.S. government guaranteed public housing notes and bonds.

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

"*Eligible K-12 Institution*" means an applicant as defined in the Act.

"*Event of Default*" means (a) when the term is used in any Lease or is used to refer to an event occurring under a Lease, an event described in Section 11.01 of such Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to a Lease or when the term is used in a Sublease or Participation Agreement to refer to an event occurring under such a Sublease or Participation Agreement, an event described in Section 11.01 of such Sublease or Participation Agreement; (c) when the term is used in a Site Lease with respect to Leased Property subject to a Lease or is used to refer to an event occurring under such Site Lease, an event described in Section 10.01 of such Site Lease; and (d) when the term is used in the Indenture, an Event of Default under any Lease.

"*Event of Nonappropriation*" means (a) when the term is used in a Lease, an event described in Section 5.04(b) of such Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to the 2009A Lease or is used to refer to an event occurring under such a Sublease, an event described in Section 5.04(b) of such Sublease; (c) when the term is used in any other Sublease with respect to Leased Property or is used in any other Sublease or in any Participation Agreement to refer to an event occurring under such Sublease or Participation Agreement, an event described in Section 6.04(b) of such Sublease or Participation Agreement; and (d) when the term is used in the Indenture, an Event of Nonappropriation under any Lease.

"*Failure to Perform*" is defined in Section 7.03 of the Master Indenture.

"*Fair Market Value*" means:

(a) with respect to real property improved pursuant to a Project after the Completion Date for the Project and with respect to Leased Property that is not improved pursuant to a Project: (i) the value of the land included in such property as estimated by the Site Lessor of such property or by the Participating K-12 Institution for which the Project has been or is being financed; *plus* (ii) the replacement value of such property determined by the Colorado School District Self Insurance Pool or other insurer providing casualty and property damage for such property;

(b) with respect to real property that is being improved pursuant to a Project before the Completion Date for the Project: (i) the sum of (A) the value of the land included in such property as estimated by the Site Lessor of such property or by the Participating K-12 Institution for which the Project is being financed; and (B) the replacement value of property to be improved pursuant to the Project determined by the Colorado School District Self Insurance Pool or other insurer providing casualty and property damage for such property, net of any reduction in the value of such property resulting from demolition or other changes to such property in connection with the Project; *plus* (ii) the sum, without duplication, of (A) the amount of proceeds of Certificates deposited and Allocated Investment Earnings deposited or expected to be deposited into the Project Account for the Project; (B) the amount expected to be expended on the Project from the Assistance Fund; (C) the amount previously expended on the Project from sources other than the Project Account or the Assistance Fund; and (D) the amount expected to be expended on the Project in the future from sources other than the Project Account or the Assistance Fund;

(c) with respect to other property, the price at which a willing seller would sell and a willing buyer would buy such property in an arm's length transaction; and

(d) if Fair Market Value is being determined for a portion of property for which a value is determined pursuant to clauses (a), (b) and/or (c) above, including, for example, where only a portion or none of the property improved pursuant to a Project is included in the Leased Property, the State's determination as to the amount of the value determined pursuant to clauses (a), (b) and/or (c) above that is allocable to the portion of the property for which Fair Market Value is being determined shall be conclusive and binding on all Persons.

"*Federal Direct Payments*" means (a) with respect to Taxable Build America Certificates, payments by the federal government in connection with the interest payable on such Certificates on each Interest Payment Date pursuant to Sections 54AA(g) and 6431 of the Code; and (b) with respect to Taxable Qualified School Construction Certificates, payments by the federal government in connection with the interest payable on each maturity of such Certificates pursuant to Sections 54F and 6431 of the Code.

"*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.

"*Governing Body*" means, (a) when used with respect to a Participating K-12 Institution that is a school district, the Board of Education of such school district; (b) when used with respect to a Participating K-12 Institution that is a charter school, the board of directors or other comparable body of such charter school; and (c) when used with respect to any other Participating K-12 Institution, the legislative body, board of directors or other comparable body of such Participating K-12 Institution.

"*Indenture*" means the Master Indenture and all Supplemental Indentures, collectively.

"*Initial Purchaser*" means the Person who initially purchases a Series of Certificates pursuant to a certificate purchase agreement or otherwise.

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

"*Interest Account*" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"*Interest Component*" means the rights of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate to receive interest on such Certificate independently of the right to receive the principal of such Certificate.

"*Interest Payment Date*" (a) has no meaning with respect to the Series 2009A Certificates; (b) means, with respect to the 2010B-C Certificates, March 15 and September 15, commencing on September 15, 2010; (c) means, with respect to the 2010D-F Certificates, March 15 and September 15, commencing September 15, 2011; (d) means, with respect to the 2011G Certificates, March 15 and September 15, commencing March 15, 2012; (e) means, with respect to the 2012H Certificates, March 15 and September 15, commencing September 15, 2013; (f) means, with respect to the 2013I Certificates, March 15 and September 15, commencing September 15, 2014; (g) means, with respect to the 2017J Certificates and 2017K Certificates, March 15 and September 15, commencing March 15, 2018; (h) means, with respect to the 2018L Certificates and 2018M Certificates, March 15 and September 15, commencing March 15, 2019; (i) means, with respect to the 2018N Certificates, March 15 and September 15, commencing March 15, 2019; and (j) means, with respect to other Certificates, unless this definition is amended at or prior to the execution and delivery of such other Certificates, March 15 and September 15, commencing on the first such date that is at least 75 days after the original dated date of such Certificates.

"*Interest Strip*" means an instrument evidencing the right to receive the interest on a Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the tax credit available to the owner of, and the principal of, such Qualified School Construction Certificate or Tax Credit Build America Certificate.

"*Land*" means (a) with respect to the land included in the Leased Property, the land described in Exhibit A to such Lease, subject to the terms of such Lease relating to modifications and substitutions of Leased Property; (b) with respect to land included in a Participating K-12 Institution's Leased Property under a Sublease, the land described in Exhibit B to such Sublease, subject to the terms of such Sublease relating to modifications and substitutions of Leased Property; and (c) with respect to the land included in a Site Lessor's Leased Property under a Site Lease, the land described in Exhibit A to such Site Lease, subject to the terms of such Site Lease relating to modifications and substitutions of Leased Property.

"*Lease*" means (a) when the term is used in a particular Building Excellent Schools Today Lease Purchase Agreement to refer to "this Lease," the particular Building Excellent Schools Today Lease Purchase Agreement in which the term is used; (b) when the term is used in the Indenture or another document other than a Building Excellent Schools Today Lease Purchase Agreement and is not preceded by the Series designation of the Lease, any of the

Building Excellent Schools Today Lease Purchase Agreements, revenues from which are to be used to pay principal of, premium, if any, and interest on Certificates; and (c) when the terms is preceded by the Series designation of the Lease, the Building Excellent Schools Today Lease Purchase Agreement with that Series designation.

"*Lease Revenues*" means, (a) with respect to each Lease: (i) the Base Rent; (ii) Federal Direct Payments, if any, with respect to the interest component of Base Rentals paid to the Trustee pursuant to a Lease; (iii) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease); (iv) earnings on moneys on deposit in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (v) any other moneys to which the Trustee may be entitled for the benefit of the Owners; and (b) with respect to other Leases, similar amounts with respect thereto. Lease Revenues does not include amounts payable by any Participating K-12 Institution under a Sublease or Participation Agreement or amounts payable under any Matching Moneys Bond.

"*Lease Term*" means the period of time during which a Lease is in force and effect, as set forth in Section 3.01 of such Lease.

"*Leased Property*" means (a) when the term is used in a particular Lease or to refer to property leased pursuant to a particular Lease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Trustee to the State pursuant to such Lease, subject to the terms of such Lease relating to modifications and substitutions of Leased Property; (b) when the term is used in a particular 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 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; (d) when the term is used together with a possessive reference to a particular Sublessee or Site Lessor, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) leased to such Sublessee under a Sublease or leased by such Site Lessor under a Site Lease; and (e) when the term is used in other contexts, all the property (including any fee interest, leasehold estate or other interest therein and the Land and the building, structures and improvements now or hereafter located on such Land) leased to the State pursuant to all the Leases, subject to the terms of the Leases relating to modifications and substitutions of Leased Property.

"*Master Indenture*" means the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009 by the Trustee, as it has been supplemented and amended by the Series 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2011G Supplemental Indenture, the October 2012 Supplemental Indenture, the Series 2012H Supplemental Indenture, the Series 2013I Supplemental Indenture, the 2015 Supplemental Indenture, the Series 2017J Supplemental Indenture, the Series 2017K Supplemental Indenture, the Series 2018L

Supplemental Indenture, the Series 2018M Supplemental Indenture and the Series 2018N Supplemental Indenture and as it may be further supplemented and amended from time-to-time by a Supplemental Indenture or otherwise.

"*Matching Moneys*" has the meaning assigned to it in the Act.

"*Matching Moneys Bond*" means any bond issued by and delivered to the State to satisfy a Participating K-12 Institution's obligation to pay Matching Moneys with respect to its Project.

"*Matching Moneys Installment Payments*" means periodic payments by a Participating K-12 Institution designated as Matching Moneys Installment Payments in a Sublease or Participation Agreement that the Participating K-12 Institution has agreed to pay to satisfy the Participating K-12 Institution's obligation to pay Matching Moneys with respect to its Project.

"*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.

"*October 2012 Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today October 2012 Supplemental Trust Indenture dated as of October 30, 2012 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Opinion of Counsel*" means a written opinion of legal counsel, who may be counsel to the Trustee.

"*Outstanding*" means all Certificates which have been executed and delivered, except:

(a) Certificates canceled or which shall have been surrendered to the Trustee for cancellation;

(b) Certificates in lieu of which other Certificates have been executed under Section 2.05 or 2.06 of the Master Indenture;

(c) Certificates which have been redeemed as provided in Article IV of the Master Indenture (including Certificates redeemed on payment of an amount less than the outstanding principal thereof and accrued interest thereon to the redemption date);

(d) Certificates which are due and for which the Trustee holds funds for the benefit of the Owner thereof pursuant to Section 3.05 of the Master Indenture;

(e) Certificates which are otherwise deemed discharged pursuant to Section 9.01 of the Master Indenture; and

(f) Certificates held by the State.

"*Owner*" of a Certificate means the registered owner of such Certificate as shown in the registration records of the Trustee.

"*Participant*" means a Participating K-12 Institution that is not a Sublessee under a Sublease.

"*Participant Representative*" means a Person identified as such in a Participant's Participation Agreement.

"*Participating K-12 Institution*" means an Eligible K-12 Institution for which the Assistance Board has recommended, and the State Board has approved, the provision of financial assistance for the Eligible K-12 Institution's Project in accordance with the Act and for which the Assistance Board has instructed the State Treasurer to enter into a Building Excellent Schools Today Lease Purchase Agreement to provide such financial assistance.

"*Participation Agreement*" means an agreement between the State and a Participant with respect to the financing of the Participant's Project.

"*Participation Agreement Representative*" means a Person identified as such in a Participant's Participation Agreement or any Person appointed as Participation Agreement Representative by the Person identified as such in such Participation Agreement.

"*Participation Agreement Term*" means the period of time during which a Participation Agreement is in force and effect as set forth in Section 3.01 of such Participant Agreement.

"*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 any Lease; (b) the Leases, the Indenture, the Site Leases and the Subleases; (c) easements, licenses, rights-of-way, rights and privileges, reversion clause, use or other restrictions and exceptions which a State Representative certifies will not materially adversely affect the value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted pursuant to Section 7.03 of any Lease; (d) any financing statements filed with respect to the Trustee's interest in the Leased Property, the Leases, the Site Leases or the Subleases; (e) any encumbrance represented by financing statements filed to perfect purchase money security interests in any portion of or all of the Leased Property; (f) any claim filed pursuant to C.R.S. § 38-26-107; (g) any applicable zoning requirements; (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 Site Lessor that leased the Leased Property to the Trustee, materially impair title to the Leased Property; and (i) items appearing on the title insurance policy or commitment to issue the title insurance policy delivered at the time the Leased Property is added to the Leased Property subject to a 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 C.R.S. § 24-75-601.1 or any successor thereto.

"*Person*" means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

"*Principal Account*" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"*Principal Component*" means the rights of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate not included in the Tax Credit Component or, if applicable, the Interest Component, including the right to payment of the principal of and, unless a separate Interest Strip has been created, Supplemental Interest on such Certificate in accordance with the Indenture and the other rights of the Owner of such Certificate under the Indenture based on the principal amount of such Certificate that are not included in the Tax Credit Component or Interest Component.

"*Principal Strip*" means an instrument evidencing the right to receive the principal of and, unless a separate Interest Strip has been created, Supplemental Interest on a Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the tax credit available to the owner of, and the interest on, such Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate.

"*Project*" means (a) when the term is used to refer to a Project financed with the proceeds of a Series of Certificates, a capital construction project as defined in the Act that is financed with the proceeds of such Series of Certificates; (b) when the term is used in a particular Lease, a capital construction project as defined in the Act that is financed with proceeds of Certificates with the same Series designation as the Lease; (c) when the term is used together with a possessive reference to a Participating K-12 Institution, a capital construction project as defined in the Act that is identified as the Project of such Participating K-12 Institution in a Lease, a Sublease, a Participation Agreement, a Site Lease, the Indenture or other document; and (d) when the term is used in other contexts, all the capital construction projects as defined in the Act financed, in whole or in part, with proceeds of Certificates.

"*Project Account*" means an account of the Capital Construction Fund that is to be used to fund a particular Project.

"*Project Contract*" means the contract or agreement pursuant to which a Contractor performs Work in connection with a Project.

"*Property Damage, Defect or Title Event*" means one of the following events: (a) any portion of the Leased Property is destroyed or damaged by fire or other casualty, (b) title to, or the temporary or permanent use of, any portion of the Leased Property or the estate of the State or the Trustee in any portion of the Leased Property, is taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, (c) a breach of warranty or any material defect with respect to any portion of the Leased Property becomes apparent or (d) title to or the use of any portion of the Leased Property is lost by reason of a defect in the title thereto.

"*Proportionate Share*" means (a) when the term is used to refer to a Participating K-12 Institution's share of an amount payable (or another amount to be allocated among Participating K-12 Institutions) pursuant to a particular Lease, the share determined by multiplying the total amount by a fraction, the numerator of which is the costs of the Participating K-12 Institution's Project financed with the proceeds of Certificates or Allocated Investment Earnings from Project Accounts with the same Series designation as such Lease and the denominator of which is the sum of the costs all Participating K-12 Institution's Projects financed with the proceeds of Certificates or Allocated Investment Earnings from Project Accounts with the same Series designation as such Lease; and (b) when the term is used to refer to a Participating K-12 Institution's share of the sum of all amounts payable (or all other amounts to be allocated among all Participating K-12 Institutions) pursuant to all the Leases for a particular category of cost or expense (or for a particular purpose), the share determined by multiplying the sum of all such amounts by a fraction, the numerator of which is the costs of such Participating K-12 Institution's Project financed with the proceeds of Certificates and Allocated Investment Earnings and the denominator of which is sum of the costs all Participating K-12 Institutions' Projects financed with the proceeds of all Certificates and Allocated Investment Earnings.

"*Purchase Option Account*" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"*Qualified School Construction Certificate*" means any Taxable Qualified School Construction Certificate or any Tax Credit Qualified School Construction Certificate.

"*Rating Agency*" means S&P, but only if S&P then maintains a rating on any Outstanding Certificates at the request of the State, and Moody's, but only if Moody's then maintains a rating on any Outstanding Certificates at the request of the State.

"*Rebate Fund*" means the special fund created by Section 3.04 of the Master Indenture.

"*Record Date*" means, (a) with respect to each Interest Payment Date that occurs on the first day of a calendar month, the fifteenth day of the immediately preceding calendar month (whether or not a Business Day); and (b) with respect to each Interest Payment Date that occurs on a day other than the first day of a calendar month, the first day of the month (whether or not a Business Day) in which the Interest Payment Date occurs.

"*Reference Dealer*" means:

(a) with respect to the Series 2010B Certificates, (i) Goldman, Sachs & Co. or its successors; provided, however, that if the foregoing Reference Dealer shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the State shall substitute therefor another Primary Treasury Dealer, and (ii) four other Primary Treasury Dealers selected by the State;

(b) with respect to any Series of Certificates other than the Series 2010B Certificates, (i) RBC Capital Markets, LLC or its successors; provided, however, that if the foregoing Reference Dealer shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the State shall substitute therefor another Primary Treasury Dealer, and (ii) four other Primary Treasury Dealers selected by the State.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Dealer and any redemption date, the average, as determined by the Trustee or the independent accounting firm or financial advisor retained for such purpose, as applicable, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the State and the Trustee by such Reference Dealer at 5:00 p.m. (New York time) on the third business day preceding such redemption date.

"*Renewal Term*" means, with respect to each Lease, Sublease and Participation Agreement, each twelve-month period, commencing on July 1 of each Fiscal Year and ending on June 30 of such Fiscal Year, for which the State renews a Lease Term, a Sublessee renews a Sublease Term or a Participant renews a Participation Agreement Term after the Initial Term of such Lease, Sublease or Participation Agreement.

"*Rent*" means Base Rent and Additional Rent, collectively.

"*Requirement of Law*" means any federal, state or local statute, indenture, rule or regulation, any judicial or administrative order (including any such consent order), request or judgment, any common law doctrine or theory, any provision or condition of any permit required to be obtained or maintained, or any other binding determination of any governmental authority relating to the ownership or operation of property, including but not limited to any of the foregoing relating to zoning, environmental, health or safety matters.

"*S&P*" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns.

"*Scheduled Lease Term*" means the period that begins on the first day of the Initial Term of a Lease and ends on the date described in Section 3.01(b)(i) of such Lease.

"*Scheduled Participation Agreement Term*" means the period that begins on the first day of the Initial Term of a Participation Agreement and ends on the date described in Section 3.01(b)(i) of such Participation Agreement.

"*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 in Section 3.01(b)(i) of such Sublease.

"*Series*" means, (a) when used to refer to any series of Certificates, a series of Certificates authorized by and named in a Supplemental Indenture; and (b) when used to refer to a Lease, Sinking Fund Account or any other term with a series designation, the Lease, Sinking Fund Account or other term identified by a series designation. If the name of more than one Series of Certificates or Sinking Fund Accounts includes the same year and letter, (i) the letter in the Series name for such Series of Certificates or Sinking Fund Account shall be followed by a dash and a number in order to distinguish it from other Series of Certificates or Sinking Fund Accounts with the same year and letter in its name; (ii) references to Certificates by a year and letter shall include all Series of Certificates the name of which includes the same year and letter; and (iii) references to the Lease "with the same Series designation" as a Series of Certificates or Sinking Fund Account shall mean the Lease the name of which includes the same year and letter as such Series of Certificates or Sinking Fund Account.

"*Series 2009A Certificates*" means the Series of Certificates authorized by the Series 2009A Supplemental Indenture.

"*Series 2009A Sinking Fund Account*" means the Sinking Fund Account created for the payment of the Series 2009A Certificates pursuant to Section 3.01 of the Master Indenture.

"*Series 2009A Sinking Fund Principal*" means the payments of Base Rent by the State pursuant to the 2009A Lease that are designated and paid as Series 2009A Sinking Fund Principal under the 2009A Lease.

"*Series 2009A Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Trust Indenture dated as of August 12, 2009 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2010B Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Build America Series 2010B.

"*Series 2010B Interest*" means the interest payable on the Series 2010B Certificates pursuant to the Series 2010B-C Supplemental Indenture.

"*Series 2010B-C Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated as of March 16, 2010 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2010C Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Series 2010C Tax-Exempt Series 2010C.

"*Series 2010C Interest*" means the interest payable on the Series 2010C Certificates pursuant to the Series 2010B-C Supplemental Indenture.

"*Series 2010D Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Taxable Qualified School Construction Series 2010D.

"*Series 2010D Interest*" means the interest payable on the Series 2010D Certificates pursuant to the Series 2010D-F Supplemental Indenture.

"*Series 2010D Sinking Fund Account*" means the Sinking Fund Account created for the payment of the Series 2010D Certificates pursuant to the Master Indenture.

"*Series 2010D Sinking Fund Principal*" means the payment of Base Rent by the State pursuant to the 2010D-F Lease that are designated and paid as Series 2010D Sinking Fund Principal under the 2010D-F Lease.

"*Series 2010D-F Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 16, 2010 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2010E Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Taxable Build America Series 2010E.

"*Series 2010E Interest*" means the interest payable on the Series 2010E Certificates pursuant to the Series 2010D-F Supplemental Indenture.

"*Series 2010F Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2010F.

"*Series 2010F Interest*" means the interest payable on the Series 2010F Certificates pursuant to the Series 2010D-F Supplemental Indenture.

"*Series 2011G Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2011G.

"*Series 2011G Interest*" means the interest payable on the Series 2011G Certificates pursuant to the Series 2011G Supplemental Indenture.

"*Series 2011G Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 8, 2011 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2012H Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2012H.

"*Series 2012H Interest*" means the interest payable on the Series 2012H Certificates pursuant to the Series 2012H Supplemental Indenture.

"*Series 2012H Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 6, 2012 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2013I Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2013I.

"*Series 2013I Interest*" means the interest payable on the Series 2013I Certificates pursuant to the Series 2013I Supplemental Indenture.

"*Series 2013I Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 9, 2013 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2017J Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2017J.

"*Series 2017J Interest*" means the interest payable on the Series 2017J Certificates pursuant to the Series 2017J Supplemental Indenture.

"*Series 2017J Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 7, 2017 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2017K Certificates*" means the State of Colorado Building Excellent Schools Today Refunding Certificates of Participation Tax-Exempt Series 2017K.

"*Series 2017K Defeasance Escrow Agreement*" means the State of Colorado Building Excellent Schools Today Series 2017K Defeasance Escrow Agreement dated as of December 7, 2017 between the State and the Trustee, in its capacity as escrow agent.

"*Series 2017K Defeasance Escrow Account*" means the account of that name maintained pursuant to the Series 2017K Defeasance Escrow Agreement.

"*Series 2017K Interest*" means the interest payable on the Series 2017K Certificates pursuant to the Series 2017K Supplemental Indenture.

"*Series 2017K Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 7, 2017 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2018L Certificates*" means the State of Colorado Building Excellent Schools Today Refunding Certificates of Participation Tax-Exempt Series 2018L.

"*Series 2018L Interest*" means the interest payable on the Series 2018L Certificates pursuant to the Series 2018L Supplemental Indenture.

"*Series 2018L Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of September 18, 2018 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2018L/M Defeasance Escrow Agreement*" means the State of Colorado Building Excellent Schools Today Series 2018L/M Defeasance Escrow Agreement dated as of September 18, 2018 between the State and the Trustee, in its capacity as escrow agent.

"*Series 2018L/M Defeasance Escrow Account*" means the account of that name maintained pursuant to the Series 2018L/M Defeasance Escrow Agreement.

"*Series 2018M Certificates*" means the State of Colorado Building Excellent Schools Today Refunding Certificates of Participation Tax-Exempt Series 2018M.

"*Series 2018M Interest*" means the interest payable on the Series 2018M Certificates pursuant to the Series 2018M Supplemental Indenture.

"*Series 2018M Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of September 18, 2018 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2018N Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2018N.

"*Series 2018N Interest*" means the interest payable on the Series 2018N Certificates pursuant to the Series 2018N Supplemental Indenture.

"*Series 2018N Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 6, 2018 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Sinking Fund Account*" means one of the special accounts of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture. The name of each Sinking Fund Account shall include the same Series designation as the Series of Qualified School Construction Certificates for which it is established.

"*Sinking Fund Certificates*" means Qualified School Construction Certificates the principal of which is payable from a Sinking Fund Account.

"*Sinking Fund Principal*" means the payments of Base Rent by the State that are designated in a Lease as [Series year, letter and number] Sinking Fund Principal under such Lease.

"*Site Lease*" means a lease pursuant to which a Site Lessor has leased Leased Property to the Trustee, as amended or supplemented from time-to-time. When the term is preceded by a possessive, it means the Site Lease pursuant to which the particular Site Lessor has leased Leased Property to the Trustee.

"*Site Lease Term*" means the period of time during which a Site Lease is in force and effect as set forth in Section 3.01 of such Site Lease.

"*Site Lessor*" means the Participating K-12 Institution or the Chartering Authority for a Participating K-12 Institution that has leased Leased Property to the Trustee pursuant to a Site Lease in its capacity as lessor under such Site Lease.

"*Site Lessor Representative*" means a Person identified as such in a Site Lessor's Site Lease or any Person appointed as Site Lessor Representative by the Person identified as such in such 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.

"*Specifications*" means, for each Project, the Specifications attached to the Sublease or Participation Agreement of the Participating K-12 Institution for which such Project was financed.

"*State*" means (a) when used with respect to a party to a Sublease or Participation Agreement, the State of Colorado, acting by and through the State Treasurer and the Assistance Board acting on behalf of the State; (b) when used with respect to a party to a Lease or any other document other than a Sublease or Participation Agreement, the State of Colorado, acting by and through the State Treasurer; and (c) when used in any other context, the State of Colorado.

"*State Board*" means the State Board of Education created and existing pursuant to section 1 of article IX of the State Constitution.

"*State Expense Fund*" means the special fund created by Section 3.03 of the Master Indenture.

"*State Representative*" means the (a) the State Treasurer; (b) the Deputy Treasurer; or (c) any other officer or employee of the State authorized by law or by a writing signed by the State Treasurer to act as a State Representative under the Leases, the Indenture, the Site Leases, the Subleases and the Participation Agreements.

"*State Treasurer*" means the State Treasurer of the State, which State Treasurer is, pursuant to C.R.S. § 24-36-101, chief executive officer of the Department of the Treasury of the State.

"*State's Purchase Option Price*" means, when the term is used to refer to the State's Purchase Option Price in a Lease, the amount that the State must pay to purchase the interest of the Trustee in all the Leased Property subject to such Lease pursuant to Section 8.01 of such Lease.

"*Stripped*" when used with respect to a Certificate means that a Principal Strip, Interest Strip and/or Tax Credit Strip have been created from such Certificate pursuant to a Supplemental Indenture.

"*Stripping*" means the creation of a Principal Strip, Interest Strip and/or Tax Credit Strip from a Certificate pursuant to a Supplemental Indenture.

"*Stripping Request*" means a request delivered by the Owner of a Certificate to the Trustee to create separate Principal Strips, Interest Strips and/or Tax Credit Strips from such Certificate in accordance with a Supplemental Indenture.

"*Sublease*" means a sublease pursuant to which a Participating K-12 Institution subleases Leased Property from the State, as amended or supplemented from time-to-time.

"*Sublease Term*" means the period of time during which a Sublease is in force and effect as set forth in Section 3.01 of such Sublease.

"*Sublessee*" means (a) when the term is used in or to refer to a particular Sublease, the Participating K-12 Institution that is subleasing the Leased Property subject to the Sublease from the State pursuant to the Sublease; and (b) when the term is used in a Lease, the Indenture or another document, any Participating K-12 Institution that is subleasing Leased Property from the State pursuant to a Sublease.

"*Sublessee Representative*" means a Person identified as such in a Sublessee's Sublease or any Person appointed as Sublessee Representative by the Person identified as such in such Sublease.

"*Sublessee's Purchase Option Price*" means (a) 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 2009A 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 2009A Lease pursuant to Section 8.01 of such Sublease; and (b) 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 2010B-C Lease, the 2010D-F Lease, the 2012H Lease, the 2013I Lease, the 2017J Lease, the 2017K Lease, the Series 2018L Lease, the Series 2018M Lease or the 2018N 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 such Lease pursuant to Section 9.01 of such Sublease.

"*Supplemental Indenture*" means any indenture supplementing or amending the Indenture that is adopted pursuant to Article VIII of the Master Indenture.

"*Supplemental Interest*" means, with respect to any Tax Credit Qualified School Construction Certificate, interest payable from the date such Certificate is first executed and delivered, at the rate set forth in the Supplemental Indenture authorizing the Series of Certificates of which such Certificate is a part.

"*Tax Credit*" means the federal tax credit that the Owner of a Tax Credit Qualified School Construction Certificate or a Tax Credit Build America Certificate has the right to claim with respect to such Certificate under the Code.

"*Tax Credit Allowance Date*" means, with respect to each Qualified School Construction Certificate and any Tax Credit Strip relating to a Tax Credit Qualified School Construction Certificate, (a) each March 15, June 15, September 15, and December 15, beginning on the date of issuance of the Qualified School Construction Certificate through the date such Tax Credit Qualified School Construction Certificate matures or is redeemed and (b) the date on which such Tax Credit Qualified School Construction Certificate matures or is redeemed.

"*Tax Credit Build America Certificate*" means any Certificate of any Series designated as Tax Credit Build America Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

“*Tax Credit Component*” means the right of the Owner of a Tax Credit Build America Certificate or a Tax Credit Qualified School Construction Certificate, or if such Certificate has been Stripped the Owner of the related Tax Credit Strip, to claim the Tax Credit with respect to such Certificate.

“*Tax Credit Coupon*” means the coupon attached to a Tax Credit Build America Certificate or a Tax Credit Qualified School Construction Certificate evidencing the right to claim a Tax Credit with respect to such Certificate.

“*Tax Credit Qualified School Construction Certificate*” means any of the Series 2009A Certificates and any Certificate of any other Series designated as a Tax Credit Qualified School Construction Certificate in the Supplemental Indenture authorizing the issuance of such other Series of Certificates of which such Certificate is a part.

“*Tax Credit Rate*” means, with respect to any Tax Credit Qualified School Construction Certificate, the credit rate as of the date on which there is a binding, written contract for the initial sale and exchange of such Certificate, as published by the United State Bureau of Public Debt on its Internet site for State and Local Government Series securities at: https://www.treasurydirect.gov.

“*Tax Credit Strip*” means an instrument evidencing the right to receive the tax credit available to the owner of a Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the principal of or the interest on such Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate.

“*Tax-Exempt Certificate*” means any Certificate of any Series of Certificates designated as Tax-Exempt Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

“*Tax Treatment Designation*” means the designation assigned to a Series of Certificates in the Supplemental Indenture authorizing the Series of Certificates as Taxable Build America Certificates, Tax Credit Build America Certificates, Taxable No Tax Credit Certificates, Tax-Exempt Certificates, Tax Credit Qualified School Construction Certificates or Taxable Qualified School Construction Certificates.

“*Taxable Build America Certificate*” means any Certificate of any Series of Certificates designated as Taxable Build America Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

“*Taxable Build America Certificates Tax Law Change*” means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which would be to suspend, reduce or terminate the Federal Direct Payment from the United States Treasury to the State with respect to the Taxable Build America Certificates or to state or local government issuers generally with respect to obligations of the general character of the Taxable Build America Certificates pursuant to Sections 54AA or 6431 of the Code of Federal Direct Payments equal to 35% of the interest payable on each interest payment date; provided that such suspension, reduction or termination of the Federal Direct Payments is not due to a failure by the State to comply with the requirements under the Code to receive such Federal Direct Payments.

"*Taxable No Tax Credit Certificate*" means any Certificate of any Series designated as Taxable No Tax Credit Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Taxable Qualified School Construction Certificate*" means any Certificate of any Series of Certificates designated as Taxable Qualified School Construction Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Taxable Qualified School Construction Certificates Tax Law Change*" means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which would be to suspend, reduce or terminate the Federal Direct Payment from the United States Treasury to the State with respect to the Taxable Build America Certificates or to state or local government issuers generally with respect to obligations of the general character of the Taxable Build America Certificates pursuant to Sections 64F or 6431 of the Code of Federal Direct Payments equal to the lesser of (a) 100% of the interest payable on each Taxable Qualified School Construction Certificate on each interest payment date and (b) the amount of interest which would have been payable on the such Taxable Qualified School Construction Certificate on such interest payment date if such rate were the Tax Credit Rate; provided that such suspension, reduction or termination of the Federal Direct Payments is not due to a failure by the State to comply with the requirements under the Code to receive such Federal Direct Payments.

"*Total Scheduled Base Rent*" means, (a) with respect to any Base Rent Payment Date under the 2009A Lease, the 2009A Sinking Fund Principal component of Base Rent payable pursuant to the 2009A Lease on such Base Rent Payment Date; (b) with respect to any Base Rent Payment Date under the 2010B-C Lease, the sum of the Amortizing Principal, Series 2010B Interest and Series 2010C Interest components of Base Rent payable pursuant to the 2010B-C Lease on such Base Rent Payment Date; (c) with respect to any Base Rent Payment Date under the 2010D-F Lease, the sum of the Amortizing Principal, Series 2010D Sinking Fund Principal, Series 2010D Interest, Series 2010E Interest and Series 2010F Interest components of Base Rent payable pursuant to the 2010D-F Lease on such Base Rent Payment Date; (d) with respect to any Base Rent Payment Date under the 2011G Lease, the sum of the Amortizing Principal and Series 2011G Interest components of Base Rent payable pursuant to the 2011G Lease on such Base Rent Payment Date; (e) with respect to any Base Rent Payment Date under the 2012H Lease, the sum of the Amortizing Principal and Series 2012H Interest components of Base Rent payable pursuant to the 2012H Lease on such Base Rent Payment Date; (f) with respect to any Base Rent Payment Date under the 2013I Lease, the sum of the Amortizing Principal and Series 2013I

Interest components of Base Rent payable pursuant to the 2013I Lease on such Base Rent Payment Date; (g) with respect to any Base Rent Payment Date under the 2017J Lease, the sum of the Amortizing Principal and Series 2017J Interest components of Base Rent payable pursuant to the 2017J Lease on such Base Rent Payment Date; (h) with respect to any Base Rent Payment Date under the 2017K Lease, the sum of the Amortizing Principal and Series 2017K Interest components of Base Rent payable pursuant to the 2017K Lease on such Base Rent Payment Date; (i) with respect to any Base Rent Payment Date under the 2018L Lease, the sum of the Amortizing Principal and Series 2018L Interest components of Base Rent payable pursuant to the 2018L Lease on such Base Rent Payment Date; (j) with respect to any Base Rent Payment Date under the 2018M Lease, the sum of the Amortizing Principal and Series 2018M Interest components of Base Rent payable pursuant to the 2018M Lease on such Base Rent Payment Date; and (k) with respect to any Base Rent Payment Date under the 2018N Lease, the sum of the Amortizing Principal and Series 2018N Interest components of Base Rent payable pursuant to the 2018N Lease on such Base Rent Payment Date.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date

"*Trust Bank*" means a commercial bank which is authorized to exercise and is exercising trust powers located within or without the State, and also means any branch of the Federal Reserve Bank.

"*Trust Estate*" means the property placed in trust by the Trustee pursuant to Section 1.01 of the Master Indenture.

"*Trustee*" means ZIONS BANCORPORATION, NATIONAL ASSOCIATION, acting in the capacity of trustee pursuant to the Indenture, and any successor thereto appointed under the Indenture.

"*Trustee Representative*" means any officer of the Trustee; and any other person or persons designated to act on behalf of the Trustee under the Leases, the Indenture, the Site Leases, the Subleases and the Participation Agreements by a written certificate furnished to the State Treasurer containing the specimen signature of such person and signed on behalf of the Trustee by any officer of the Trustee. The identity of the Trustee Representative may be changed by the Trustee from time to time by furnishing a new certificate to the State Treasurer.

"*2009A Lease*" means the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated as of August 12, 2009 between the Trustee and the State, as amended or supplemented from time to time.

"*2009A Leased Property*" means the Leased Property subject to the 2009A Lease.

"*2009A Participating K-12 Institutions*" means Alamosa School District Re-11J, Sangre De Cristo School District Re-22J and Sargent School District Re-33J.

"*2009A Project Accounts*" means the Project Accounts into which proceeds of the Series 2009A Certificates are deposited.

"*2009A Projects*" means the Projects financed with proceeds of the Series 2009A Certificates.

"*2009A Site Leases*" means the Site Leases between the Trustee and the 2009A Participating K-12 Institutions as Site Lessors, as amended or supplemented from time to time.

"*2009A Subleases*" means the Subleases between the State and the 2009A Sublessees as Sublessees, as amended or supplemented from time to time.

"*2009A Sublessees*" means the 2009A Participating K-12 Institutions in their capacities as Sublessees under the 2009A Subleases.

"*2010B-C Certificates*" means the Series 2010B Certificates and the Series 2010C Certificates, collectively.

"*2010B-C Lease*" means the State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement dated as of March 16, 2010 between the Trustee and the State, as amended or supplemented from time to time.

"*2010B-C Leased Property*" means the Leased Property subject to the 2010B-C Lease.

"*2010B-C Participating K-12 Institutions*" means Alta Vista Charter School, Colorado School for the Deaf and Blind, Crestone Charter School, Inc., Delta County School District 50J, Douglas County School District Number Re-1, El Paso County School District No. 8, Miami Yoder School District JT-60, Park County School District Re-2, San Juan School District No. 1 and Swink School District No. 33.

"*2010B-C Project Accounts*" means the Project Accounts into which proceeds of the Series 2010B-C Certificates are deposited.

"*2010B-C Projects*" means the Projects financed with proceeds of the Series 2010B-C Certificates.

"*2010B-C Site Leases*" means the Site Leases between the Trustee and the 2010B-C Site Lessors, as amended or supplemented from time to time.

"2010B-C Site Lessors" means Lamar School District RE-2, Colorado School for the Deaf and Blind, Delta County School District 50J, Douglas County School District Number Re-1, El Paso County School District No. 8, Miami Yoder School District JT-60, Park County School District Re-2, San Juan School District No. 1 and Swink School District No. 33.

"*2010B-C Subleases*" means the Subleases between the State and the 2010B-C Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2010B-C Sublessees*" means the 2010B-C Participating K-12 Institutions other than Crestone Charter School, Inc. in their capacities as Sublessees under the 2010B-C Subleases.

"*2010D-F Certificates*" means the Series 2010D Certificates, the Series 2010E Certificates and the Series 2010F Certificates, collectively.

"*2010D-F Lease*" means the State of Colorado Building Excellent Schools Today Series 2010D-F Lease Purchase Agreement dated as of December 16, 2010 between the Trustee and the State, as amended or supplemented from time to time.

"*2010D-F Leased Property*" means the Leased Property subject to the 2010D-F Lease.

"*2010D-F Participating K-12 Institutions*" means Akron School District No. R-1, Center Joint Consolidated School District No. 26, Holly School District RE-3, Lake George Charter School, School District No. 1 in the County of Adams (MAPLETON 1), Monte Vista Consolidated School District No. 8, North Routt Community Charter School, Salida School District R-32-J and Vista Charter School.

"*2010D-F Project Accounts*" means the Project Accounts into which proceeds of the Series 2010D-F Certificates are deposited.

"*2010D-F Projects*" means the Projects financed with proceeds of the Series 2010D-F Certificates.

"*2010D-F Site Leases*" means the Site Leases between the Trustee and the 2010D-F Site Lessors, as amended or supplemented from time to time.

"2010D-F Site Lessors" means Akron School District No. R-1, Center Joint Consolidated School District No. 26, Holly School District RE-3, Park County School District RE-2, School District No. 1 in the County of Adams (MAPLETON 1), Monte Vista Consolidated School District No. 8, North Routt Community Charter School, Salida School District R-32-J and Vista Charter School.

"*2010D-F Subleases*" means the Subleases between the State and the 2010D-F Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2010D-F Sublessees*" means the 2010D-F Participating K-12 Institutions in their capacities as Sublessees under the 2010D-F Subleases.

"*2011G Certificates*" means the Series 2011G Certificates.

"*2011G Lease*" means, (a) prior to the amendment and restatement thereof by the 2017K Lease, the State of Colorado Building Excellent Schools Today Series 2011G Lease Purchase Agreement dated as of December 8, 2011 between the Trustee and the State, as amended or supplemented from time to time., and (b) thereafter, the 2017K Lease.

"*2011G Leased Property*" means the Leased Property subject to the 2011G Lease.

"*2011G Participating K-12 Institutions*" means Arapahoe County School District No. 1, Big Sandy School District No. 100J, Eagle County Charter Academy, Ellicott School District No. 22, Horizons K-8 School, Idalia RJ-3 School District, Ignacio School District No. 11 JT, Sanford School District No. 6J, School District No. RE-11 in the County of Weld and State of Colorado and The Laurent Clerc Educational Fund of Colorado d/b/a Rocky Mountain Deaf School.

"*2011G Project Accounts*" means the Project Accounts into which proceeds of the Series 2011G Certificates are deposited.

"*2011G Projects*" means the Projects financed with proceeds of the Series 2011G Certificates.

"*2011G Site Leases*" means the Site Leases between the Trustee and the 2011G Site Lessors, as amended or supplemented from time to time.

"2011G Site Lessors" means Arapahoe County School District No. 1, Big Sandy School District No. 100J, Boulder Valley School District No. RE 2, Eagle County School District No. RE 50, Ellicott School District No. 22, Idalia RJ-3 School District, Ignacio School District No. 11 JT, Sanford School District No. 6J and School District No. RE-11 in the County of Weld and State of Colorado.

"*2011G Subleases*" means the Subleases between the State and the 2011G Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2011G Sublessees*" means the following 2011G Participating K-12 Institutions in their capacities as Sublessees under the 2011G Subleases: Arapahoe County School District No. 1, Big Sandy School District No. 100J, Eagle County Charter Academy, Ellicott School District No. 22, Horizons K-8 School, Idalia RJ-3 School District, Ignacio School District No. 11 JT, Sanford School District No. 6J and School District No. RE-11 in the County of Weld and State of Colorado.

"*2012H Certificates*" means the Series 2012H Certificates.

"*2012H Lease*" means the State of Colorado Building Excellent Schools Today Series 2012H Lease Purchase Agreement dated as of December 6, 2012 between the Trustee and the State, as amended or supplemented from time to time.

"*2012H Leased Property*" means the Leased Property subject to the 2012H Lease.

"*2012H Participating K-12 Institutions*" means Elbert School District No. 200, Genoa-Hugo School District No. C-113, Greeley School District No. 6, Hi-Plains School District R-23, Lake County School District No. R-1, Montezuma-Cortez School District No. RE1, Otis School District No. R-3, Platte Valley School District No. RE3 and Sheridan School District No. 2.

"*2012H Project Accounts*" means the Project Accounts into which proceeds of the Series 2012H Certificates are deposited.

"*2012H Projects*" means the Projects financed with proceeds of the Series 2012H Certificates.

"*2012H Site Leases*" means the Site Leases between the Trustee and the 2012H Site Lessors, as amended or supplemented from time to time.

"*2012H Site Lessors*" means the 2012H Participating Institutions in their capacities as Site Lessors under the 2012H Site Leases.

"*2012H Subleases*" means the Subleases between the State and the 2012H Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2012H Sublessees*" means the 2012H Participating K-12 Institutions in their capacities as Sublessees under the 2012H Subleases.

"*2013I Certificates*" means the Series 2013I Certificates.

"*2013I Lease*" means the State of Colorado Building Excellent Schools Today Series 2013I Lease Purchase Agreement dated as of December 9, 2013 between the Trustee and the State, as amended or supplemented from time to time.

"*2013I Leased Property*" means the Leased Property subject to the 2013I Lease.

"*2013I Participating K-12 Institutions*" means Creede School District, Haxtun School District RE-2J, Kim Reorganized School District No. 88, Limon School District No. RE 4J, Moffat School District No. 2, in the County of Saguache and State of Colorado, and South Conejos School District No. RE-10.

"*2013I Project Accounts*" means the Project Accounts into which proceeds of the Series 2013I Certificates are deposited.

"*2013I Projects*" means the Projects financed with proceeds of the Series 2013I Certificates.

"*2013I Site Leases*" means the Site Leases between the Trustee and the 2013I Site Lessors, as amended or supplemented from time to time.

"*2013I Site Lessors*" means the 2013I Participating Institutions in their capacities as Site Lessors under the 2013I Site Leases.

"*2013I Subleases*" means the Subleases between the State and the 2013I Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2013I Sublessees*" means the 2013I Participating K-12 Institutions in their capacities as Sublessees under the 2013I Subleases.

"*2015 Lease*" means the State of Colorado Building Excellent Schools Today 2015 Lease Purchase Agreement dated as of February 12, 2015 between the Trustee and the State, as amended or supplemented from time to time.

"*2015 Leased Property*" means the Leased Property subject to the 2015 Lease.

"*2015 Participating K-12 Institution*" means Morgan County School District No. Re-3.

"*2015 Project*" means the Project financed with moneys in the 2015 Project Account.

"*2015 Project Account*" means the Project Account created by Section 3.02(e) of the Master Indenture.

"*2015 Site Lease*" means the Site Lease between the Trustee and the 2015 Site Lessor, as amended or supplemented from time to time.

"*2015 Site Lessor*" means the 2015 Participating K-12 Institution in its capacity as Site Lessor under the 2015 Site Lease.

"*2015 Sublease*" means the Sublease between the State and the 2015 Sublessee, as amended or supplemented from time to time.

"*2015 Sublessee*" means the 2015 Participating K-12 Institution in its capacity as Sublessee under the 2015 Sublease.

"*2015 Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today 2015 Supplemental Trust Indenture dated as of February 12, 2015, as it may be amended or supplemented from time to time by a Supplemental Indenture or otherwise.

"*2017J Certificates*" means the Series 2017J Certificates.

"*2017J Lease*" means the State of Colorado Building Excellent Schools Today Series 2017J Lease Purchase Agreement dated as of December 7, 2017 between the Trustee and the State, as amended or supplemented from time to time.

"*2017J Leased Property*" means the Leased Property subject to the 2017J Lease.

"*2017J Participating K-12 Institutions*" means Brush School District No. RE-2J, Del Norte School District No. C-7, Mancos School District RE-6, and Mountain Valley School District No. RE-1.

"*2017J Project Accounts*" means the Project Accounts into which proceeds of the Series 2017J Certificates are deposited.

"*2017J Projects*" means the Projects financed with proceeds of the Series 2017J Certificates.

"*2017J Site Leases*" means the Site Leases between the Trustee and the 2017J Site Lessors, as amended or supplemented from time to time.

"*2017J Site Lessors*" means the 2017J Participating Institutions in their capacities as Site Lessors under the 2017J Site Leases.

"*2017J Subleases*" means the Subleases between the State and the 2017J Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2017J Sublessees*" means the 2017J Participating K-12 Institutions in their capacities as Sublessees under the 2017J Subleases.

"*2017K Certificates*" means the Series 2017K Certificates.

"*2017K Lease*" means the State of Colorado Building Excellent Schools Today Series 2017K Amended and Restated Lease Purchase Agreement dated as of December 7, 2017 between the Trustee and the State, as amended or supplemented from time to time.

"*2017K Leased Property*" means the Leased Property subject to the 2017K Lease.

"*2017K Participating K-12 Institutions*" means the 2011G Participating K-12 Institutions.

"*2017K Site Leases*" means the 2011G Site Leases, as amended or supplemented from time to time.

"*2017K Site Lessors*" means the 2011G Site Lessors.

"*2017K Subleases*" means the 2011G Subleases, as amended or supplemented from time to time.

"*2017K Sublessees*" means the 2011G Sublessees.

"*2018L Certificates*" means the Series 2018L Certificates.

"*2018L Lease*" means the State of Colorado Building Excellent Schools Today Series 2018L Amended and Restated Lease Purchase Agreement dated as of September 18, 2018 between the Trustee and the State, as amended or supplemented from time to time.

"*2018L Leased Property*" means the Leased Property subject to the 2018L Lease.

"*2018L Participating K-12 Institutions*" means the 2010B-C Participating K-12 Institutions.

"*2018L Site Leases*" means the 2010B-C Site Leases, as amended or supplemented from time to time.

"*2018L Site Lessors*" means the 2010B-C Site Lessors.

"*2018L Subleases*" means the 2010B-C Subleases, as amended or supplemented from time to time.

"*2018L Sublessees*" means the 2010B-C Sublessees.

"*2018M Certificates*" means the Series 2018M Certificates.

"*2018M Lease*" means the State of Colorado Building Excellent Schools Today Series 2018M Amended and Restated Lease Purchase Agreement dated as of September 18, 2018 between the Trustee and the State, as amended or supplemented from time to time.

"*2018M Leased Property*" means the Leased Property subject to the 2018M Lease.

"*2018M Participating K-12 Institutions*" means the 2010D-F Participating K-12 Institutions.

"*2018M Site Leases*" means the 2010D-F Site Leases, as amended or supplemented from time to time.

"*2018M Site Lessors*" means the 2010D-F Site Lessors.

"*2018M Subleases*" means the 2010D-F Subleases, as amended or supplemented from time to time.

"*2018M Sublessees*" means the 2010D-F Sublessees.

"*2018N Certificates*" means the Series 2018N Certificates.

"*2018N Lease*" means the State of Colorado Building Excellent Schools Today Series 2018N Lease Purchase Agreement dated as of December 6, 2018 between the Trustee and the State, as amended or supplemented from time to time.

"*2018N Leased Property*" means the Leased Property subject to the 2018N Lease.

"*2018N Participating K-12 Institutions*" means Adams County School District 14, Buena Vista School District No. R-31, School District Freemont RE-1, Hayden School District RE-1, Cheyenne County School District R-1, School District No. 1 in the County of Adams (Mapleton Public Schools), Swallows Charter Academy K-12 and Wray School District RD-2.

"*2018N Project Accounts*" means the Project Accounts into which proceeds of the Series 2018N Certificates are deposited.

"*2018N Projects*" means the Projects financed with proceeds of the Series 2018N Certificates.

"*2018N Site Leases*" means the Site Leases between the Trustee and the 2018N Site Lessors, as amended or supplemented from time to time.

"*2018N Site Lessors*" means the 2018N Participating Institutions in their capacities as Site Lessors under the 2018N Site Leases.

"*2018N Subleases*" means the Subleases between the State and the 2018N Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2018N Sublessees*" means the 2018N Participating K-12 Institutions in their capacities as Sublessees under the 2018N Subleases.

"*Unexpended Proceeds Redemption*" means any redemption of Certificates of a Series of Qualified School Construction Certificates pursuant to the applicable redemption provisions of a Supplemental Indenture as a result of the failure to expend the Available Project Proceeds within the Available Project Proceeds Expenditure Period.

"*Work*" for each Project is defined in the Sublease or Participation Agreement of the Participating K-12 Institution for which such Project was financed.

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FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2018N LEASE PURCHASE AGREEMENT

by and between

ZIONS BANCORPORATION, NATIONAL ASSOCIATION
solely in its capacity as Trustee under the Indenture identified herein,
as lessor

and

STATE OF COLORADO,
acting by and through the State Treasurer,
as lessee

Dated as of December 6, 2018

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2018N LEASE PURCHASE AGREEMENT

This State of Colorado Building Excellent Schools Today Series 2018N Lease Purchase Agreement (this "Lease") is dated as of December 6, 2018 and is entered into by and between, Zions Bancorporation, National Association, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the "Trustee"), as lessor, and the State of Colorado, acting by and through the State Treasurer (the "State"), as lessee. ***Capitalized terms used but not defined in this Lease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2018N Supplemental Trust Indenture dated as of December 6, 2018 and as it may further be amended, supplemented and restated from time to time***.

RECITALS

A. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, is authorized by the Act (a) to enter into one or more Building Excellent Schools Today Lease Purchase Agreements with a commercial bank as trustee to finance Projects for Eligible K-12 Institutions that are recommended by the Assistance Board and approved by the State Board for financing under the Act and (b) to enter into a Sublease or Participation Agreement with each such Eligible K-12 Institution with respect to the financing of its Project and, in the case of a Sublease, with respect to the subleasing of the Leased Property improved by the Eligible K-12 Institution's Project to such Eligible K-12 Institution. Each Participating K-12 Institution is an Eligible K-12 Institution and is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to enter into a Sublease or Participation Agreement with respect to its Project and, if it is entering into a Sublease, to enter into a Sublease with respect to the Leased Property subject to such Sublease.

B. The Assistance Board has recommended and the State Board has approved the financing of the 2018N Projects for the 2018N Participating K-12 Institutions under the Act. The Assistance Board has instructed the State Treasurer to enter into a Building Excellent Schools Today Lease Purchase Agreement on behalf of the State to finance the 2018N Projects for the 2018N Participating K-12 Institutions and to enter into a Sublease or Participation Agreement with each 2018N Participating Institution.

C. The Leased Property of each Participating K-12 Institution that is entering into a Sublease will be leased to the Trustee pursuant to a Site Lease from the Participating K-12 Institution or, in certain cases where the Participating K-12 Institution is a Charter School, the Chartering Authority of such Participating K-12 Institution. All the Leased Property will be leased by the Trustee to the State Treasurer, acting on behalf of the State, pursuant to this Lease, which is a Building Excellent Schools Today Lease Purchase Agreement, with the Trustee, which is a commercial bank.

D. Certificates have been and will be issued pursuant to the Indenture. Proceeds of the Certificates have been and will be used pursuant to the terms of the Indenture to finance all or a portion of the Costs of the Projects of the Participating K-12 Institutions. The following Series of Certificates have been or are being issued pursuant to the Indenture: the Series 2009A Certificates were issued to finance the 2009A Projects of the 2009A Participating K-12 Institutions, the Series 2010B Certificates and the Series 2010C Certificates (collectively referred to as the 2010B-C Certificates) were issued to finance the 2010B-C Projects for the 2010B-C Participating K-12 Institutions, the Series 2010D Certificates, the Series 2010E Certificates and the Series 2010F Certificates (collectively referred to as the Series 2010D-F Certificates) were issued to finance the 2010D-F Projects for the 2010D-F Participating K-12 Institutions, the Series 2011G Certificates were issued to finance the 2011G Projects of the 2011G Participating K-12 Institutions, the Series 2012H Certificates were issued to finance the 2012H Projects for the 2012H Participating K-12 Institutions, the Series 2013I Certificates were issued to finance the 2013I Projects for the 2013I Participating K-12 Institutions, the Series 2017J Certificates were issued to finance the 2017J Projects for the 2017J Participating K-12 Institutions, the Series 2017K Certificates were issued to refund and defease in advance of their respective maturities the Series 2011G Certificates, the Series 2018L Certificates were issued to refund and defease in advance of their respective maturities the Series 2010B Certificates, the Series 2018M Certificates were issued to refund and defease in advance of their respective maturities the Series 2010E Certificates and the Series 2018N Certificates are being issued to finance the 2018N Projects for the 2018N Participating K-12 Institutions.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Lease as if set forth in full herein.

Section 1.02. Certifications, Representations and Agreements by State. The State certifies, represents and agrees that:

(a) Each Participating K-12 Institution is an Eligible K-12 Institution. Each Project is a capital construction project as defined in the Act.

(b) The Assistance Board has recommended, and the State Board has approved, the provision of financial assistance as defined in the Act, to each Participating K-12 Institution for its Project in accordance with the Act. This Lease is a Building Excellent Schools Today Lease Purchase Agreement that is being entered into by the

State Treasurer on behalf of the State pursuant to instructions from the Assistance Board to the State Treasurer in order to provide financial assistance as defined in the Act to each Participating K-12 Institution for its Project approved by the Assistance Board and the State Board in the amount approved by the Assistance Board, all in accordance with the Act.

(c) Each Participating K-12 Institution is providing Matching Moneys in the amount approved by the Assistance Board for the financial assistance provided to it pursuant to this Lease, which Matching Moneys will be credited to the Assistance Fund.

(d) The maximum total amount of annual lease payments payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements is less than the maximum total amount of annual lease payments set forth below. If the maximum total amount of annual lease payments of principal or interest payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements is greater than one-half of the maximum amount of annual lease purchase payments set forth below, the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to §§ 22-43.7-110(2)(c) and 22-43.7-104(2)(b)(IV) of the Act and any interest or income derived from the deposit and investment of the Matching Moneys is at least equal to the annual amount of lease payments of principal and interest payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements that exceed one-half of the maximum total amount of annual lease payments set forth below. The maximum total amount of annual lease payments referenced above are:

(i) $20 million for the 2008-09 Fiscal Year;

(ii) $40 million for the 2009-2010 Fiscal Year;

(iii) $60 million for the 2010-2011 Fiscal Year;

(iv) $80 million for the 2011-12 Fiscal Year and for each Fiscal Year thereafter through the 2015-16 Fiscal Year;

(v) $90 million for the 2016-17 Fiscal Year; and

(vi) $100 million for the 2017-18 Fiscal Year and for each Fiscal Year thereafter.

(e) The State will not enter into any Building Excellent Schools Today Lease Purchase Agreements that will cause the maximum total amount of annual lease payments payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements to exceed the amounts permitted under paragraph (d) of this Section unless the Act is amended to permit larger amounts, in which case such amounts may be increased to the larger amounts permitted by the Act as amended.

(f) **[reserved]**

(g) The State Treasurer has provided written notice to the Joint Budget Committee of the Colorado General Assembly that the State Treasurer has determined that the use of interest or income on the deposit and investment of moneys in the State Public School Fund to make lease payments under a lease purchase agreement entered into pursuant to § 24-43.7-110(2) of the Act will prevent the interest component of the lease payments from qualifying for exemption from federal income taxation. The State Treasurer has not rescinded such determination.

(h) This Lease, the financial assistance to Participating K-12 Institutions pursuant to this Lease and the financing pursuant to this Lease, the Series 2009A Certificates, the 2010B-C Certificates, the 2010D-F Certificates, the 2011G Certificates, the 2012H Certificates, the 2013I Certificates, the 2017J Certificates, the 2017K Certificates, the 2018L Certificates, the 2018M Certificates and the 2018N Certificates comply with the applicable provisions of the Act.

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

(j) The State has received all approvals and consents required for the State's execution, delivery and performance of its obligations under this Lease and for the financing of the Projects pursuant to this Lease and the Indenture.

(k) This Lease has been duly executed and delivered by the State and is valid and binding obligation enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

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

(m) There is no litigation or proceeding pending or threatened against the State or any other Person affecting the right of the State to execute, deliver or perform the obligations of the State under this Lease.

(n) Each Participating K-12 Institution that is a charter school is a governmental entity and a public school of a school district that is a political subdivision of the State governed by Colorado law and a Charter granted or entered into by its Chartering Authority pursuant to which the property of such charter school reverts to such Chartering Authority upon expiration or termination of such charter. The other Participating K-12 Institutions are State agencies or school districts that are political subdivisions of the State. Benefits received by the Participating K-12 Institutions and the Chartering Authorities by the leasing of the Leased Property by the State pursuant to this Lease accrue to the State. The Participating K-12 Institutions, the Chartering Authorities and the State will receive economic and other benefits by the leasing of the Leased Property by the State pursuant to this Lease. The initial Leased Property is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Participating K-12 Institutions, the Chartering Authorities and the State. The State expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Lease Term.

(o) The Rent payable in each Fiscal Year during the Lease Term is not more than the fair value of the use of the Leased Property during such Fiscal Year. The Rent payable in any Fiscal Year during the Lease Term does not exceed a reasonable amount so as to place the State under an economic compulsion to take any of the following actions in order to avoid forfeiting such excess (i) to continue this Lease beyond such Fiscal Year, (ii) not to exercise its right to terminate this Lease at any time through an Event of Nonappropriation or (iii) to exercise any of its options to purchase the Leased Property hereunder. The State's Purchase Option Price for the Leased Property pursuant to Section 8.01 hereof is the State's best estimate of the fair purchase price of such Leased Property at the time of exercise of the State's option to purchase such Leased Property by paying the State's Purchase Option Price. The Scheduled Lease Term and the final maturity of the Series 2018N Certificates do not exceed the weighted average useful life of the real property improvements included in the Leased Property. In making the representations, covenants and warranties set forth above in this subsection, the State has given due consideration to the Projects, the purposes for which the Leased Property will be used by the State and the Sublessees, the benefits to the State and the Sublessees from the use of the Leased Property, the State's options to purchase the Leased Property hereunder and the terms of this Lease governing the use of the Leased Property.

(p) The State presently intends and expects to continue this Lease annually until title to the Leased Property is acquired by the State pursuant to this Lease; but this representation does not obligate or otherwise bind the State.

(q) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(r) The State has appropriated sufficient moneys in the Assistance Fund to pay (i) the Base Rent payable in the current Fiscal Year; and (ii) the Additional Rent estimated to be payable in the current Fiscal Year that it does not expect to pay from the State Expense Fund.

(s) The certifications, representation and agreements set forth in the tax compliance certificate executed by the State in connection with the issuance of the Series 2018N Certificates are hereby incorporated in the Lease as if set forth in full in this subsection.

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The Trustee demises and leases the Trustee's leasehold estate under the Site Leases in the land described in Exhibit A hereto (the "Land" for purposes of this Lease) and the buildings, structures and improvements now and hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Lease) to the State in accordance with the terms of this Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

Section 2.02. Enjoyment of Leased Property. The Trustee covenants that, during the Lease Term and so long as no Event of Default hereunder shall have occurred, the State shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by this Lease.

ARTICLE III

LEASE TERM; TERMINATION OF LEASE

Section 3.01. Lease Term.

(a) The Lease Term is the Initial Term and successive one year Renewal Terms, subject to subsection (b) of this Section.

(b) The Lease Term shall expire upon the earliest of any of the following events:

(i) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with Exhibit B hereto;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred;

(iii) the purchase of all the Leased Property by the State pursuant to Section 8.01 hereof; or

(iv) termination of this Lease following an Event of Default in accordance with Section 11.02(a) hereof.

Section 3.02. Effect of Termination of Lease Term. Upon termination of the Lease Term:

(a) all unaccrued obligations of the State hereunder shall terminate, but all obligations of the State that have accrued hereunder prior to such termination shall continue until they are discharged in full; and

(b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property hereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto.

ARTICLE IV

PROJECTS OF SUBLESSEES

Section 4.01. Sublessees' Obligations to Construct Projects of Sublessees. Each Sublessee has agreed in its Sublease to construct the Project that is to improve the Leased Property subject to such Sublease in accordance with Article IV of its Sublease.

Section 4.02. State's Obligation to Construct Projects of Sublessees. The State hereby agrees (a) to cause the Project of each Sublessee to be constructed in accordance with Article IV of the applicable Sublease and (b) to comply with all of the covenants of each Sublessee set forth in Article IV of such Sublease as if Article IV of such Sublease were set forth in full in this Lease with the State named wherever the Sublessee is named.

Section 4.03. State Obligated Regardless of Sublessee's Actions. The State may comply with Section 4.02 hereof with respect to a Project by causing the Sublessee to comply with Article IV of its Sublease, but no failure of any Sublessee to comply with any provision of Article IV of its Sublease shall relieve the State of any of the State's obligations to the Trustee under Section 4.02 hereof.

ARTICLE V

RENT; EVENT OF NONAPPROPRIATION

Section 5.01. Base Rent.

(a) ***Obligation to Pay Base Rent***. The State shall, subject only to the remainder of this Section and the other Sections of this Article, pay Base Rent directly to the Trustee during the Lease Term in immediately available funds. The Base Rent is composed of the following components: (i) Amortizing Principal; and (ii) Series 2018N Interest. The Amortizing Principal and the Series 2018N Interest components of Base Rent (collectively, the "Total Scheduled Base Rent") are payable in the amounts and on the Base Rent Payment Dates set forth on Exhibit B. The amounts payable as Series 2018N Interest are designated and paid as, and represent payment of, interest.

(b) **[reserved]**

(c) ***Credits Against Base Rent***.

(i) The Base Rent payable on any Base Rent Payment Date shall be reduced by the following credits:

(A) any moneys in the Principal Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered shall be credited against the amount of Amortizing Principal and the total Base Rent payable on any Base Rent Payment Date; and

(B) any moneys in the Interest Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered shall be credited against the interest components of Base Rent and the total Base Rent payable on such Base Rent Payment Date.

(ii) Thirty days prior to each Base Rent Payment Date, the Trustee shall notify the State as to the exact amounts, if any, on deposit in each account of the Certificate Fund that will be credited, pursuant to clause (i) above, against components of and total Base Rent payable on such Base Rent Payment Date. If further amounts that are to be credited against the components of and total Base Rent payable on such Base Rent Payment Date accrue during such 30 day period, such amounts shall be carried over to be applied as a reduction of such components of and total Base Rent payable on the next succeeding Base Rent Payment Date.

(d) ***Application of Base Rent***. Upon receipt by the Trustee of each payment of Base Rent, the Trustee shall apply the amount of such payment:

(i) *first*, each payment of Base Rent designated and paid as interest, plus the amount of any past due interest on the 2018N Certificates, shall be deposited into the Interest Account; and

(ii) *second*, the amount of each payment of Base Rent designated and paid as Amortizing Principal shall be deposited into the Principal Account.

Section 5.02. Additional Rent. The State shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, pay Additional Rent directly to the Persons to which it is owed (which, in the case of payments required to be made to fund the Rebate Fund pursuant to the Indenture, is the Trustee) in immediately available funds in the amounts and on the dates on which they are due.

Section 5.03. Unconditional Obligations. The obligation of the State to pay Base Rent during the Lease Term shall, subject only to the other Sections of this Article, and the obligation of the State to pay Additional Rent during the Lease Term shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, including, without limitation, Sections 5.04, 5.05 and 13.16 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set off or counter claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

Section 5.04. Event of Nonappropriation.

(a) The officer of the State who is responsible for formulating budget proposals with respect to payment of Rent is hereby 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 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 this Lease shall be made solely by the Colorado General Assembly, in its sole discretion, and not by any other department, agency or official of the State.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure pursuant to subsection (c) of this Section, on June 30 of any Fiscal Year if the Colorado General Assembly 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.

(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 or otherwise authorized the expenditure of amounts sufficient 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 authorization.

(d) If the State shall determine to exercise its annual right to terminate this Lease effective on June 30 of any Fiscal Year, the State shall give written notice to such effect to the Trustee not later than April 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

(e) The State shall furnish the Trustee with copies of all appropriation or expenditure authorization 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 this Lease or (iii) result in any liability on the part of the State.

Section 5.05. 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 Assistance Fund, including any moneys appropriated or transferred by the Colorado General Assembly to the Assistance Fund in accordance with the Act from any legally available source if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under this Lease shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments hereunder. The obligations of the State to pay Rent and all other obligations of the State hereunder are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning Section 20(4) of Article X of the State Constitution. In the event the State does not renew this Lease, the sole security available to the Trustee, as lessor under this Lease, shall be the Leased Property.

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

(c) The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Sublease, any Participation Agreement, any Matching Money Bond, 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, 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 hereof.

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

ARTICLE VI

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

Section 6.01. Taxes, Utilities and Insurance.

(a) Except to the extent such expenses are paid by a Sublessee pursuant to its Sublease, the State shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property;

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the full replacement value of the Leased Property;

(iv) public liability insurance with respect to the activities to be undertaken by the State and the Sublessees in connection with the Leased Property and this Lease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101, *et seq.* or any successor statute, in an amount not less than the amounts for which the State and the Sublessees may be liable to third parties under such Act and (B) for all other activities, in an amount not less than $1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the State shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the State 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 A.M. Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, 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 30 days in advance of such cancellation or modification; (v) upon request, each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any coinsurance penalty.

(d) The insurance required by this Section may be provided under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks or through a self-insurance program.

(e) The Leased Property is not covered by the State risk management program. The Sublessees of the Leased Property have agreed in their Subleases to provide insurance required by this Section with respect to the Leased Property subject to their Subleases pursuant to the Colorado School Districts Self Insurance Pool or in another manner permitted by their Subleases. The State's obligations with respect to insurance shall only apply if and to the extent a Sublessee fails to provide the required insurance in accordance with its Sublease.

Section 6.02. Maintenance and Operation of Leased Property. The State shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 7.05 and 7.07 hereof.

ARTICLE VII

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 7.01. Title to Leased Property. Title to the leasehold estate in the Leased Property under each Site Lease shall be held in the name of the Trustee, subject to such Site Lease and this Lease, until the leasehold estate in such Leased Property under such Site Lease is conveyed or otherwise disposed of as provided herein, and the State shall have no right, title or interest in the Leased Property except as expressly set forth herein.

Section 7.02. Limitations on Disposition of and Encumbrances on Leased Property.

(a) Except as otherwise permitted in this Article or Article VIII or XI hereof and except for Permitted Encumbrances, (i) neither the Trustee nor the State shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the State shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this Section, if the State 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.

Section 7.03. Granting of Easements. As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the Trustee shall, at the request of the State or the Sublessee:

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

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

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right of way or other grant or privilege under subsection (a) or (b) of this Section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the State Representative or the Sublessee Representative of the Sublessee requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Section 7.04. Subleasing and Other Grants of Use. The State may sublease portions of the Leased Property to Sublessees pursuant to Subleases and such Sublessees may further sublease or otherwise grant the right to use the portion of the Leased Property subleased to it to another Person, but only if:

(a) the Sublease includes the covenant by the Sublessee described in Section 9.04 hereof;

(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 this 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.

Section 7.05. Modification of Leased Property. The State, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and additions (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and additions shall be at least as great as the value of the Leased Property prior thereto; (c) the Leased Property, after such remodeling, substitutions, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Lease.

Section 7.06. Substitution of Other Property for Leased Property. The State may at any time substitute other property for any portion of the Leased Property upon delivery to the Trustee of the items listed below. Upon delivery thereof, the Trustee shall execute and deliver any documents or instruments requested by the State to accomplish the substitution. The items are:

(a) A certificate by the State certifying that, following such substitution, either (i) the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Fair Market Value of the property for which it is substituted; or (ii) the Fair Market Value of all the Leased Property will be at least equal to 90% of the principal amount of the Outstanding Certificates, both determined as of the date the substitution occurs. Such certifications of the State may be given based and in reliance upon certifications by the Site Lessors that leased the Leased Property to the Trustee pursuant to the 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 allow the appropriate Sublessee and the State to make the title insurance representations set forth in the form of Project Account requisition attached as Appendix A to the Master Indenture.

(c) A certificate by the State or the Sublessee of the substituted property certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Certificates of the same Series designation as this Lease and (ii) the substituted property is at least as essential to the State, the Sublessee or another Sublessee as the property for which it was substituted.

(d) An opinion of Bond Counsel to the effect that such substitution is permitted by this Lease and will not cause the State to violate its tax covenant set forth in Section 9.04 hereof.

Section 7.07. Property Damage, Defect or Title Event.

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the State.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then the State shall elect one of the following alternatives:

(i) to use the Net Proceeds and other moneys paid by the State, subject to Article V hereof, as Additional Rent to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property;

(ii) to substitute property for the affected portion of the Leased Property pursuant to Section 7.06 hereof, in which case the Net Proceeds shall be delivered to the State; or

(iii) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property to the extent possible with the Net Proceeds.

(d) The State shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the State to pay Rent hereunder except as otherwise provided in subsection (c)(i) hereof.

Section 7.08. Condemnation by State. The State agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, such proceeding shall be with respect to all the Leased Property and the value of the Leased Property for purposes of such proceeding shall be not less than the State's Purchase Option Price determined pursuant to Section 8.01 hereof.

Section 7.09. Personal Property of Sublessee. The State, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property under all the Building Excellent Schools Today Lease Purchase Agreements, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

ARTICLE VIII

STATE'S PURCHASE OPTION; CONVEYANCE TO STATE AT END OF LEASE TERM; SUBLESSEES' PURCHASE OPTIONS

Section 8.01. State's Option to Purchase All Leased Property in Connection with Defeasance of 2018N Certificates.

(a) The State is hereby granted the option to purchase all, but not less than all, of the Leased Property subject to this Lease in connection with the defeasance of all the 2018N Certificates by paying to the Trustee the State's Purchase Option Price (defined below), subject to compliance with all conditions to the defeasance of the 2018N Certificates under the Indenture, including, but not limited to, the receipt of an opinion of Bond Counsel that the defeasance will not cause an Adverse Tax Event. The "State's Purchase Option Price" for purposes of a purchase of all the Leased Property pursuant to this Section is an amount sufficient (i) to defease all the 2018N 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 2018N Certificates; provided, however, that

(A) the State's Purchase Option Price shall be reduced by the moneys, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and any existing defeasance escrows accounts established pursuant to Section 9.01 of the Master Indenture) that are available for deposit in the defeasance escrow account established pursuant to Section 9.01 of the Master Indenture for the 2018N Certificates; and (B) if any 2018N Certificates have been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this subsection, Outstanding Certificates of the Series of Certificates the proceeds of which were used to pay, redeem or defease the 2018N Certificates shall be substituted for the 2018N Certificates that were paid, redeemed or defeased, which substitution shall be accomplished in any reasonable manner selected by the State in its sole discretion.

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

Section 8.02. [Reserved].

Section 8.03. Conveyance of Leased Property. At the closing of any purchase of Leased Property pursuant to Section 8.01 hereof, the Trustee shall execute and deliver to the State all necessary documents assigning, transferring and conveying to the State the same ownership interest in the purchased Leased Property that was conveyed to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Lease, the Indenture, the Subleases and the Site Leases; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee as required or permitted by this Lease, the Indenture and Site Lease pursuant to which the Leased Property was leased to the Trustee or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by this Lease, the Indenture and the Site Leases; (iii) any lien or encumbrance created or suffered to exist by action of the State 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 this Article was subject when acquired by the Trustee.

Section 8.04. Conveyance of Leased Property to State at End of Scheduled Lease Term. If all Base Rent scheduled to be paid through the end of the Scheduled Lease Term, all Additional Rent payable through the date of conveyance of the Leased Property to the State pursuant to this Section shall have been paid, all the 2018N Certificates have been paid in full in accordance with the Indenture and all other amounts payable pursuant to the Indenture and this Lease have been paid, the Leased Property that remains subject to this Lease shall be assigned, transferred and conveyed to the State at the end of the Scheduled Lease Term in the manner described in Section 8.03 hereof without any additional payment by the State.

Section 8.05. Purchase Options of Sublessees and Chartering Authorities. Upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease, each

Sublessee and the Chartering Authority of each Sublessee that is a charter school has the option to purchase the Leased Property that is subject to its Sublease as provided in Article IX and Section 14.22 of such Sublease. The Trustee agrees to notify each Sublessee and the Chartering Authority of each Sublessee that is a charter school upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease and to comply with the provisions of Article IX and Section 14.22 of each Sublease.

ARTICLE IX

GENERAL COVENANTS

Section 9.01. Further Assurances and Corrective Instruments. So long as this Lease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the Trustee and the State shall have full power to carry out the acts and agreements provided herein and the State and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Lease.

Section 9.02. Compliance with Requirements of Law. On and after the date hereof, neither the State nor the Trustee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the State, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the State's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Section 9.03. Participation in Legal Actions.

(a) At the request of and at the cost of the State (payable as Additional Rent hereunder), the Trustee shall join and cooperate fully in any legal action in which the State 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 this Lease or such Sublessee's execution, delivery and performance of its obligations under a Site Lease, Sublease or Matching Money Bond.

(b) At the request of the Trustee and upon a determination by the State that such action is in the best interests of the State, the State shall, at the cost of the State (payable as Additional Rent hereunder), join and cooperate fully in any legal action in which the Trustee asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee is responsible hereunder; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Lease, the Indenture or the Site Leases by the Trustee or the performance of its obligations hereunder or thereunder.

Section 9.04. Tax Covenant of the State. The State (a) will not use or permit any other Person to use the Projects and will not use, invest or direct the Trustee to use or invest proceeds of the Certificates or any moneys in the funds and amounts held by the Trustee under the Indenture in a manner that would cause, or take any other action that would cause, an Adverse Tax Event and (b) will comply with the certifications, representations and agreements set forth in the tax compliance certificate executed by the State in connection with the 2018N Certificates. The State (i) will require each Participating K-12 Institution to covenant in its Sublease or Participation Agreement that (A) such Participating K-12 Institution will not use or permit any other Person to use such Participating K-12 Institution's Project and will not use, invest or direct any other Person to use or invest any moneys that it withdraws from its Project Account in a manner that would cause an Adverse Tax Event and (B) such Participating K-12 Institution will comply with the other certifications, representations and agreements set forth in the Tax Compliance Certificate executed and delivered in connection with its Sublease or Participation Agreement; and (ii) will enforce such covenant against the Participating K-12 Institution.

Section 9.05. Payment of Fees and Expenses of the Trustee. The State shall pay as Additional Rent the reasonable fees and expenses of the Trustee in connection with the Leased Property, the Projects, the Leases, the Indenture, the Certificates, the Site Leases, the Subleases, the Participation Agreements or any matter related thereto, including, but not limited to, costs of defending any claim or action brought against the Trustee or its directors, officers, employees or agents relating to the foregoing, in accordance with the schedule attached hereto as Exhibit C. The State shall not, however, pay any fees or expenses incurred in connection with any action or omission, or any liability incurred in connection with any action or omission that constituted willful misconduct or negligence of the Trustee or its directors, officers, employees or agents.

Section 9.06. 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 to make such payment (for purposes of this Section, a "Rebate Fund shortfall"). Any Rebate Fund shortfall shall be payable on or before the date the related payment is due to the United States of America. The State also agrees to make or cause to be made all rebate calculations required pursuant to the Indenture and to pay the costs as Additional Rent.

Section 9.07. Investment of Funds. By authorizing the execution and delivery of this Lease, the State specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture), including Permitted Investments where the period from the date of purchase thereof to the maturity date is in excess of five years.

Section 9.08. [Reserved]

Section 9.09. Glossary. The State hereby directs the Trustee to amend, supplement and restate the Glossary as set forth in the Series 2018N Supplemental Indenture and hereby certifies that, after such amendment, supplement and restatement, the Glossary is accurate and that such amendment, supplement and restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases.

ARTICLE X

LIMITS ON OBLIGATIONS OF TRUSTEE

Section 10.01. Disclaimer of Warranties. THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the Trustee be liable for any incidental, special or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or use by the State of any item, product or service provided for herein.

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

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

Section 11.01. Events of Default Defined.

(a) Any of the following shall constitute an "Event of Default" under this Lease:

(i) failure by the State 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 State 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 Trustee on or before the Business Day prior to the first date immediately following the scheduled Base Rent Payment Date on which principal or interest is payable on Certificates;

(ii) failure by the State to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the Trustee, when nonpayment thereof has, or may have, a material adverse effect upon the Certificates, the Leased Property or the interest of the Trustee in the Leased Property;

(iii) failure by the State to vacate the Leased Property subject to this Lease or the Leased Property subject to any other Lease within 90 days following an Event of Nonappropriation under the applicable Lease in accordance with Section 3.02(b) of such Lease;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the State in all or any portion of this Lease or the Leased Property in violation of Section 12.02(a) hereof or any succession to all or any portion of the interest of the State in the Leased Property in violation of Section 12.02(b) hereof;

(v) failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the State by the Trustee, unless the Trustee shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; or

(vi) the occurrence of an Event of Default under any other Lease (as the term "Event of Default" is defined in such other Lease).

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the State shall be obligated to pay Rent only during the Lease Term, except as otherwise expressly provided in Section 3.02(b)(ii) hereof; and

(ii) if, by reason of Force Majeure, the State shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay Rent hereunder, the State shall not be deemed in default during the continuance of such inability; provided, however, that the State shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the State from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the State.

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

(a) terminate the Lease Term and give notice to the State to immediately vacate the Leased Property in the manner provided in Section 3.02(b) hereof;

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

(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 is payable prior to the date, or is attributable to the use of the Leased Property prior to the date, the State vacates the Leased Property;

(d) enforce any provision of this Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease, subject, however, to the limitations on the obligations of the State set forth in Sections 5.05 and 11.03 hereof.

Section 11.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the State by reason of an Event of Default only as to the State's liabilities described in Section 11.02(c) hereof. A judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 11.02(c)(i) hereof.

Section 11.04. No Remedy Exclusive. Subject to Section 11.03 hereof, no remedy herein conferred upon or reserved to the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 11.05. Waivers.

(a) The Trustee may waive any Event of Default under this Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

(b) In the event the Trustee waives any Event of Default described in Section 11.01(a)(i) hereof, any subsequent payment by the State of Base Rent then due and owing shall be paid to the Trustee to be applied in accordance with the terms of the Indenture.

ARTICLE XII

TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 12.01. Trustee's Rights, Title and Interest in Trust for Benefit of Owners; Successor Trustee; Assignment by Trustee. The Trustee shall hold its interest in the Leased Property and its rights, title and interest in, to and under this Lease (other than the Trustee's rights to payment of its fees and expenses and the rights of third parties to Additional Rent payable to them) in trust for the benefit of the Owners pursuant to the Indenture. Any successor trustee under the Indenture shall automatically succeed to previous trustee's interest in the Leased Property and the previous trustee's rights, title, interest and obligations in, to and under this Lease. The Trustee shall not, except as provided in this Section or as otherwise provided elsewhere in this Lease or in the Indenture, assign, convey or otherwise transfer to any Person any of the Trustee's interest in the Leased Property or the Trustee's rights, title or interest in, to or under this Lease.

Section 12.02. Transfer of the State's Interest in Lease and Leased Property Prohibited.

(a) Except as otherwise permitted by Section 7.04 hereof 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 this Lease or as otherwise required by law, the State shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding subsection (a) of this Section, the State may transfer its interest in the Leased Property after, and only after, this Lease has terminated and the Leased Property has been conveyed to the State pursuant to Article VIII hereof.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Trustee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XII hereof. The Site Lessor that 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 hereof and of the Trustee in Section 9.03(b) hereof. This Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Lease.

Section 13.02. Interpretation and Construction. This Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Lease. For purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Lease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

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

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

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

Section 13.03. Acknowledgement of Indenture. The State has received a copy of, and acknowledges the terms of, the Indenture.

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

Section 13.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, 200 E. Colfax Ave., Denver, CO 80203, Attention: Deputy Treasurer, facsimile number: 303-866-2123, with a copy to Colorado State Controller, 1525 Sherman Street, 5th floor, Denver, Colorado 80203, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: bob.jaros@state.co.us, if to the Trustee, to Zions Bancorporation, National Association, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbank.com; and if to any Sublessee or to the Chartering Authority of any Sublessee that is a charter school, to the notice address set forth in the Sublease of such Sublessee. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 13.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing this Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 13.07. Amendments, Changes and Modifications. Except as otherwise provided herein or in the Indenture, this Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to this Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

Section 13.08. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Lease.

Section 13.09. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Lease is modified pursuant to the terms of this Lease or other land is substituted for land included in the Leased Property subject to this Lease pursuant to the terms of this Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Lease after such modification or substitution.

Section 13.10. Merger. The State, the Trustee, the Site Lessors and the Sublessors intend that the legal doctrine of merger shall have no application to this Lease, any Site Lease or any Sublease and that none of the execution and delivery of this Lease by the Trustee and the State, any such Site Lease by a Site Lessor and the Trustee or any Sublease by the State and a Sublessee or the exercise of any remedies by any party under this Lease, any Site Lease or any Sublease shall operate to terminate or extinguish this Lease, any Site Lease or any Sublease.

Section 13.11. Severability. In the event that any provision of this Lease, other than the obligation of the State to pay Rent hereunder and the obligation of the Trustee to provide quiet enjoyment of the Leased Property and to convey the Leased Property to the State pursuant to Article VIII hereof, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.12. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Lease.

Section 13.13. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Lease. Any provision of this Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Lease to the extent that this Lease is capable of execution. At all times during the performance of this Lease, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 13.14. State Controller's Approval. This Lease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

Section 13.15. Non Discrimination. The Trustee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Section 13.16. Vendor Offset. Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39-21-101 et seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Section 13.17. Employee Financial Interest. The signatories to this Lease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

Section 13.18. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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THE PARTIES HERETO HAVE EXECUTED THIS SERIES 2018N LEASE PURCHASE AGREEMENT AS OF THE DATE FIRST SET FORTH ABOVE

* Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, solely in its capacity as trustee under the Indenture By: ____________________ Authorized Signatory, Zions Bank Division	**STATE OF COLORADO** **John W. Hickenlooper, GOVERNOR** Department of the Treasury Walker R. Stapleton, Treasurer ____________________ By Walker R. Stapleton, Treasurer
STATE OF COLORADO **John W. Hickenlooper, GOVERNOR** Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: ____________________ Brandon Ates, Manager of Real Estate Programs	**STATE OF COLORADO** **John W. Hickenlooper, GOVERNOR** **LEGAL REVIEW** **Cynthia H. Coffman, Attorney General** By:____________________ Lori Ann F. Knutson, First Assistant Attorney General

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

C.R.S. §24-30-202 requires the State Controller to approve all State Contracts. This Lease is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER
Robert Jaros, MBA, CPA, JD

By:____________________
Robert Jaros, State Controller

Date:________________

[Signature Page to Lease Purchase Agreement]

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

The foregoing instrument was acknowledged before me this ___ day of December, 2018 by _______________, as an authorized signatory of Zions Bancorporation, National Association.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

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

The foregoing instrument was acknowledged before me this ___ day of November, 2018, by Walker R. Stapleton, Treasurer, acting on behalf of the State of Colorado, acting by and through the State Treasurer.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

EXHIBIT A

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

[omitted for form of Series 2018N Lease Purchase Agreement appended to Official Statement]

EXHIBIT B

BASE RENT PAYMENT SCHEDULE

[omitted for form of Series 2018N Lease Purchase Agreement appended to Official Statement]

EXHIBIT C

TRUSTEE'S FEES AND EXPENSES

[omitted for form of Series 2018N Lease Purchase Agreement appended to Official Statement]

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FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SITE LEASE OF [NAME OF SITE LESSOR]

by and between

___________________,
as site lessor

and

ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
solely in its capacity as Trustee under the Indenture identified herein,
as site lessee

Dated as of December 6, 2018

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SITE LEASE OF ________________________________

This State of Colorado Building Excellent Schools Today Site Lease (this "Site Lease") is dated as of December 6, 2018 and is entered into by and between ________________________________ (the "Site Lessor"), as lessor, and Zions Bancorporation, National Association, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the "Trustee"), as lessee. ***Capitalized terms used but not defined in this Site Lease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2018N Supplemental Trust Indenture dated December 6, 2018 and as it may further be amended, supplemented and restated from time to time***.

RECITALS

A. The Site Lessor owns the land described in attached Exhibit A hereto (the "Land") and the buildings, structures and improvements now or hereafter located on the Land (the Land and such buildings, structures and improvements, collectively, are referred to as the "Leased Property").

B. The Site Lessor is authorized by applicable law, its governing documents, if relevant, and action of its Governing Body to, and will, lease the Leased Property to the Trustee pursuant to this Site Lease. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, will lease the Leased Property from the Trustee pursuant to the 2018N Lease.

C. The State Treasurer, on behalf of the State, on the instructions of the Assistance Board and as authorized under the Act, will sublease the Leased Property to the Sublessee identified in the Sublease under which the Leased Property is subleased to such Sublessee. Proceeds of the Series 2018N Certificates issued pursuant to the Indenture will be used to finance the Project of such Sublessee.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Site Lease as if set forth in full herein.

Section 1.02. Certifications, Representations and Agreements by Site Lessor. The Site Lessor certifies, represents and agrees that:

(a) The Site Lessor is a Participating K-12 Institution or is the Chartering Authority for a Participating K-12 Institution that is a charter school.

(b) The Site Lessor is duly organized, validly existing and in good standing under Colorado law. The Site Lessor is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to lease the Leased Property to the Trustee pursuant to this Site Lease and to execute, deliver and perform its obligations under this Site Lease.

(c) The Site Lessor is the owner of the fee interest in the Leased Property, subject only to Permitted Encumbrances.

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

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

(f) The execution, delivery and performance of this Site Lease does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Site Lessor is now a party or by which the Site Lessor is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Site Lessor, or, except as specifically provided in the 2018N Lease, the Indenture and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or to a charter school for which the Site Lessor is the Chartering Authority, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Site Lessor.

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

(h) The Site Lessor will receive economic and other benefits by the leasing of the Leased Property by the Site Lessor pursuant to this Site Lease. The initial Leased Property leased pursuant to this Site Lease is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Site Lessor or a Participating K-12 Institution for which the Site Lessor is the Chartering Authority. The Site Lessor expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Site Lease Term.

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

(j) Minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property that exist with respect to the Leased Property do not materially impair title to the Leased Property.

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The Site Lessor demises and leases the land described in Exhibit A hereto (the "Land" for purposes of this Site Lease) and the buildings, structures and improvements now or hereafter located on the Land (the "Leased Property" for purposes of this Site Lease) to the Trustee in accordance with the terms of this Site Lease, subject only to Permitted Encumbrances, to have and to hold for the Site Lease Term.

Section 2.02. Enjoyment of Leased Property. The Site Lessor covenants that, during the Site Lease Term and so long as no Event of Default hereunder shall have occurred, the Trustee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Site Lessor, except as expressly required or permitted by this Site Lease.

ARTICLE III

SITE LEASE TERM; TERMINATION OF SITE LEASE

Section 3.01. Site Lease Term.

(a) The Site Lease Term shall commence on the date this Site Lease is executed and delivered and shall expire upon the earliest of any of the following events:

(i) December 6, 2068;

(ii) conveyance of the Leased Property to the Site Lessor pursuant to the Sublease relating to the Leased Property;

(iii) termination of this Site Lease following an Event of Default under this Site Lease in accordance with Section 10.02(a) hereof; or

(iv) cancellation of the Sublease pursuant to which the Leased Property is subleased pursuant to Section 3.03 of such Sublease.

Section 3.02. Effect of Termination of Site Lease Term. Upon termination of the Site Lease Term, all unaccrued obligations of the Trustee hereunder shall terminate, but all obligations of the Trustee that have accrued hereunder prior to such termination shall continue until they are discharged in full.

ARTICLE IV

SITE LESSOR IS THIRD PARTY BENEFICIARY OF CERTAIN COVENANTS OF STATE IN 2018N 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 2018N Lease (the "Site Lessor Protection Provisions"). If the 2018N Lease is terminated for any reason, this Site Lease is not terminated and the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this 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 this Site Lease that is similar to any of the Site Lessor Protection Provisions shall not be interpreted to limit or restrict the rights of the Site Lessor under this Article.

ARTICLE V

RENT

The Trustee is not obligated to pay any rent under this 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 2018N Certificates into the Project Account held by the Trustee under the Indenture to finance the Project of the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority. The provisions of Article IV of this Site Lease are intended to assure that the State or another lessee, sublessee or assignee pays Additional Rent in accordance with the 2018N Lease or an amount equal to the Additional Rent that would have been paid under the 2018N Lease under another instrument executed and delivered pursuant to Article IV of this Site Lease.

ARTICLE VI

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 6.01. Title to Leased Property. Title to the Leased Property shall be held in the name of the Site Lessor, subject to this Site Lease, the 2018N Lease and the Sublease of the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

Section 6.02. Limitations on Disposition of and Encumbrances on Leased Property. Except as otherwise permitted in this Article or Article VII or VIII hereof and except for Permitted Encumbrances, the Site Lessor shall not sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property.

Section 6.03. Granting of Easements. The Site Lessor shall, at the request of the Trustee or the State consent to grants of easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Leased Property on the same terms and in the same manner as the Trustee is required to do so pursuant to Section 7.03 of the 2018N Lease.

Section 6.04. Subleasing and Other Grants of Use. The Trustee is expressly authorized to lease or sublease the Leased Property to the State pursuant to the 2018N Lease. The State is expressly authorized to sublease the Leased Property to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority as Sublessee pursuant to a Sublease. The Trustee is expressly authorized to lease or sublease the Leased Property to or create other interests in the Leased Property for the benefit of any other Person or Persons in connection with the exercise of the Trustee's remedies under the 2018N Lease and the Indenture following an Event of Default or Event of Nonappropriation under the 2018N Lease.

Section 6.05. Substitution of Other Property for Leased Property. If the State substitutes other real property under the 2018N Lease for any portion of the Site Lessor's Leased Property, the property so substituted under the 2018N Lease may also be substituted for Leased Property under this Site Lease in any manner and on any terms determined by the State in its sole discretion.

Section 6.06. Property Damage, Defect or Title Event. If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited and used in accordance with Section 7.07 of the 2018N Lease.

Section 6.07. Condemnation by State or Site Lessor. In the event the State brings an eminent domain or condemnation proceeding with respect to the Leased Property and the 2018N Lease has not terminated, the terms of Section 7.08 of the 2018N Lease shall apply. In the event the Site Lessor brings an eminent domain or condemnation proceeding with respect to the Leased Property and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority has not terminated, the terms of Section 8.08 of such Sublease shall apply. If (a) the 2018N Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority are terminated for any reason, (b) this Site Lease is not terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease to a governmental entity that has eminent domain or condemnation powers, such lease or sublease shall include a provision similar to Section 7.08 of the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

Section 6.08. Personal Property of Trustee, State and Others. The Trustee, the State, the Sublessee and any other Person who has the right to use the Leased Property under this Site Lease, the 2018N Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

ARTICLE VII

LICENSES AND SHARED UTILITIES

Section 7.01. Access Licenses. The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on real property owned by the Site Lessor that is adjacent to but not included in the Leased Property (the "Access Area") for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Leased Property; provided that such license shall not conflict with or adversely affect the use of the Access Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on the Leased Property for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Access Area; provided that such license shall not conflict with or adversely affect the Trustee's use of the Leased Property.

Section 7.02. Appurtenant Staging Areas Licenses. The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through real property owned by the Site Lessor that is adjacent to but not included in the Leased Property (the "Appurtenant Staging Area") for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Leased Property and for the maintenance of any nonmaterial encroachments of the improvements constituting the Leased Property; provided that such license shall not adversely affect the use of the Appurtenant Staging Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through the Leased Property for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Appurtenant Staging Area and for the maintenance of any nonmaterial encroachments of the improvements constituting the Appurtenant Staging Area; provided that such license shall not adversely affect the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them.

Section 7.03. Offsite Parking Licenses. The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on real property owned by the Site Lessor but not included in the Leased Property (the "Offsite Parking Area") for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Offsite Parking Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Site Lessor reserves the right to implement and enforce reasonable rules and regulations for the use of the Offsite Parking Area, including, without limitation: (a) to direct and regulate vehicular traffic and provide safe vehicular access to and from the Offsite Parking Area; (b) to specify and enforce rules and regulations with regard to the use of the Offsite Parking Area spaces; (c) to designate certain parking spaces to be used only by handicapped drivers, employees or visitors; (d) to implement and enforce parking fees and fines; and (e) to restrict time periods for permitted parking. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on the Leased Property (the "Onsite Parking Area") for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of other real property not included in the Leased Property by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Onsite Parking Area by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Trustee reserves the right to implement and enforce reasonable rules and regulations for the use of the Onsite Parking Area similar to those implemented and enforced by the Site Lessor with respect to the Offsite Parking Area.

Section 7.04. 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 the date hereof 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 2018N Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the 2018N Lease. Pursuant to the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, the Sublessee under such Sublease, has agreed to reimburse the State for such costs during the Sublease Term of such Sublease. If, (a) the 2018N Lease is terminated for any reason, (b) this Site Lease is not terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease, the lessee, sublessee or assignee, as a condition to such lease, sublease or assignment, must agree to reimburse the Site Lessor for such costs.

ARTICLE VIII

GENERAL COVENANTS

Section 8.01. Further Assurances and Corrective Instruments. So long as this Site Lease is in full force and effect, the Trustee and the Site Lessor shall have full power to carry out the acts and agreements provided herein and the Site Lessor and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Site Lease.

Section 8.02. Compliance with Requirements of Law. On and after the date hereof, the Site Lessor shall not take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law.

Section 8.03. Participation in Legal Actions. At the request of and at the cost of the Trustee or the State, the Site Lessor shall join and cooperate fully in any legal action in which the Trustee or the State asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the Trustee or the State; or that involves the imposition of any charges, costs or other obligations with respect to the Trustee's execution, delivery and performance of its obligations under this Site Lease or the State's execution, delivery and performance of its obligations under the 2018N Lease.

ARTICLE IX

LIMITS ON OBLIGATIONS

Section 9.01. Disclaimer of Warranties. THE SITE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the Site Lessor be liable for any incidental, special or consequential damage in connection with or arising out of this Site Lease or the existence, furnishing, functioning or use by the Trustee of any item, product or service provided for herein.

Section 9.02. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Site Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.01. Event of Default Defined. An "Event of Default" under this Site Lease shall be deemed to have occurred upon failure by the Trustee to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Trustee by the 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 herein contained the Trustee shall not be deemed in default during the continuance of such inability; provided, however, that the Trustee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Trustee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Trustee.

Section 10.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the 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 purchase option of the Sublessee under the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority;

(c) enforce any provision of this Site Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XI hereof by specific performance, writ of mandamus or other injunctive relief; and

(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 this Site Lease, subject, however, to the limitations on the obligations of the Trustee set forth in Section 9.02 hereof.

Section 10.03. No Remedy Exclusive. Subject to Section 9.02 hereof, no remedy herein conferred upon or reserved to the Site Lessor is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Site Lessor to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 10.04. Waivers. The Site Lessor may waive any Event of Default under this Site Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XI

TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 11.01. Assignment by Site Lessor. The Site Lessor shall not, except as otherwise provided elsewhere in this Site Lease, assign, convey or otherwise transfer to any Person any of the Site Lessor's interest in the Leased Property or the Site Lessor's rights, title or interest in, to or under this Site Lease.

Section 11.02. Transfer of the Trustee's Interest in Lease and Leased Property Prohibited. Except as otherwise permitted by Section 6.04 hereof with respect to subleasing or grants of use of the Leased Property and Section 6.05 hereof with respect to substitutions or as otherwise required by law, the Trustee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Site Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

Section 11.03. Conveyance of Leased Property to State Pursuant to 2018N Lease. The parties recognize and agree that, notwithstanding any other provision of this Site Lease, the 2018N Lease or any Sublease, upon conveyance of all the Leased Property subject to the 2018N Lease by the Trustee to the State pursuant to Article VIII of the 2018N Lease and conveyance of the Leased Property subject to this Site Lease by the State to the Sublessee pursuant Section 9.03 of the Sublease applicable to such Leased Property: (a) if the Site Lessor under this Site Lease and the Sublessee under such Sublease are the same, this Site Lease shall terminate; and (b) if the Site Lessor under this Site Lease and the Sublessee are not the same, this Site Lease shall continue with the Sublessee succeeding to the rights and obligations of the Trustee under this Site Lease.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Binding Effect. This Site Lease shall inure to the benefit of and shall be binding upon the Trustee and the Site Lessor and their respective successors and assigns, including, but not limited to, the State under the 2018N Lease and the Sublessee under the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, subject, however, to the limitations set forth in Article XI hereof. This Site Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Site Lease.

Section 12.02. Interpretation and Construction. This Site Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Site Lease. For purposes of this Site Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Site Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Site Lease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Site Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

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

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

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

Section 12.03. Acknowledgement of 2018N Lease and Sublease. The Trustee has received a copy of, and acknowledges the terms of, the 2018N Lease and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

Section 12.04. Trustee, State and Site Lessor Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or the Site Lessor is required, or the Trustee, the State or the Site Lessor is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Site Lessor by the Site Lessor Representative and the Trustee, the State and the Site Lessor shall be authorized to act on any such approval or request. The Site Lessor Representative is the ____________________ of the Site Lessor or any Person appointed as Site Lessor Representative by such Person.

Section 12.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the Site Lessor, to ______________________, Attention: Superintendent, facsimile number: ________, electronic mail address: __________; if to the Trustee, to Zions Bancorporation, National Association, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbank.com; and if to the State, to Colorado State Treasurer, 140 State Capitol, 200 E. Colfax Ave., Denver, CO 80203, Attention: Deputy Treasurer, facsimile number: 303-866-2123, with a copy to Colorado State Controller, 1525 Sherman Street, 5th floor, Denver, Colorado 80203, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: Bob.Jaros@state.co.us. Any notice party may, by written notice to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee or any natural person executing this Site Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 12.07. Amendments, Changes, Modifications and Release. Except as otherwise provided herein or in the Indenture, this Site Lease may only be amended, changed, modified, altered or released 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 or release of this Site Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment or release does not violate the Indenture or the Leases.

Section 12.08. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Site Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Site Lease.

Section 12.09. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Site Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Site Lease is modified pursuant to the terms of this Site Lease or other land is substituted for land included in the Leased Property subject to this Site Lease pursuant to the terms of this Site Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Site Lease after such modification or substitution.

Section 12.10. Merger. The State, the Site Lessor, the Trustee and any Sublessee that leases the Leased Property intend that the legal doctrine of merger shall have no application to this Site Lease, the 2018N Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority and that none of the execution and delivery of this Site Lease by the Site Lessor and the Trustee, the 2018N Lease by the Trustee and the State or such Sublease by the State and the Sublessee or the exercise of any remedies by any party under this Site Lease, the 2018N Lease or such Sublease shall operate to terminate or extinguish this Site Lease, the 2018N Lease or such Sublease.

Section 12.11. Severability. In the event that any provision of this Site Lease, other than the obligation of the Site Lessor to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.12. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Site Lease.

Section 12.13. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Site Lease. Any provision of this Site Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Site Lease to the extent that this Site Lease is capable of execution. At all times during the performance of this Site Lease, the Site Lessor and the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 12.14. Execution in Counterparts. This Site Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.15. Value of Land. The Site Lessor estimates that the value of the land included in the Leased Property as of the date this Site Lease is entered into is $_____________.

IN WITNESS WHEREOF, the Trustee and the Site Lessor have executed this Site Lease as of the date first above written.

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, solely in its capacity as trustee under the Indenture

By ____
Authorized Signatory

[DISTRICT SEAL]

[______________________]

By ____
Title:______________________________

ATTEST:

By __________________________________
Secretary

[Signature Page to Site Lease of _______________]

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

The foregoing instrument was acknowledged before me this ____ day of December, 2018 by ____, as an authorized signatory of Zions Bancorporation, National Association.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

STATE OF COLORADO)
) ss.
COUNTY OF _______________)

The foregoing instrument was acknowledged before me this ___ day of December, 2018, by __________________________, as ___________________ of ___________________.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

EXHIBIT A

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

[omitted for form of Series 2018N Site Lease appended to Official Statement]

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FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SUBLEASE OF [NAME OF SUBLESSEE]

by and between

STATE OF COLORADO,
acting by and through the State Treasurer,

and

PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD,
acting on behalf of the State of Colorado,
both as sublessor

and

______________________,
as the Sublessee

[and

[if Sublessee is a charter school, insert name of Chartering Authority],
as the Sublessee's Chartering Authority]

Dated as of December 6, 2018

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SUBLEASE OF [NAME OF INSTITUTION]

This State of Colorado Building Excellent Schools Today Sublease of [name of sublessee] (this "Sublease") is dated as of December 6, 2018 and is entered into by and between the State of Colorado, acting by and through the State Treasurer, and the Public School Capital Construction Assistance Board, acting on behalf of the State (collectively, the "State"), both as sublessor, [and] _________, as sublessee (the "Sublessee") [, and ____________, as the Sublessee's Chartering Authority]. ***Capitalized terms used but not defined in this Sublease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2018N Supplemental Trust Indenture dated December 6, 2018 and as it may further be amended, supplemented and restated from time to time***.

RECITALS

A. The Sublessee or the Sublessee's Chartering Authority has leased the Leased Property to the Trustee pursuant to a Site Lease. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, has leased the Leased Property from the Trustee pursuant to the 2018N Lease.

B. The State, acting by and through the State Treasurer on the instructions of the Assistance Board set forth in Assistance Board Resolution No. 18-2 and as authorized under the Act, and the Assistance Board, acting on behalf of the State and as authorized under the Act, will sublease the Leased Property to the Sublessee pursuant to this Sublease; and the Sublessee is authorized by applicable law, its governing documents, if relevant, and action of its Governing Body to, and will, sublease the Leased Property from the State pursuant to this Sublease.

C. To satisfy the Sublessee's obligation to pay Matching Moneys to the State with respect to the Sublessee's Project, the Sublessee, in accordance with Article V hereof, has delivered a Matching Moneys Bond or agreed to pay cash, Matching Moneys Installment Payments or Base Rent to the State.

D. Proceeds of the 2018N Certificates issued pursuant to the Indenture will be used to finance the Project of the Sublessee.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Certifications, Representations and Agreements by State. The State hereby certifies, represents and agrees that:

(a) The State Treasurer, pursuant to § 22-43.7-110(2)(f) of the Act, has reviewed this Sublease and, by executing this Sublease, is providing written authorization to the Assistance Board to enter into it. The State Treasurer, acting on behalf of the State, is entering into this Sublease pursuant to the instructions of the Assistance Board set forth in Assistance Board Resolution No. 18-2.

(b) The State is authorized under the Act to lease the Leased Property to the Sublessee pursuant to this Sublease and to execute, deliver and perform its obligations under this Sublease.

(c) This Sublease has been duly executed and delivered by the State and is valid and binding obligation enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(d) The execution, delivery and performance of the terms of this Sublease by the State does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State, or, except as specifically provided in the 2018N Lease, the Indenture, this Sublease or the Sublessee's Site Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(e) There is no litigation or proceeding pending or threatened against the State or any other Person affecting the right of the State to execute, deliver or perform its obligations of the State under this Sublease.

Section 1.02. Certifications, Representations and Agreements by Sublessee. The Sublessee certifies, represents and agrees that:

(a) The Sublessee is an Eligible K-12 Institution and is duly organized, validly existing and in good standing under Colorado law. The Sublessee is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to sublease the Leased Property from the State pursuant to this Sublease and to execute, deliver and perform its obligations under this Sublease and, if applicable, the Sublessee's Matching Moneys Bond.

(b) The Sublessee's Project is a capital construction project as defined in the Act and all moneys requisitioned from the Sublessee's Project Account pursuant to Section 4.10 hereof will be used to pay costs of capital construction as defined in the Act.

(c) The execution, delivery and performance of this Sublease and, if applicable, the Sublessee's Matching Moneys Bond have been duly authorized by the Governing Body of the Sublessee.

(d) The Sublessee has received all approvals and consents required for the Sublessee's execution, delivery and performance of its obligations under this Sublease and, if applicable, the Sublessee's Matching Moneys Bond.

(e) This Sublease and, if applicable, the Sublessee's Matching Moneys Bond have been duly executed and delivered by the Sublessee and are valid and binding obligations enforceable against the Sublessee in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(f) The execution, delivery and performance of this Sublease and, if applicable, the Sublessee's Matching Moneys Bond do not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Sublessee is now a party or by which the Sublessee is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Sublessee, or, except as specifically provided in the 2018N Lease, the Indenture, this Sublease or the Site Lease pursuant to which the Leased Property is leased to the Trustee or, if applicable, the Sublessee's Matching Moneys Bond result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Sublessee.

(g) There is no litigation or proceeding pending or threatened against the Sublessee affecting the right of the Sublessee to execute, deliver or perform its obligations under this Sublease or, if applicable, the Sublessee's Matching Moneys Bond.

(h) The Sublessee will receive economic and other benefits by the subleasing of the Leased Property by the Sublessee pursuant to this Sublease. The initial Leased Property is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Sublessee. The Sublessee expects that the Leased Property will adequately serve the needs for which it is being subleased throughout the Scheduled Sublease Term.

(i) The Sublessee's Proportionate Share of the Base Rent payable by the State under the 2018N Lease in each Fiscal Year during the Lease Term of the 2018N Lease is not more than the fair value of the use of the Sublessee's Leased Property during such Fiscal Year.

(j) The sum of the Rent payable by the Sublessee under this Sublease and, as applicable, the principal, premium, if any, and interest payable by the Sublessee under its Matching Moneys Bond or the Matching Moneys Installment Payments payable by the Sublessee in each Fiscal Year during the Sublease Term is not more than the fair value of the use of the Sublessee's Leased Property during such Fiscal Year and does not exceed a reasonable amount so as to place the Sublessee under an economic compulsion to take one of the following actions in order to avoid forfeiting such excess (i) to continue this Sublease beyond any Fiscal Year, (ii) not to exercise its right to terminate this Sublease at any time through an Event of Nonappropriation or (iii) to exercise its option to purchase the Leased Property hereunder. The Sublessee's Purchase Option Price pursuant to Section 9.01 hereof is the Sublessee's current best estimate of the fair purchase price of the Leased Property that will be in effect at the time of exercise of the Sublessee's option to purchase the Leased Property pursuant to such Section. The Scheduled Sublease Term of this Sublease does not exceed the weighted average useful life of the improvements or any other real property improvements included in the Leased Property. In making the representations, covenants and warranties set forth above in this subsection and the immediately preceding subsection of this Section, the Sublessee has given due consideration to the Sublessee's Project, the purposes for which the Leased Property will be used by the Sublessee, the benefits to the Sublessee from the use of the Leased Property, the Sublessee's option to purchase the Leased Property hereunder and the terms of this Sublease governing the use of the Leased Property.

(k) The Sublessee presently intends and expects to continue the Sublease Term annually until title to the Leased Property is acquired by the Sublessee pursuant to this Sublease; but this representation does not obligate or otherwise bind the Sublessee.

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

(m) The Governing Body of the Sublessee has appropriated sufficient moneys to pay the Additional Rent estimated to be payable hereunder in the current Fiscal Year and, as applicable, the Base Rent, the principal and interest payable under its Matching Moneys Bond or the Matching Moneys Installment Payments payable in the current Fiscal Year.

(n) The certifications, representations and agreements with respect to federal income tax matters set forth in the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution and delivery of this Sublease are hereby incorporated in this Sublease as if set forth in full in this subsection.

(o) The Sublessee has not, except as otherwise specifically provided herein, entered into any agreement or arrangement to transfer to any Person all or any portion of its interest in the Leased Property or to any fee title that it may obtain in the real estate to which the Leased Property relates.

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The State demises and leases the State's leasehold estate under the 2018N Lease in the land described in Exhibit A hereto (the "Land" for purposes of this Sublease) and the buildings, structures and improvements now or hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Sublease) to the Sublessee in accordance with the terms of this Sublease, subject only to Permitted Encumbrances, to have and to hold for the Sublease Term.

Section 2.02. Enjoyment of Leased Property. The State covenants that, during the Sublease Term and so long as no Event of Default hereunder 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 this Sublease.

ARTICLE III

SUBLEASE TERM; TERMINATION OF SUBLEASE TERM

Section 3.01. Sublease Term.

(a) The Sublease Term is 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 2018N Lease in accordance with its terms;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation under this Sublease has occurred; or

(iii) termination of this Sublease following an Event of Default under this Sublease in accordance with Section 12.02(a) hereof.

Section 3.02. Effect of Termination of Sublease Term. Upon termination of the Sublease Term:

(a) all unaccrued obligations of the Sublessee under this Sublease shall terminate, but all such obligations of the Sublessee that have accrued hereunder prior to such termination shall continue until they are discharged in full;

(b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default under this Sublease or because of the termination of the 2018N Lease as a result of an Event of Nonappropriation or an Event of Default under the 2018N Lease, the Sublessee's right to possession of the Leased Property hereunder shall terminate and (i) the Sublessee shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Governing Body of the Sublessee has appropriated funds for payment of Base Rent, if applicable, and Additional 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, if applicable, to the State and Additional Rent to the Person entitled thereto; and

(c) the obligations of the Sublessee to make payments under the Sublessee's Matching Moneys Bond or Matching Money Installment Payments, as applicable, shall continue until, as applicable, all amounts payable under the Sublessee's Matching Moneys Bond have been paid or the Sublessee's Matching Moneys Bond is redeemed or cancelled in accordance with its terms or all Matching Moneys Installment Payments have been paid.

Section 3.03. Cancellation of Sublease by State. Notwithstanding any other provision hereof, the State, in its sole discretion, may cancel this Sublease at any time if, on or before December 6, 2018, (a) the Trustee has not received the title insurance policy for the Leased Property described in paragraph 1 of the form of Requisition attached as Appendix B to the 2018N Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture) and (b) the Sublessee has not entered into and does not have a reasonable expectation that it will enter into one or more Project Contracts for the Sublessee's Project as described in paragraph 2 of the form of Requisition attached as Appendix B to the 2018N Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture). The State shall deliver written notice to the Sublessee specifying the effective date of any such cancellation at least 15 days prior to the effective date of the cancellation. Upon cancellation, the Sublessee shall have no further rights under this Sublease, the State may direct the Trustee to use the moneys in the Sublessee's Project Account for the Costs of another Project or for any purpose permitted under the Indenture, the State shall cause the Trustee to cancel and release the Site Lease pursuant to which the Leased Property has been leased to the Trustee and the State shall return to the Sublessee any Matching Moneys paid to the State (including any principal or interest paid on the Sublessee's Matching Moneys Bond) and cancel and return to the Sublessee the Sublessee's Matching Moneys Bond.

ARTICLE IV

PROJECT

Section 4.01. Sublessee to Construct Project in Accordance with Specifications. The Sublessee shall construct the Project (the "Work") in accordance with the Specifications attached hereto as Exhibit B, with such changes in the Specifications, if any, that are approved by the

State in writing. In connection with the Work, Sublessee shall provide progress reports to the State prior to the last Business Day of each month.

Section 4.02. Completion Date.

(a) The Sublessee shall cause the Work to be done promptly and with due diligence and shall use its best efforts to cause the Completion Date to occur by the third anniversary of this Sublease (the “Scheduled Completion Date”). The “Completion Date” is the date the Sublessee delivers a certificate (the “Completion Certificate”) to the State and the Trustee (i) stating that to the best of the Sublessee’s knowledge, based upon the representations of contractors, architects, engineers, vendors or other consultants, (A) the Project has been completed in accordance with Section 4.01 hereof and (B) except for any amounts estimated by the Sublessee to be necessary for payment of any Costs of the Project not then due and payable and costs of the Project included in requisitions that have been submitted to the Trustee but have not yet been paid by the Trustee, all Costs of the Project have been paid; (ii) stating that the real property improved by the Project has been insured in accordance with Section 7.01 hereof in the dollar amount set forth in such certificate or the certificate of insurance attached thereto; and (iii) to which is attached a certificate of insurance in which the insurer certifies that the real property improved by the Project has been insured by such insurer in the dollar amount set forth therein.

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

Section 4.03. Contractor Guarantees. The Sublessee shall cause each Contractor with which the Sublessee contracts directly to guarantee all Work performed by it or any subcontractor or other Person performing Work on its behalf against defective workmanship and materials for a period of one year after the Completion Date, provided that such one year period shall not begin with respect to any item that is not completed on the Completion Date until such item is completed. The Sublessee shall assign to the State any guarantee of workmanship and materials which it may receive but shall retain the right to enforce such guarantee directly.

Section 4.04. Performance and Payment Bonds. The Sublessee shall require that each Contractor provide a performance bond and a separate labor and material payment bond, each of which shall (a) be executed by a corporate surety licensed to do business in the State, (b) be in customary form, (c) be in the amount payable to such Contractor pursuant to its Project Contract and (d) be payable to the Sublessee. If, at any time prior to completion of the Work covered by any such bond, the surety shall be disqualified from doing business within the State, a new bond shall be provided from an alternate surety licensed to do business in the State. The amount of each bond shall be increased or decreased, as appropriate, to reflect changes to the Specifications orders under Section 4.01 hereof. A copy of each such bond and all modifications thereto shall be furnished to the State within 60 days of the effective date of the related Project Contract. The Sublessee hereby assigns its rights to any proceeds under such bonds to the State and the Trustee.

Section 4.05. Builder's Risk Completed Value Insurance. The Sublessee shall procure and maintain, at its own cost and expense, until the property to which such insurance relates is insured by the Sublessee pursuant to Section 7.01 hereof or, if Section 7.01 does not apply because the property improved by the Project is not included in the Leased Property, until the Project is completed, standard, all risk of loss builder's risk completed value insurance upon property included in or that is imposed by the Project. A certificate of insurance evidencing such insurance shall be provided to the State.

Section 4.06. General Public Liability and Property Damage Insurance. The Sublessee shall require that each Contractor procure and maintain, at its own cost and expense, during such Contractor's Project Contract, standard form comprehensive general public liability and property damage insurance that covers all claims for bodily injury, including death, and claims for destruction of or damage to the property (other than the Work itself), arising out of or in connection with any operations under the Contractor's Project Contract, whether such operations be by the Contractor or by a subcontractor. The insurance shall include the limits and coverage specified for the State of Colorado, Office of the State Architect, State Buildings Programs. Such policies shall include the State and the Trustee as additional insureds and shall include a provision prohibiting cancellation, termination or alteration except pursuant to the policy. A certificate of insurance evidencing such insurance shall be provided to the State with respect to each Contractor within 60 days of the effective date of the related Project Contract.

Section 4.07. Workers' Compensation Insurance. The Sublessee shall require that each Contractor procure and maintain, at its own cost and expense, workers' compensation insurance as required by Colorado law during the term of its contract, covering all persons working under its Project Contract. Such insurance shall contain a provision that such coverage shall not be canceled, terminated or altered without 30 days' prior written notice to the State and the Trustee. Certificates evidencing such coverage shall be provided to the State.

Section 4.08. Defaults Under Project Contracts. In the event of any default under any Project Contract, or in the event of a breach of warranty with respect to any materials, workmanship or performance or other Work, which default or breach results in frustration of the purpose for which the property improved by the Project was intended, the Sublessee shall promptly proceed, either separately or in conjunction with others, to pursue diligently its remedies, including any remedy against the surety of any bond securing the performance of the Project Contract.

Section 4.09. Assignment of Rights Under Project Contracts. The Sublessee hereby assigns to the State and the Trustee, and each Project Contract shall expressly provide that the State and the Trustee shall have, the right to enforce each Project Contract against the Contractor (a) following termination of this Sublease and (b) in any case where, in the reasonable judgment of the State or the Trustee, with the consent of the State, the Sublessee has failed to enforce the terms of such Project Contract in a manner consistent with the obligations of the Sublessee under this Sublease.

Section 4.10. Costs of the Project.

(a) The Sublessee, with the approval of the State, may withdraw available money from the Sublessee's Project Account in an amount up to the proceeds of the Series 2018N Certificates and Allocated Investment Earnings deposited into the Sublessee's Project Account pursuant to the Indenture to pay, or reimburse the Sublessee for the payment by Sublessee of, Costs of the Sublessee's Project by delivering to the Trustee a Requisition in the form of Appendix B to the 2018N Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture), signed by the Sublessee Representative and with the State's approval evidenced by the signature of the State Representative. If more than one Project Account has been established pursuant to the Indenture to pay Costs of the Sublessee's Project, the term Project Account in this subsection shall include all such Project Accounts and moneys shall be withdrawn from such Project Accounts pursuant to this subsection in the order provided in the Indenture. The Sublessee shall provide the Assistance Board with all documentation for each submitted Requisition including individual invoices, detail on the State approved line item budget being expended, a summary of invoice categories, detail of any necessary budget adjustments and any other information requested or required by the Assistance Board to justify the expenditure and verify budget items for the Project.

(b) If the Sublessee has satisfied its obligation to pay Matching Moneys with respect to its Project by delivering a cash payment and if Exhibit D hereto states that a specified amount of money in the Assistance Fund will be available to pay a portion of the Costs of the Sublessee's Project, after the Sublessee has withdrawn all moneys that it may withdraw from the Sublessee's Project Account pursuant to subsection (a) of this Section, the Sublessee, with the approval of the State, may withdraw money from the Assistance Fund in an amount up to the amount specified in Exhibit D hereto to pay, or reimburse the Sublessee for the payment by Sublessee of, Costs of the Sublessee's Project by delivering to the Assistance Board a Requisition in the form of Exhibit E hereto, signed by the Sublessee Representative and with the State's approval evidenced by the signature of the State Representative.

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

(d) The Sublessee shall submit a final Requisition to the Trustee pursuant to subsection (a) of this Section or to the Assistance Board pursuant to subsection (b) of this Section, as applicable, no later than six months after the Scheduled Completion Date unless otherwise approved by the State.

Section 4.11. Excess Costs and Project Account Balances. The Sublessee shall pay all Costs of the Project that exceed the moneys that may be withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section 4.10 hereof from sources other than money withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section

4.10 hereof. If the Costs of the Project are less than the amount of the moneys that may be withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section 4.10 hereof, such moneys shall be transferred to the State Expense Fund.

Section 4.12. Compliance with Tax Certificate. The Sublessee shall comply with the provisions of the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution and delivery of this Sublease that are applicable to the construction of the Project, including but not limited to, if the Tax Compliance Certificate provides that such standards are applicable to the Sublessee's Project, complying with the prevailing wage standards under 40 U.S.C. § 3141 (sometimes referred to as the Davis-Bacon Act).

Section 4.13. Records and Progress Reports. The Sublessee shall maintain copies of all requisition forms and Project Contracts, including but not limited to subcontracts, purchase orders and procurement documents, and provide copies to the State and the Assistance Board upon request. All such documents and records relating to the Project shall be retained by the Sublessee during the term of this Sublease and shall be provided to the State upon request. The Trustee is required under the Indenture to provide to the Sublessee at its request an accounting of all receipts and disbursements from the Sublessee's Project Account. The Sublessee shall provide monthly progress reports to the Assistance Board, which progress reports shall provide at a minimum, photos of the Project, a current line item budget, a current Project budget compared to the State approved Project budget, and an updated Project schedule compared to the State approved Project schedule.

ARTICLE V

MATCHING MONEYS

Section 5.01. Sublessee's Obligation to Pay Matching Moneys. Certain information regarding the Sublessee's obligation to pay Matching Moneys with respect to its Project is set forth in Exhibit D hereto.

(a) ***No Matching Moneys***. If Exhibit D hereto provides that there are no Matching Moneys, the Sublessee is not obligated to pay Matching Moneys with respect to its Project.

(b) ***Cash Payment***. If Exhibit D hereto provides that the source of Matching Moneys is a cash payment, the Sublessee has satisfied its obligation to pay Matching Moneys by paying cash to the State on the date this Sublease is executed and delivered. If Exhibit D states that a specified amount of money in the Assistance Fund will be available to pay a portion of the Costs of the Sublessee's Project, the Sublessee shall be authorized to withdraw money, up to the amount specified in Exhibit D hereto, to pay Costs of the Sublessee's Project in accordance with, and subject to the terms of Section 4.10(b) hereof.

(c) ***Base Rent***. If Exhibit D hereto provides that the source of Matching Moneys is Base Rent, the Sublessee shall, subject only to the provisions of Article VI hereof, 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 D hereto.

(d) ***Matching Moneys Bond***. If Exhibit D hereto provides that the source of Matching Moneys is a Matching Moneys Bond, the Sublessee has satisfied its obligation to pay Matching Moneys with respect to its Project by issuing and delivering to the State the Sublessee's Matching Moneys Bond on the date this Sublease is executed.

(e) ***Matching Moneys Installment Payments***. If Exhibit D hereto provides that the source of Matching Moneys is Matching Moneys Installment Payments, the Sublessee shall make cash payments in immediately available funds to the State in the amounts, on the payment dates and from the sources set forth in Exhibit D hereto. Notwithstanding any other provision hereof, the obligation of a Sublessee to pay a Matching Moneys Installment Payment in any Fiscal Year beyond the Sublessee's current Fiscal Year is subject to appropriation of such Matching Moneys Payment by the Governing Body of such Sublessee. The officer of the Sublessee who is responsible for formulating budget proposals with respect to Matching Moneys Installment Payments is hereby directed to include as a line item in each annual budget proposal submitted to the Governing Body of the Sublessee for any Fiscal Year in which an Matching Moneys Installment Payment is payable the entire amount of the Matching Moneys Installment Payment payable during such Fiscal Year; it being the intention of the Sublessee that any decision to pay or not to pay such Matching Moneys Installment Payment shall be made solely by the Governing Body of the Sublessee, in its sole discretion, and not by any department, agency or official of the Sublessee. If the Sublessee intends to fund its Matching Moneys Installment Payments from the proceeds of a grant, the Governing Body of the Sublessee agrees to use its best efforts to comply with the terms of the grant and to pay all proceeds of the grant when received by the Sublessee.

(f) ***Special Arrangements***. Any special arrangement regarding the Sublessee's Matching Moneys that does not fit the categories described in subsections (a) through (e) of this Section shall be described in Exhibit D hereto.

(g) ***More Than One Source***. If Exhibit D hereto provides that there is more than one source of Matching Moneys, the provisions hereof regarding the payment of Matching Moneys shall apply to each such source separately.

Section 5.02. Obligations and Rights with respect to Matching Moneys Bond and Matching Moneys Installment Payments Independent of Sublease. The obligations of the Sublessee and the rights of the State with respect to the Sublessee's Matching Moneys Bond or the Sublessee's Matching Moneys Installment Payments, as applicable, are independent of the obligations of the Sublessee and the rights of the State under this Sublease and, except as otherwise specifically provided herein, (a) the obligations of the Sublessee and the rights of the State with respect to the Sublessee's Matching Moneys Bond or the Sublessee's Matching Moneys Installment Payments, as applicable, shall survive the termination of this Sublease and (b) no failure to perform or other action of the State with respect to this Sublease shall affect the State's rights to enforce the obligations of the Sublessee to make payments under the

Sublessee's Matching Moneys Bond or to pay its Matching Moneys Installment Payments, as applicable.

Section 5.03. Use of Matching Moneys. The State shall deposit Matching Moneys it receives into the Assistance Fund.

Section 5.04. References to Cash Payments of Matching Moneys, Base Rent, Matching Moneys Bonds, and Matching Moneys Installment Payments. The State has entered into many, and in the future will enter into many more, subleases similar to this Sublease pursuant to which the sublessees will satisfy their obligations to pay Matching Moneys in a variety of ways. In order to assist the State in administering such subleases, the subleases have been drafted to be as uniform as practicable, including the inclusion of references to cash payments of Matching Moneys that are not applicable to the Sublessee if it is not satisfying its obligations to pay Matching Moneys by making cash payments, references to Base Rent that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by paying Base Rent, references to Matching Moneys Bonds that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by delivering a Matching Moneys Bond and references to Matching Moneys Installment Payments that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by paying Matching Moneys Installment Payments. In applying the terms of this Sublease to the Sublessee, (a) references to cash payments of Matching Moneys apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by making a cash payment, (b) references to Base Rent apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by paying Base Rent, (c) references to Matching Moneys Bonds apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by delivering a Matching Moneys Bond and (d) references to Matching Moneys Installment Payments apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by paying Matching Moneys Installment Payments.

ARTICLE VI

RENT; EVENT OF NONAPPROPRIATION

Section 6.01. Base Rent. If the Sublessee is satisfying its obligation to pay Matching Moneys by paying Base Rent, the Sublessee shall, subject only to the other Sections of this Article, 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 D hereto.

Section 6.02. Additional Rent. Regardless of the manner in which the Sublessee is satisfying its obligation to pay Matching Moneys, the Sublessee shall, subject only to the other Sections of this Article, 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 that specifically relates to the Leased Property subject to the Sublease directly to the Person or Persons to which it is owed. The Sublessee shall pay its Proportionate Share of any Additional Rent that does not specifically relate to the Leased Property subject to this Sublease that the State, in its sole discretion, determines should be paid by the Participating K-12 Institutions, to the State within 14 days of notice from the State or the Trustee of the amount due. The State's determinations as to whether any Additional Rent is specifically related to the Leased Property subject to this Sublease and as to whether any Additional Rent not specifically related to the Leased Property subject to this Sublease should be paid by the Participating K-12 Institutions, shall be binding on and shall not be subject to dispute or negotiation by the Sublessee. It is the expectation of the State that Additional Rent payable to the State pursuant hereto will not be significant.

Section 6.03. Unconditional Obligations. The obligation of the Sublessee to pay Base Rent, if applicable, during the Sublease Term shall, subject only to the other Sections of this Article, and the obligation of the Sublessee to pay Additional Rent during the Sublease Term shall, subject only to the other Sections of this Article, including, without limitation, Sections 6.04 and 6.05 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the Sublessee and the State or between the Sublessee or the State and any other Person relating to the Leased Property, the Sublessee shall, during the Sublease Term, pay all 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.

Section 6.04. Event of Nonappropriation.

(a) The officer of the Sublessee who is responsible for formulating budget proposals with respect to payments of Rent is hereby 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 as a line item 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 Term 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, 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.

(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 or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this Section and (ii) the Sublessee has paid all

Additional Rent due during the period from June 30 through the date of such appropriation or authorization.

(d) If the Sublessee shall determine to exercise its annual right to terminate the Sublease Term effective on June 30 of any Fiscal Year, the Sublessee shall give written notice to such effect to the State not later than 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 this Sublease or (iii) result in any liability on the part of the Sublessee.

(e) The Sublessee shall furnish the State with copies of all appropriation or expenditure authorization measures relating to 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 this Sublease or (iii) result in any liability on the part of the Sublessee.

Section 6.05. Limitations on Obligations of Sublessee.

(a) The obligation of the Sublessee to pay (i) Rent hereunder and (ii) all other payments by the Sublessee hereunder except cash Matching Moneys payments (which must be paid on the date this Sublease is executed and delivered) and amounts payable pursuant to any Matching Money Bond (which are debt of the Sublessee) shall constitute currently appropriated expenditures of the Sublessee. All obligations of the Sublessee under this Sublease (except obligations to pay cash Matching Moneys payments and amounts payable pursuant to any Matching Moneys Bond) shall be subject to the action of the Governing Body of the Sublessee in annually making moneys available for payments hereunder. The obligations of the Sublessee to pay Rent and Matching Moneys Installment Payments and such other obligations (except cash Matching Moneys payments and amounts payable pursuant to any Matching Money Bond) 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 of Section 20(4) of Article X of the State Constitution. In the event the Sublessee does not renew the Sublease Term, the sole security available to the State, as sublessor under this Sublease, for any such obligation of the Sublessee under this Sublease shall be the Leased Property.

(b) All of the Sublessee's obligations under this Sublease (except cash Matching Moneys payments and amounts payable pursuant to any Matching Moneys Bond) shall be subject to the Sublessee's annual right to terminate this 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 IX hereof.

Section 6.06. No Right to Compel Payment of Rent or Matching Moneys by State or another Participating K-12 Institution. The Sublessee shall have no right to compel the State or any other Participating K-12 Institution to pay any Rent under any Lease or Rent, Matching Moneys or Matching Moneys Installment Payments under any Sublease or Participation Agreement or to pay the principal of, premium, if any, and interest on any Matching Moneys Bond and neither the State nor any such other Participating K-12 Institution shall have any liability to the Sublessee for a failure by the State to pay Rent under any Lease or a failure by any such other Participating K-12 Institution to pay such other Participating K-12 Institution's Rent, Matching Moneys or Matching Moneys Installment Payments under any such other Sublease or Participation Agreement or principal, premium, if any, or interest on its Matching Moneys Bond for any reason.

ARTICLE VII

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

Section 7.01. 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 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 this Sublease: (A) to the extent such activities result in injuries for which immunity is not available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101, *et seq.* or any successor statute, in an amount not less than the amounts for which the 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 A.M. Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, 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 30 days in advance of such cancellation or modification; (v) upon request each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State 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 may be provided under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks or may be provided through a self-insurance program described in this subsection. If the property of the Sublessee is covered by the Colorado School Districts Self Insurance Pool, the self-insurance program shall be the Colorado School Districts Self Insurance Pool. If the property of the Sublessee is not covered by the Colorado School Districts Self Insurance Pool, the self-insurance program may, with the State's consent, be the Sublessee's independent risk management program, if any.

(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.

Section 7.02. 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 8.05 and 8.07 hereof.

Section 7.03. Capital Renewal Reserve. The Sublessee shall establish a capital renewal budget and make annual contributions to a capital renewal reserve as defined in § 22-43.7-109(4)(d) of the Act for the purpose of replacing major systems of the Project with projected life cycles such as roofs, interior finishes, electrical systems and heating, ventilating and air conditioning systems.

ARTICLE VIII

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 8.01. Title to Leased Property. Title to the leasehold estate in the Leased Property under the 2018N Lease shall be held in the name of the State, subject to the Site Lease pursuant to which the Leased Property is leased to the Trustee, the 2018N Lease and this Sublease, until the Leased Property is conveyed or otherwise disposed of as provided herein, and the Sublessee shall have no right, title or interest in the Leased Property except as expressly set forth herein.

Section 8.02. Limitations on Disposition of and Encumbrances on Leased Property.

(a) Except as otherwise permitted in this Article or Article X or XI hereof and except for Permitted Encumbrances, (i) neither the State nor the Sublessee shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the Sublessee shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding 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.

Section 8.03. 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 this Sublease and the 2018N Lease and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights of way and other rights and privileges with respect to the Leased Property, free from this Sublease or the 2018N Lease and any security interest or other encumbrance created hereunder or thereunder, with or without consideration; and

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right of way or other grant or privilege under subsection (a) or (b) of this Section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the Sublessee Representative requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Section 8.04. Subleasing and Other Grants of Use. The Sublessee 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 10.04 hereof; and

(b) the obligations of the Sublessee under this Sublease shall remain obligations of the Sublessee, and the Sublessee shall maintain its direct relationship with the State, notwithstanding any such sublease or grant of use.

Section 8.05. 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 improvements (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and improvements shall be at least as great as the value of the Leased Property prior thereto; (c) the cost of all remodeling, substitutions, additions, modifications and improvements shall not exceed 10% of the sum of the proceeds of the Series 2018N Certificates and Allocated Investment Earnings deposited into the Sublessee's Project Account without the written approval of the State; and

(d) the Leased Property, after such remodeling, substitutions, additions, modifications and improvements, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Sublease.

Section 8.06. Substitution of or Additions to 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 (the title to which was not insured under a title insurance policy previously provided to the State and the Trustee) be substituted for or added to the Leased Property subject to the Sublease under both the 2018N Lease and this Sublease. Any such proposal must be accompanied by the items listed below in form and substance satisfactory to the State. If the items listed below are delivered, the State consents to the substitution or addition and the Sublessee pays the costs of the substitution or addition, 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 addition. The items are:

(a) A certificate by the Sublessee certifying that, following such substitution or addition, the Fair Market Value of the substituted or modified property, determined as of the date of substitution or addition, is equal to or greater than the Fair Market Value of the Leased Property subject to this Sublease.

(b) A title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would allow the Sublessee and the State to make the title insurance representation set forth in the form of Project Account requisition attached as Appendix B to the 2018N Supplemental Indenture.

(c) A certificate by the Sublessee certifying that (i) the useful life of the substituted or modified property extends to or beyond the final maturity of the Series 2018N Certificates and (ii) the substituted or modified property is at least as essential to the Sublessee as the Leased Property subject to this Sublease.

(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 or addition, 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 addition is permitted by Section 7.06 of the 2018N Lease, will not cause the Sublessee to violate its tax covenant set forth in Section 10.04 hereof and will not cause the State to violate its tax covenant set forth in Section 9.04 of the 2018N Lease.

Section 8.07. Property Damage, Defect or Title Event.

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be 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, the Sublessee shall elect one of the following alternatives:

(i) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property, in which case the Net Proceeds shall be used to pay a portion of the costs thereof and the Sublessee shall, subject to Article VI hereof, pay the remainder of such costs as Additional Rent;

(ii) to substitute property for the affected portion of the Leased Property pursuant to Section 8.06 hereof, in which case the Net Proceeds shall be delivered to the Sublessee; or

(iii) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property to the extent possible with the Net Proceeds.

(d) The 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 Additional Rent hereunder.

Section 8.08. Condemnation by Sublessee. The Sublessee agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, such proceeding shall be with respect to all the Leased Property and the value of the Leased Property for purposes of such proceeding shall be not less than the Sublessee's Purchase Option Price.

Section 8.09. 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.

ARTICLE IX

SUBLESSEE'S PURCHASE OPTION; CONVEYANCE TO SUBLESSEE UPON CONVEYANCE TO STATE

Section 9.01. Sublessee's Purchase Option.

(a) The Sublessee is hereby granted the option to purchase all, but not less than all, of the Leased Property subject to this Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the 2018N Lease by paying to the Trustee the "Sublessee's Purchase Option Price," which is an amount equal to (i) 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 (ii) all Additional Rent payable through the date of conveyance of such Leased Property to the Sublessee pursuant to Section 9.02 hereof, 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, subject to the next sentence, (i) a principal amount of the Outstanding Series 2018N Certificates determined by multiplying the principal amount of all the Outstanding Series 2018N Certificates by a fraction, the numerator of which is the sum of the proceeds of the Series 2018N Certificates and the Allocated Investment Earnings deposited into the Sublessee's Project Account and the denominator of which is sum of the proceeds of the Series 2018N Certificates and the Allocated Investment Earnings deposited into the Project Accounts of all 2018N Sublessees; and (ii) which principal amount shall be allocated among the maturities of the Outstanding Series 2018N Certificates in proportion to the principal amount of each maturity of the Outstanding Series 2018N Certificates, rounded to the nearest $5,000 in principal amount of each such maturity. Notwithstanding the preceding sentence, if any portion of the Series 2018N Certificates has been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this definition, Outstanding Certificates of the portion of the other Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2018N Certificates shall be substituted for the Series 2018N Certificates that were paid, redeemed or defeased. The rounding pursuant to the first sentence of this definition and the substitution of Outstanding Certificates of another Series of Certificates pursuant to the immediately preceding sentence 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 subsection (a) of this Section, 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 2018N Lease has occurred (A) stating that the Sublessee intends to purchase the Leased Property pursuant to this Section, (B) identifying the Person to which the Leased Property is to be conveyed, (C) identifying the source of funds it will use to pay Sublessee's Purchase Option Price and (D) specifying a closing date for such purpose which is no more than 90 days after the delivery of such notice; and (ii) pay the Sublessee's Purchase Option Price to the Trustee in immediately available funds on the closing date.

(c) Upon payment of the Sublessee's Purchase Option Price to the Trustee pursuant to this Section, the Sublessee's obligation to pay, as applicable, Base Rent, principal of, premium, if any, and interest on its Matching Moneys Bond or Matching Moneys Installment Payments shall terminate and, if the Sublessee has delivered a Matching Moneys Bond, the State shall cancel such Matching Moneys Bond or return it to the Sublessee, as directed by the Sublessee.

Section 9.02. Conveyance of Leased Property. At the closing of any purchase of the Leased Property pursuant to Section 9.01 hereof, the State shall execute and deliver, and shall cooperate with the Sublessee to cause the Trustee to execute and deliver, to the Sublessee all necessary documents assigning, transferring and conveying to the Sublessee or its designee the same ownership interest in the Leased Property that was conveyed to the Trustee by the Site Lessor under its Site Lease to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Sublease, the 2018N 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 2018N Lease or this 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 this Sublease, the 2018N Lease, the Indenture, the Site Lease pursuant to which the Leased Property was leased to the Trustee; (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.

Section 9.03. Conveyance to Sublessee upon Conveyance to State. If the Sublessee has complied with and performed all of its obligations under this Sublease and its Matching Moneys Bond, upon the conveyance of the Leased Property to the State pursuant to Section 8.04 of the 2018N Lease, the State shall assign, transfer and convey its ownership interest in the Leased Property to the Sublessee or its designee in the manner described in, and subject to the provisions of, Section 9.02 hereof without any additional payment by the Sublessee. Such conveyance of the State's ownership interest in the Leased Property will not, however, extinguish or otherwise affect the Sublessee's independent obligations to continue to pay any unpaid principal of, premium, if any, and interest on its Matching Moneys Bond pursuant to the terms of its Matching Moneys Bond or to pay its Matching Money Installment Payments hereunder.

ARTICLE X

GENERAL COVENANTS

Section 10.01. Further Assurances and Corrective Instruments. So long as this Sublease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the State and the Sublessee shall have full power to carry out the acts and agreements provided herein and the Sublessee and the State, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Sublease.

Section 10.02. Compliance with Requirements of Law. On and after the date hereof, neither the State nor the Sublessee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the Sublessee, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the Sublessee's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, *et seq.*, any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, *et seq.*, any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Section 10.03. Participation in Legal Actions.

(a) At the request of and at the cost of the Sublessee (payable as Additional Rent hereunder), the State shall, and shall cooperate with the Sublessee to cause the Trustee to, join and cooperate fully in any legal action in which the 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 Sublessee; or that involves the imposition of any charges, costs or other obligations with respect to the Sublessee's execution, delivery and performance of its obligations under this Sublease, the Sublessee's Matching Moneys Bond or the Site Lease pursuant to which the Leased Property was leased to the Trustee.

(b) At the request of the State or the Trustee, the Sublessee shall, at the cost of the Sublessee (payable as Additional Rent hereunder), join and cooperate fully in any legal action in which the State or 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 or the State is responsible under the 2018N Lease or this Sublease; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Sublease, the Sublessee's Matching Moneys Bond, the Site Lease pursuant to which the Leased Property was leased to the Trustee, the 2018N Lease or the Indenture by the State or the Trustee or the performance of the obligations of the State or the Trustee hereunder or thereunder.

Section 10.04. Tax Covenant of Sublessee. The Sublessee (a) will not use or permit any other Person to use its Project and will not use, invest or direct any other Person to use or invest any moneys that it withdraws from its Project Account in a manner that would cause an Adverse Tax Event or Adverse Federal Direct Payment Event and (b) will comply with the certifications, representations and agreements set forth in the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution of this Sublease. The Sublessee acknowledges that the State, in the 2018N Lease, has agreed to enforce the covenant of the Sublessee set forth in this Section against the Sublessee.

Section 10.05. Fees and Expenses of Trustee; State Expenses; Deposits to Rebate Fund; Rebate Calculations. The Additional Rent that may be payable by the Sublessee in accordance with Section 6.02 hereof shall include the Sublessee's Proportionate Share of (a) the fees and expenses payable to the Trustee pursuant to Section 9.05 of the 2018N Lease and any similar provision of any other Lease; (b) the costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Subleases, the Participation Agreements, the Matching Money Bonds or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (c) the amounts paid by the State pursuant to Section 9.06 of the 2018N Lease and any similar provision of any other Lease to make deposits to the Rebate Fund; and (d) the costs and expenses incurred in connection with the rebate calculations required by the Master Indenture.

Section 10.06. Investment of Funds. By authorizing the execution and delivery of this Sublease, the Sublessee specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture) where the period from the date of purchase thereof to the maturity date is in excess of five years.

ARTICLE XI

LIMITS ON OBLIGATIONS OF STATE

Section 11.01. Disclaimer of Warranties. THE STATE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the State be liable for any incidental, special or consequential damage in connection with or arising out of this Sublease or the existence, furnishing, functioning or use by the Sublessee of any item, product or service provided for herein.

Section 11.02. Financial Obligations of State Limited to Sublessee's Project Account and Specified Amounts from the Assistance Fund. Notwithstanding any other provision hereof, all financial obligations of the State under this Sublease are limited to the Sublessee's Project Account and the specified amount of money in the Assistance Fund that is available to pay a portion of the Costs of the Sublessee's Project in accordance with Section 4.10 hereof.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.01. Events of Default Defined.

(a) Any of the following shall constitute an "Event of Default" under this Sublease, subject to Section 14.22 hereof:

(i) failure by the Sublessee to pay, as applicable, any specifically appropriated Base Rent to the State on or before the applicable Base Rent Payment Date, any principal of, premium, if any, or interest on its Matching Moneys Bond when due or any Matching Moneys Installment Payment when due;

(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 this Sublease or a termination of the 2018N Lease as a result of an Event of Nonappropriation or Event of Default under the 2018N Lease;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the Sublessee in all or any portion of this Sublease or the Leased Property in violation of Section 13.01 hereof or any succession to all or any portion of the interest of the Sublessee in the Leased Property in violation of Section 13.02 hereof; or

(v) failure by the Sublessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Sublease, in its Matching Moneys Bond or in any other instrument related hereto or thereto (including but not limited to the Tax Compliance Certificate executed or issued in connection with this Sublease), other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Sublessee by the State, unless the State shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the State shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected.

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the Sublessee shall remain obligated to pay, as applicable, principal of, premium, if any, and interest on its Matching Moneys Bond and its Matching Money Installment Payments when due, notwithstanding any termination of the Sublease Term or this Sublease or any limitation on any of the other obligations of the Sublessee hereunder;

(ii) the Sublessee shall be obligated to pay Rent only during the Sublease Term, except as otherwise expressly provided in Section 3.02(b)(ii) hereof; and

(iii) if, by reason of Force Majeure, the Sublessee shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay money, the Sublessee shall not be deemed in default during the continuance of such inability; provided, however, that the Sublessee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Sublessee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Sublessee; and provided further that this paragraph shall not apply to any obligation of the Sublessee under the Sublessee's Matching Moneys Bond or with respect to its Matching Moneys Installment Payments.

Section 12.02. 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) hereof;

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

(c) recover any of the following from the Sublessee that is not recovered pursuant to subsection (b) of this Section:

(i) the portion of Rent payable pursuant to Section 3.02(b)(ii) hereof;

(ii) all amounts due under the Sublessee's Matching Moneys Bond in accordance with the terms of the Sublessee's Matching Moneys Bond; and the portion of any Base Rent or Matching Moneys Installment Payments payable by the Sublessee for the then current Fiscal Year that has been specifically appropriated by the Sublessee's Governing Body, 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 is attributable to the use of the Leased Property prior to the date, the Sublessee vacates the Leased Property;

(d) enforce any provision of this Sublease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XIII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Sublease, subject, however, to the limitations on the obligations of the Sublessee under Sections 6.05 and 12.03 hereof.

Section 12.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the Sublessee by reason of an Event of Default only as to the Sublessee's liabilities described in Section 12.02(c) hereof.

Section 12.04. No Remedy Exclusive. Subject to Section 12.03 hereof, no remedy herein conferred upon or reserved to the State is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Sublessee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 12.05. Waivers. The State, with the consent of the Trustee, may waive any Event of Default under this Sublease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XIII

TRANSFERS OF INTERESTS IN SUBLEASE OR LEASED PROPERTY

Section 13.01. Transfers Prohibited. Except as otherwise permitted by Section 8.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 8.06 with respect to substitutions of other property for Leased Property and Section 13.02 hereof with respect to transfers of the Leased Property following termination of the Sublease Term or as otherwise required by law, the Sublessee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Sublease or the Leased Property to any Person, whether now in existence or organized hereafter.

Section 13.02. Transfer After Conveyance of Leased Property to Sublessee. Notwithstanding Section 13.01 hereof, the Sublessee may, with the Site Lessor's prior written consent, transfer its leasehold interest in the Leased Property after, and only after, this Sublease Term has terminated and the Leased Property has been conveyed to the Sublessee pursuant to Article IX hereof.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Binding Effect. This Sublease shall inure to the benefit of and shall be binding upon the Sublessee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XIII hereof. This Sublease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Sublease.

Section 14.02. Interpretation and Construction. This Sublease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Sublease. For purposes of this Sublease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Sublease to designated "Articles," "sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Sublease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Sublease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

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

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

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

Section 14.03. Acknowledgement of and Subordination to 2018N Lease and Indenture. The Sublessee has received copies of, and acknowledges the terms of, the 2018N Lease and the Indenture and agrees that its rights hereunder are subordinate and subject to the rights of the Trustee and the Owners of the Certificates under the 2018N Lease and the Indenture.

Section 14.04. Trustee, State and Sublessee Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or the Sublessee is required, or the Trustee, State or the Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Sublessee for the Sublessee Representative and the Trustee, the State and the Sublessee shall be authorized to act on any such approval or request. The Sublessee Representative is the ______________ of the Sublessee or any Person appointed as Sublessee Representative by such Person.

Section 14.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, 200 E. Colfax Ave., Denver, CO 80203, Attention: Deputy Treasurer, facsimile number: 303-866-2123, with a copy to Colorado State Controller, 1525 Sherman Street, 5th floor, Denver, Colorado 80203, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: Bob.Jaros@state.co.us, and with a copy to Public School Capital Construction Assistance Board, 1580 Logan Street, Suite 310, Denver, Colorado 80203, Attention: Chair, facsimile number: 303.866.6168, electronic mail address: [______________]@cde.state.co.us; if to the Trustee, to Zions Bancorporation, National Association, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbank.com; [and] if to the Sublessee, to ___________________, Attention: _______________, facsimile number: ________, electronic mail address: __________[; and, if to the Sublessee's Chartering Authority, _____________, Attention: Superintendent, facsimile number: _____________, electronic mail address: ___________]. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 14.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Sublessee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Sublessee or any natural person executing this Sublease or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 14.07. Amendments, Changes and Modifications. Except as otherwise provided herein, this Sublease may only be amended, changed, modified or altered by a written instrument executed by the State, the Assistance Board and the Sublessee.

Section 14.08. State May Rely on Certifications, Representations and Agreements of Sublessee. The State may rely on the certifications, representations and agreements of the Sublessee in this Sublease (including any Exhibit hereto) and may assume that the Sublessee will perform all of its obligations under this Sublease for purposes of making certifications, representations and agreements to and with the Trustee in the 2018N Lease and making certifications and representations to Bond Counsel, Owners or potential Owners of Certificates and any other Person with respect to the Leased Property, the Projects, the Leases, the Site Leases, the Matching Moneys Bonds, the Certificates, the Indenture or any matter related thereto.

Section 14.09. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Sublease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Sublease.

Section 14.10. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Sublease is set forth in Exhibit B hereto. If the land included in Leased Property subject to this Sublease is modified pursuant to the terms of this Sublease or other land is substituted for land included in the Leased Property subject to this Sublease pursuant to the terms of this Sublease, the legal description set forth in Exhibit B hereto will be amended to describe the land included in the Leased Property subject to this Sublease after such modification or substitution.

Section 14.11. Merger. The State, the Trustee, the Site Lessor of the Leased Property and the Sublessee intend that the legal doctrine of merger shall have no application to this Sublease, the 2018N Lease or the Site Lease pursuant to which the Leased Property is leased to the Trustee by the Sublessee or the Sublessee's Chartering Authority and that none of the execution and delivery of this Sublease by the State and the Sublessee, the 2018N Lease by the Trustee and the State or such Site Lease by the Site Lessor and the Trustee or the exercise of any remedies by any party under this Sublease, the 2018N Lease or such Site Lease shall operate to terminate or extinguish this Sublease, the 2018N Lease or Site Lease.

Section 14.12. Severability. In the event that any provision of this Sublease, other than the obligation of the Sublessee to pay Additional Rent hereunder and the obligation of the State to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 14.13. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Sublease.

Section 14.14. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Sublease. Any provision of this Sublease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Sublease to the extent that this Sublease is capable of execution. At all times during the performance of this Sublease, the Sublessee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 14.15. Execution in Counterparts. This Sublease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14.16. State Controller's Approval. This Sublease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

Section 14.17. Non-Discrimination. The Sublessee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Section 14.18. Vendor Offset. Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39 21-101 et seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Section 14.19. Employee Financial Interest. The signatories to this Sublease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

Section 14.20. Accounting Allocation of State's Base Rent. Exhibit C hereto allocates the Base Rent payments of the State under the 2018N Lease among the 2018N Sublessees for accounting purposes. Exhibit C is included solely at the request of the Sublessee for its accounting purposes and shall not affect, and may not be used to determine, any rights or obligations of the State, the Sublessee or any other Person under this Sublease, the 2018N Lease, the Indenture or the Site Lease or for any other purpose.

Section 14.21. Assistance Board as Party. The Assistance Board is a party to this Sublease solely for the purpose of complying with the Act. Except as otherwise provided in Section 14.05 and 14.07 hereof, all actions hereunder or with respect hereto may be taken by the State, acting by and through the State Treasurer, without any participation by the Assistance Board.

Section 14.22. Rights and Obligations of Sublessee's Chartering Authority. Notwithstanding any other provision of this Sublease, if the Sublessee's Chartering Authority is a party to this Sublease:

(a) The Sublessee's Chartering Authority is a party to this Sublease solely for purposes of this Section.

(b) If (i) the Sublessee's Charter is terminated or expires for any reason, (ii) the Sublessee attempts, without the written consent of the State and the Sublessee's Chartering Authority, to transfer all or any portion of its interest in, to sublease or to grant the right to use the Leased Property to any other Person other than the Sublessee's Chartering Authority (except for a right to use that does not interfere with the operation of the Leased Property as a charter school in accordance with the Sublessee's Charter) or (iii) the Sublessee fails to use the Leased Property as a charter school in accordance with its Charter, then, automatically, without any further action by any Person, all the rights and obligations of the Sublessee under this Sublease and to the Leased Property shall terminate and the Sublessee's Chartering Authority shall succeed to all the rights and obligations of the Sublessee under this Sublease and to the Leased Property. If any such event occurs, the Sublessee and the Sublessee's Chartering Authority shall immediately deliver written notice to the State and the Trustee and the Sublessee, the Sublessee's Chartering Authority, the State and the Trustee shall take all actions reasonably requested by any of them to evidence such termination and succession, but a failure to deliver any such notice or take any such action shall not affect the operation of the first sentence of this subsection.

(c) If an Event of Default or Event of Nonappropriation under the 2018N Lease has occurred and the Sublessee has not delivered the notice required to be delivered to the Trustee and the State under Section 9.01(b)(i) hereof or the Sublessee has delivered such notice but has failed to pay the Sublessee's Purchase Option Price on the closing date pursuant to Section 9.01 hereof, the State shall notify the Sublessee's Chartering Authority and the Sublessee's Chartering Authority shall have the option to purchase the Leased Property in accordance with Section 9.01 hereof; provided that the Site Lessor shall have an additional 15 Business Days after delivery of the notice from the State to deliver a notice to the Trustee and the State in accordance with Section 9.01(b)(i) hereof.

(d) If, but for the application of this Section, an Event of Default has occurred or events have occurred that, with the passage of time without a cure, will result in an Event of Default (for purposes of this Section, a "prospective Event of Default"), the State shall notify the Sublessee's Chartering Authority and the Sublessee's Chartering Authority shall have the right to cure the prospective Event of Default within the time period available to the Sublessee under Section 12.01 hereof plus 15 Business Days. If the Sublessee's Chartering Authority cures the prospective Event of Default pursuant to this subsection, no Event of Default shall be deemed to have occurred and the Sublessee's Chartering Authority shall have the option to succeed to all rights and obligations of the Sublessee under this Sublease by delivering a written notice to the State and the Trustee that it desires to do so. If the Sublessee delivers such a notice, it shall automatically, without any further action by any Person, succeed to the rights and obligations of the Sublessee under this Sublease and the State and the Trustee shall take all actions reasonably requested by the Sublessee's Chartering Authority to effect and evidence such succession.

(e) If (i) the Sublessee's Chartering Authority is the Site Lessor under the Site Lease pursuant to which the Leased Property subject to this Sublease is leased to the Trustee and (ii)(A) such Leased Property is conveyed by the Trustee to the State pursuant to the Lease pursuant to which such Leased Property is leased to the State or (B) such Leased Property is conveyed by the State to the Sublessee pursuant to Section 9.03 hereof, then, the Sublessee and the Sublessee's Chartering Authority agree that such Site Lease shall, pursuant to Section 11.03 thereof, continue with the Sublessee succeeding to the rights and obligations of the Trustee thereunder.

THE PARTIES HERETO HAVE EXECUTED THIS SUBLEASE OF ________________ AS OF THE DATE FIRST SET FORTH ABOVE

* Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

[SUBLESSEE] _______________________________ Name, Title [DISTRICT SEAL] Attest: _______________________________ Name, Title [SUBLESSEE'S CHARTERING AUTHORITY] By: __________ Title: __________ _______________________________ *Signature	**STATE OF COLORADO** **John W. Hickenlooper, GOVERNOR** Department of the Treasury Walker R. Stapleton, Treasurer _______________________________ By Walker R. Stapleton, Treasurer
STATE OF COLORADO **John W. Hickenlooper GOVERNOR** Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: _______________________________ Brandon Ates, Manager of Real Estate Programs	**PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD**, acting on behalf of the State of Colorado By:_______________________________ Tim Reed, Chair
	STATE OF COLORADO **John W. Hickenlooper, GOVERNOR** **LEGAL REVIEW** **Cynthia H. Coffman, Attorney General** By:_______________________________ Lori Ann F. Knutson, First Assistant Attorney General

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

CRS §24-30-202 requires the State Controller to approve all State Contracts. This Sublease is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER
Robert Jaros, MBA, CPA, JD

By:_______________________________
Robert Jaros, State Controller

Date:____________________

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

The foregoing instrument was acknowledged before me this ___ day of November, 2018, by Walker R. Stapleton, Treasurer, acting on behalf of the State of Colorado, and by Tim Reed, Chair of the Public School Capital Construction Assistance Board, acting on behalf of the State of Colorado.

WITNESS MY HAND AND OFFICIAL SEAL the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

STATE OF COLORADO)
) ss.
COUNTY OF _________)

The foregoing instrument was acknowledged before me this ___ day of December, 2018, by _______, as President, and _______, as Secretary, of [Name of Sublessee].

WITNESS MY HAND AND OFFICIAL SEAL the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

[ADD CHARTER NOTARY IF APPLICABLE]

EXHIBIT A

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

[omitted for form of Series 2018N Sublease appended to Official Statement]

EXHIBIT B

SPECIFICATIONS FOR PROJECT

[omitted for form of Series 2018N Sublease appended to Official Statement]

EXHIBIT C

ACCOUNTING ALLOCATION OF STATE'S BASE RENT

[omitted for form of Series 2018N Sublease appended to Official Statement]

EXHIBIT D

MATCHING MONEYS

[omitted for form of Series 2018N Sublease appended to Official Statement]

EXHIBIT E

FORM OF ASSISTANCE FUND REQUISITION

[omitted for form of Series 2018N Sublease appended to Official Statement]

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APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

$240,425,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2018N

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Certificate") is executed and delivered by the State of Colorado (the "**State**"), acting by and through the Department of the Treasury, in connection with the execution and delivery of the above-referenced Certificates of Participation (the "**Certificates**") evidencing assignments of proportionate interests in the right to receive certain payments payable under an annually renewable State of Colorado Building Excellent Schools Today Series 2018N Lease Purchase Agreement, dated as of December 6, 2018, entered into by and between Zions Bancorporation, National Association, as trustee (the "**Trustee**") under the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009 (as supplemented from time to time, the "**Indenture**"), as lessor, and the State. The Certificates are being delivered pursuant to the Indenture and under authority granted by the laws of the State, including particularly Article 43.7 of Title 22, Colorado Revised Statutes.

The State covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Owners of the Certificates and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information or operating data with respect to the State, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such financial information and operating data under "APPENDIX E – THE STATE GENERAL FUND," "APPENDIX G – PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND," "APPENDIX H – LEASED PROPERTY RELATING TO THE PRIOR CERTIFICATES" and "APPENDIX J – STATE PENSION SYSTEM."

"Audited Financial Statements" means the annual financial statements for the State, prepared in accordance with generally accepted accounting principles as applicable to governmental entities as in effect from time to time, audited by the State Auditor.

"Events" means any of the events listed in Section 4(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board. As of the date hereof, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" means the final Official Statement delivered in connection with the original issue and sale of the Certificates.

"Owner of the Certificates" means the registered owner of the Certificates, and so long as the Certificates are subject to the book entry system, any Beneficial Owner as such term is defined in the Indenture.

"Rule 15c2-12" shall mean Rule 15c2-12 adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Information.

(a) Commencing with the Fiscal Year ended June 30, 2018, and annually while the Certificates remain outstanding, the State shall provide to the MSRB the Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided by the State not later than 270 days after the end of each Fiscal Year of the State. The Audited Financial Statements will also be provided not later than 270 days after the end of each Fiscal Year; provided, however, that in the event the Audited Financial Statements are not available within the time specified, such Audited Financial Statements will be provided thereafter as soon as they are available.

(c) The State may provide Annual Financial Information and Audited Financial Statements by specific cross-reference to other documents which have been submitted to the MSRB or filed with the U.S. Securities and Exchange Commission. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The State shall clearly identify each such other document so incorporated by cross-reference.

SECTION 4. Reporting of Events.

(a) The State shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the Event, notice of any of the Events listed below with respect to the Certificates:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancement relating to the Certificates reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with

respect to the tax status of the Certificates, or other material events or events affecting the tax status of the Certificates.

7. Modifications to the rights of the security holders, if material.

8. Certificate calls (other than mandatory sinking fund redemption), if material, and tender offers.

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the obligated person (as defined in Rule 15c2-12).*

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) At any time when the Certificates are Outstanding and the State obtains knowledge of the occurrence of an Event, the State shall determine if any Event under subsection (a)(2)(7),(8, with respect to calls but not tender offers), (10), (13) or (14) would constitute material information for Owners of the Certificates.

(c) At any time the Certificates are outstanding, the State shall provide, in a timely manner after the occurrence thereof, to the MSRB, notice of any failure of the State to timely provide the Annual Financial Information as specified in Section 3 hereof.

SECTION 5. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and

* For the purposes of this event identified in Section 4(a)(12) hereof, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 6. Term. This Disclosure Certificate shall be in effect from and after the execution and delivery of the Certificates and shall extend to the earliest of (a) the date all principal and interest on the Certificates shall have been deemed paid pursuant to the terms of the Indenture; (b) the date that the State shall no longer constitute an "obligated person" with respect to the Certificates within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates, which determination may be made in any manner deemed appropriate by the State, including by an opinion of an attorney or firm of attorneys experienced in federal securities law selected by the State. The State shall file a notice of any such termination with the MSRB.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is required or permitted by Rule 15c2-12. Written notice of any such amendment or waiver shall be provided by the State to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the State shall not be required to do so. If the State chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 9. Default and Enforcement. If the State fails to comply with any provision of this Disclosure Certificate, any Owner of the Certificates may take action to seek specific performance by court order to compel the State to comply with its undertaking in this Disclosure Certificate; provided that any Certificate Owner seeking to require the State to so comply shall first provide at least 30 days' prior written notice to the State Treasurer of the State's failure (giving reasonable details of such failure), following which notice the State shall have 30 days to comply and, provided further, that only the Owners of no less than a majority in aggregate principal amount of the Certificates may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the State in accordance with this Disclosure Certificate, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State. A DEFAULT UNDER THIS DISCLOSURE CERTIFICATE SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE CERTIFICATES, AND THE SOLE REMEDY UNDER THIS DISCLOSURE CERTIFICATE IN THE EVENT OF ANY FAILURE OF THE STATE TO COMPLY WITH THIS DISCLOSURE CERTIFICATE SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the State, the Participating Underwriters and Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the State has caused this Continuing Disclosure Undertaking to be executed effective as of December 6, 2018.

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

By:____
Treasurer of the State of Colorado

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APPENDIX D

FORM OF BOND COUNSEL OPINION

December 6, 2018

State of Colorado,
  acting by and through the State Treasurer
Zions Bancorporation, National Association,
  as Trustee
RBC Capital Markets, LLC
Citigroup Global Markets Inc.
George K. Baum & Company
J.P. Morgan Securities LLC
KeyBanc Capital Markets
Stifel, Nicolaus & Company, Incorporated

$240,425,000
State of Colorado
Building Excellent Schools Today Certificates of Participation
Tax-Exempt Series 2018N

Ladies and Gentlemen:

We have been engaged by the State of Colorado, acting by and through the State Treasurer (the "State"), to act as bond counsel in connection with the execution and delivery of the Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2018N (the "Series 2018N Certificates"). The Series 2018N Certificates are being executed and delivered pursuant to the Building Excellent Schools Today Act, part 1, article 43.7, title 22, Colorado Revised Statutes, as amended; and the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009, as supplemented by the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Indenture dated as of August 12, 2009, the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Indenture dated as of March 16, 2010, the State of Colorado Building Excellent Schools Today Series 2010D-F Supplemental Trust Indenture dated as of December 16, 2010, the State of Colorado Building Excellent Schools Today Series 2011G Supplemental Trust Indenture dated as of December 8, 2011, the State of Colorado Building Excellent Schools Today October 2012 Supplemental Trust Indenture dated as of October 31, 2012, the State of Colorado Building Excellent Schools Today Series 2012H Supplemental Trust Indenture dated as of December 6, 2012, the State of Colorado Building Excellent Schools Today Series 2013I Supplemental Trust Indenture dated as of December 9, 2013, the State of Colorado Building Excellent Schools Today 2015 Supplemental Trust Indenture dated as of February 12, 2015, the State of Colorado Building Excellent Schools Today Series 2017J Supplemental Trust Indenture dated as of December 7, 2017, the State of Colorado Building Excellent Schools Today Series 2017K Supplemental Trust Indenture dated as of December 7, 2017, the State of Colorado Building Excellent Schools Today Series 2018L Supplemental Trust Indenture dated as of September 18, 2018, the State of Colorado Building Excellent Schools Today Series 2018M Supplemental Trust Indenture dated as of September 18, 2018 and the State of Colorado Building Excellent Schools Today Series 2018N Supplemental Trust Indenture dated as of December 6, 2018 (collectively, the "Indenture") by Zions Bancorporation, National Association, as trustee thereunder (the "Trustee"). The Series 2018N Certificates evidence undivided interests in the right to certain payments by the State under the State of Colorado Building Excellent Schools Today Series 2018N Lease Purchase Agreement dated as of December 6, 2018 (the "2018N Lease"), the State of Colorado Building Excellent Schools Today Series 2018L Amended and Restated Lease Purchase

Agreement dated as of September 18, 2018 (the "2018L Lease"), the State of Colorado Building Excellent Schools Today Series 2018M Amended and Restated Lease Purchase Agreement dated as of September 18, 2018 (the "2018M Lease"), the State of Colorado Building Excellent Schools Today Series 2017J Lease Purchase Agreement dated as of December 7, 2017 (the "2017J Lease"), the State of Colorado Building Excellent Schools Today Series 2017K Amended and Restated Lease Purchase Agreement dated as of December 7, 2017 (the "2017K Lease"), the State of Colorado Building Excellent Schools Today 2015 Lease Purchase Agreement dated as of February 12, 2015 (the "2015 Lease"), the State of Colorado Building Excellent Schools Today Series 2013I Lease Purchase Agreement dated as of December 9, 2013 (the "2013I Lease"), the State of Colorado Building Excellent Schools Today Series 2012H Lease Purchase Agreement dated as of December 6, 2012 (the "2012H Lease"), and the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated as of September 12, 2009 (the "2009A Lease"; and, together with the 2018N Lease, the 2018M Lease, the 2018L Lease, the 2017K Lease, the 2017J Lease, the 2015 Lease, the 2013I Lease, the 2012H Lease, the "Leases") by and between the Trustee, as lessor, and the State, as lessee. Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

We have examined the documents listed in the preceding paragraph, the 2018N Site Leases pursuant to which the 2018N Leased Property has been leased to the Trustee by the 2018N Site Lessors, the 2018N Subleases pursuant to which the 2018N Leased Property has been subleased to the 2018N Sublessees by the State and the Tax Compliance Certificates executed and delivered by the State, the 2018N Sublessees in connection with the execution and delivery of the Series 2018N Certificates; 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 opinions set forth herein; and the proceedings, certificates, documents, opinions and other papers delivered in connection with the execution and delivery of the Series 2018N Certificates. As to questions of fact material to our opinion, we have relied upon the representations and certifications set forth in the items examined, without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery by the Trustee and the enforceability against the Trustee of the Leases, the Indenture and the Series 2018N Certificates, the due authorization, execution and delivery by each Site Lessor and the enforceability against each Site Lessor of its Site Lease, the due authorization, execution and delivery by each Sublessee and the enforceability against each Sublessee of its Sublease, and the due authorization, execution and delivery by each Sublessee its respective Tax Compliance Certificate; have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion delivered by the Attorney General of the State in connection with the execution and delivery of the Series 2018N Certificates with respect to the authorization, execution and delivery of the Leases, the 2018N Subleases and the State's Tax Compliance Certificate by the State, the enforceability of the 2018N Subleases and the State's Tax Compliance Certificate against the State (but not the enforceability of the 2018N Lease) and other matters; and have assumed that the State, the Trustee, the Site Lessors, the Sublessees and other parties will comply with, and perform their obligations in accordance with, the Leases, the Indenture, the Site Leases, the Subleases and the Tax Compliance Certificates of the State and the Sublessees.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The State has the power to enter into and perform its obligations under the 2018N Lease.

2. The 2018N Lease has been duly authorized, executed and delivered by the State and is the legal, valid and binding obligation of the State enforceable against the State in accordance with its terms.

3. The Series 2018N Certificates evidence legal, valid and binding undivided interests in the right to certain payments, as provided in the Series 2018N Certificates and the Indenture, from Base Rent payable by the State under the Leases as provided in the Leases.

4. Under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2018N Certificates (including any original issue discount properly allocable to the owner of a Series 2018N Certificate) 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 set forth in the preceding sentence assume compliance by the State and the Sublessees with certain covenants relating to requirements of the Code that must be met subsequent to the delivery of the Series 2018N Certificates. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes, retroactive to the date of delivery of the Series 2018N Certificates. We express no opinion regarding (a) the effect of any termination of the State's obligations under the Leases, under certain circumstances as provided in the Leases, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2018N Certificates; or (b) any other federal tax consequences related to the ownership or disposition of the Series 2018N Certificates. We note, however, that for taxable years beginning before January 1, 2018, the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2018N Certificates is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes).

5. Under existing State of Colorado statutes, the interest received by the Owners of the Series 2018N Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases is exempt from State of Colorado income tax. We express no opinion regarding (i) the effect of any termination of the State's obligations under the Leases on interest received or income of the Owners of the Series 2018N Certificates subsequent to such termination; or (ii) any other tax consequences related to the ownership or disposition of Series 2018N Certificates under the laws of the State of Colorado or any other state or jurisdiction.

The rights of the Owners of the Series 2018N Certificates and the enforceability of the Series 2018N Certificates and of the 2018N Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise of judicial discretion, by the exercise by the State 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 herein and we offer no other opinion or advice as to any other aspect of the transaction generally described herein. In particular, but without limitation, we offer no opinion or advice as to the enforceability of the Site Leases, the Leases, the Indenture or the Series 2018N Certificates against the Trustee; the enforceability of the Site Leases against the Site Lessors; the enforceability of the Subleases against the State or the Sublessees, the creditworthiness or financial condition of the State, the Trustee or any other person; the accuracy or completeness of the statements made in connection with the offer and sale of the Series 2018N Certificates; or the ability of the State to use moneys from any particular source for the purpose of making payments under the Leases.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the Series 2018N Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

This opinion is based solely on the Constitution and laws of the State, the provisions of the Code and the regulations, rulings and judicial decisions relevant to the opinions set forth herein, the other items described in the second paragraph hereof and the assumptions set forth herein. The opinions set forth herein may be affected by changes in the items described in the second paragraph hereof and actions taken or omitted or events occurring after the date hereof. This opinion speaks only as of its date and our engagement with respect to the Series 2018N Certificates has concluded with the delivery of this opinion. We have no obligation to update this opinion or to inform any person about any changes in the items described in the second paragraph hereof, any actions taken or omitted or events occurring after the date hereof or any other matters that may come to our attention after the date hereof.

Respectfully submitted,

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 changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 CAFR and subsequent CAFRs includes a large number of statutorily created special State funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2016-17 CAFR and Fiscal Year 2017-18 BFS 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 2018-19 and 2019-20. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX G – "OSPB SEPTEMBER 2018 REVENUE FORECAST," as well as "PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements" at the beginning of this Official Statement.

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State of Colorado
General Fund Revenue Sources

(Accrual basis; dollar amounts expressed in millions)

	Actual										OSPB September 2018 Revenue Forecast			
	Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20	
Revenue Source	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**
Excise Taxes:														
Sales Tax[1]	$2,425.3	9.7%	$2,619.2	8.0%	$2,652.6	1.3%	$ 2,826.1	6.5%	$3,093.6	9.5%	$3,348.0	8.2%	$3,527.1	5.3%
Use Tax	241.3	(0.6)	260.3	7.8	241.2	(7.3)	259.5	7.6	309.9	19.4	328.3	5.9	345.5	5.2
	2,666.6	8.6	2,879.5	8.0%	2,893.8	0.5	3,085.6	6.6	3,403.5	10.3	3,676.3	5.1	3,872.6	5.3
Cigarette Tax	36.6	(4.5)	37.9	3.6	37.2	(1.8)	36.6	(1.7)	34.6	(5.5)	32.8	(5.2)	31.3	(4.5)
Tobacco Products[2]	16.9	8.5	17.8	5.3	21.1	18.5	21.2	0.6	16.4	(22.7)	23.8	45.2	24.7	3.8
Liquor Tax	40.3	2.9	41.5	2.8	43.6	5.0	45.0	3.3	46.5	3.3	47.9	3.1	48.0	0.3
	93.8	0.8	97.2	3.6	101.9	4.8	102.8	0.9	97.5	5.6				
Total Excise Taxes	2,760.4	8.4	2,976.7	7.8	2,995.7	0.6	3,188.0	6.4	3,501.0	9.8	3,780.9	8.0	3,976.7	5.2
Income Taxes:														
Net Individual Income Tax	5,696.1	1.8	6,350.1	11.5	6,526.5	2.8	6,760.9	3.6	7,577.2	12.1	8,015.2	5.8	8,481.2	5.8
Net Corporate Income Tax	720.7	13.3	692.9	(3.9)	652.3	(5.8)	509.3	(21.9)	781.9	53.5	885.5	13.2	977.0	10.3
Total Income Taxes	6,416.8	3.0	7,043	9.8	7,178.8	1.9	7,270.2	1.3	8,359.1	15.0	8,900.7	6.5	9,458.2	6.3
Less State Education Fund Diversion[2]	(478.8)	(1.6)	(519.8)	8.6	(522.6)	0.5	(540.0)	3.3	617.0	14.3	658.6	6.8	698.7	6.1
Total Income Taxes to the General Fund	5,938.0	3.3	6,523.1	9.9	6,656.2	2.0	6,730.2	1.1	7,742.1	15.0	8,242.0	6.5	8,759.6	6.3
Other Revenues:														
Insurance	239.1	13.6	256.7	7.4	280.3	9.2	290.5	3.6	303.6	4.5	317.0	4.4	330.9	4.4
Interest Income	15.2	(12.8)	8.9	(41.7)	12.4	40.3	14.7	18.6	19.5	32.4	14.2	(27.3)	15.0	5.8
Pari-Mutuel	0.6	(8.8)	0.6	0.2	0.6	0.5	0.6	(6.6)	0.5	(10.7)	0.5	(2.0)	0.5	(2.0)
Court Receipts	2.6	9.5	2.6	0.3	3.5	34.5	4.1	17.5	4.4	7.6	4.5	2.3	4.6	2.2
Other Income	21.3	17.9	34.0	59.3	22.6	(33.7)	47.3	109.7	152.2[3]	221.7	23.0	(84.9)	24.1	4.7
Total Other	279.2	12.1	302.7	8.4	319.4	5.5	357.2	11.8	480.2	34.4	359.2	(25.2)	375.1	4.4
Gross General Fund	**$8,977.7**	**5.1%**	**$9,802.6**	**9.2%**	**$9,971.4**	**1.7%**	**$10,275.8**	**3.1%**	**$11,723.2**	**14.1%**	**12,382.1**	**5.6**	**$13,111.3**	**5.9%**

____

[1] State voters approved Proposition AA in November of 2013, which included the imposition by the State of a sales tax of 10% on sales of retail marijuana and retail marijuana products effective January 2014. Per SB 17-267, this tax was increased to 15% effective July 1, 2017. The revenue derived from this sales tax is shared by the State and local governments where such sales occur. Through Fiscal Years 2016-17, the entire State share of this revenue is first credited to the General Fund and then transferred to the Marijuana Tax Cash Fund. Per SB 17-267, for Fiscal Year 2017-18, 28.15% of the State share of this revenue, less $30 million, is to be retained in the General Fund, 71.85% is to be transferred to the Marijuana Tax Cash Fund and $30 million is to be credited to the Public School Fund and distributed to rural school districts. Proposition AA also approved the imposition by the State of an excise tax of 15% on certain sales of unprocessed retail marijuana effective January 2014 that does not flow through the General Fund but is mostly credited directly to a cash fund for public school capital construction projects. See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights – *Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA.*"

[2] All individual and corporate income tax revenues are deposited to the General Fund and then a portion of the amount is diverted by law to the State Education Fund. See Note 13 to the table in "General Fund Overview" hereafter.

[3] Other income for Fiscal Year 2017-18 includes an approximately $110.7 million one-time settlement with tobacco companies related to the terms of the Tobacco Master Settlement Agreement.

Source: Office of State Planning and Budgeting.

General Fund Overview

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2018-19 and 2019-20 (the Fiscal Years for which a budget has been adopted) from the OSPB September 2018 Revenue Forecast. The overview incorporates the budget under current law as of the publication of the OSPB September 2018 Revenue Forecast for Fiscal Years 2018-19 and 2019-20. Any new budget information will be incorporated in subsequent OSPB revenue forecasts. The format of the following table is used by the State in developing its annual budget, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations." See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX G – "OSPB SEPTEMBER 2018 REVENUE FORECAST," as well as "PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements" at the beginning of this Official Statement.

State of Colorado
General Fund Overview
Fiscal Years 2013-14 through 2019-20

(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited)[1]				Preliminary	OSPB June 2018 Revenue Forecast	
	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
REVENUE:							
Beginning Reserve	$ 373.0	$ 435.9	$ 689.6	$ 512.7	$614.5	$ 1,231.2	$ 1,026.0
Gross General Fund Revenue	8,977.7	9,802.6	9,971.4	10,275.8	11,723.2	12,382.1	13,111.3
Transfers to the General Fund[2]	14.1	64.9	24.1	44.8	98.5	19.2	20.1
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	9,364.8	10,303.4	10,685.1	10,833.4	$12,436.2	13,632.6	14,157.4
EXPENDITURES:							
Appropriation Subject to Limit[2]	8,218.7	8,869.0	9,335.6	9,784.5	10,430.9	11,217.7	12,311.9
Dollar Change From Prior Year	759.5	650.3	466.6	448.9	646.4	786.8	1,094.2
Percent Change From Prior Year	10.2%	7.9%	5.3%	4.8%	6.6%	7.5%	9.8%
Spending Outside Limit:	545.5	785.7	895.1	640.1	752.7	1,388.9	952.9
TABOR Refund under Subsection (7)(d)[3]	--	169.7	--	--	37.5	260.5	381.3
TABOR Refund under Subsection (3)(c)[4]	--	58.0	(58.0)	--	--	--	--
Rebates and Expenditures[5]	250.2	257.4	281.3	285.0	290.6	249.9	144.9
Transfer to Capital Construction[6]	186.7	248.5	271.1	84.5	112.1	179.2	60.0
Transfers to Highway Users Tax Fund[6]	--	--	199.2	79.0	79.0	495.0	200.0
Transfers to State Education Fund per SB 13-234[7]	45.3	25.3	25.3	25.3	25.3	25.0	--
Transfers to Other Funds[8]	30.9	42.2	176.2	164.8	208.2	179.4	166.7
Other Expenditures Exempt from General Fund Appropriations Limit[9]	32.4	0.5	--	1.5	--	--	--
TOTAL GENERAL FUND OBLIGATIONS	8,764.3	9,654.7	10,230.7	10,424.6	11,183.7	12,606.6	13,264.8
Percent Change from Prior Year	10.8%	10.2%	5.7%	1.9%	7.3%	12.7%	5.2%
Reversions and Accounting Adjustments[10]	(50.4)	(60.6)	(58.3)	(205.7)	(21.3)	--	--
RESERVES							
Year-End General Fund Balance	650.9	709.2	512.7	614.5	1,231.2	1,026.0	892.6
Year-End General Fund as a % of Appropriations	7.9%	8.0%	5.5%	6.3%	11.8%	9.1%	7.25%
General Fund Statutory Reserve Amount[11]	410.9	576.5	463.9	584.3	674.9	813.3	892.6
Unappropriated Reserve Percentage[11]	5.0%	6.5%	5.6%	6.0%	6.5	7.25	7.25
Amount Above (Below) Statutory Reserve	240.0	132.7	48.8	30.2	556.3	212.7	--
Transfer of Excess Reserve to State Education Fund/Other Funds[12]	(215.0)	--	--	--	--	--	--
Balance After Any Funds Above Statutory Reserve are Allocated	435.9	132.7	48.8	30.2	556.3	212.7	--

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1 This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs which are audited for the applicable Fiscal Years.

2 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.

3 Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected, although the actual refund may be made in the subsequent Fiscal Years. TABOR refunds are currently forecast for Fiscal Years 2018-19, 2019-20 and 2020-21 and are expected to occur [through the senior homestead and disabled veterans property tax exemption in the following Fiscal Years, respectively. See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights – *Fiscal Year Revenue and Spending Limits; Referendum C*" and "APPENDIX G – "OSPB SEPTEMBER 2018 REVENUE FORECAST – Taxpayer's Bill of Rights: Revenue Limit."

4 The amount shown in Fiscal Year 2014-15 reflects the amount that was set aside by HB 15-1367 in a special account to cover a potential TABOR refund relating to Proposition AA. HB 15-1367 also submitted to the State's voters at the November 3, 2015, general election the question of authorizing the State to retain and expend such amount. The question, designated Proposition BB, was approved by the voters and permitted the State to use the money for the uses specified in HB 15-1367. Consequently, a reversal of the $58 million set aside is shown in Fiscal Year 2015-16. See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights – *Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA,*" as well as Note 4 to this table and Note 2 to the table in "General Fund Revenue Sources" above.

[Footnotes continued on following page]

[5] This generally includes the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and the homestead property tax exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. The homestead exemption for qualified seniors was suspended for Fiscal Years 2009-10 through 2011-12. The homestead exemption for qualified disabled veterans was not affected by this suspension.

[6] The transfer amounts from the General Fund to the Highway Users Tax Fund and the Capital Construction Fund are based on legislation and the budget that is passed on an annual basis. SB 18-001 resulted in $495 million in transfers to transportation funds in Fiscal Year 2018-19 and $150 million in Fiscal Year 2019-20. Additional transportation transfers may also occur but are contingent upon potential ballot measures that may go before the voters.

[7] Annual General Fund transfers to the State Education Fund are required to be made in Fiscal Years 2013-14 through 2018-19 per SB 13-234.

[8] 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 Years 2015-16 and 2016-17 amounts also include a diversion of income tax revenue out of the General Fund to a separate severance tax fund pursuant to SB 16-218, which was passed in response to the April 2016 Colorado Supreme Court's decision in *BP America Production Company v. Colorado Department of Revenue* that allows for taxpayers to claim additional severance tax deductions. The amount of the diverted revenue under SB 16-218 totaled $56.8 million in Fiscal Year 2015-16 and $53.8 million in Fiscal Year 2016-17. Due to the risk of lower than expected severance tax revenues in Fiscal Year 2017-18 and subsequent years, HB 18-1338 requires General Fund transfers to various severance tax cash funds to protect program funding. HB 18 1338 also requires an equivalent amount of future severance tax revenue to be diverted to the General Fund to repay the transfers. See also "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*" and the section of the OSPB June 2018 Revenue Forecast captioned "CASH FUND REVENUE FORECAST – Severance Tax Revenue."

[9] Spending by the Medicaid program above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount in this line.

[10] The Fiscal Year 2016-17 amount in this line is an atypically large amount due mostly to a large reversion of Medicaid-related expenditures

[11] The Unappropriated Reserve requirement, codified as Section 24-75-201.1(1)(d), C.R.S., is a percentage of the amount appropriated for expenditure from the General Fund in the applicable Fiscal Year. For Fiscal Year 2015-16 only, the percentage is of the amount subject to the appropriations limit minus the amount of income tax revenue required to be diverted to a reserve fund to fund severance tax refunds as discussed in Note 9 above. For Fiscal Years 2015-16 to 2017-18, General Fund appropriations for lease purchase agreement payments made in connection with certificates of participation which were sold to fund certain capital projects were exempted from the reserve calculation requirement. Starting with Fiscal Year 2018-19, SB 17-267 raised the Unappropriated Reserve requirement to 7.25%. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*" and "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – The State, State Departments and Agencies."

[12] In past years, all or a portion of the amount in excess of the statutory reserve was required by law to be credited to other State funds, primarily the State Education Fund. For example, all of the Fiscal Year 2012-13 excess was required to be transferred to the State Education Fund. All of the Fiscal Year 2013-14 excess, except for $25 million that remained in the General Fund, was transferred to various other State funds in a specified order of priority per HB 14-1339, HB 14-1342 and SB 14-223. The amount remaining in the General Fund became part of the beginning reserve and funds available in Fiscal Year 2014-15. Under current law, all amounts remaining in the General Fund in excess of the statutory reserve in Fiscal Years 2015-16 and thereafter have or will become part of the beginning reserve and funds available in the following Fiscal Year.

Source: Office of State Planning and Budgeting.

Revenue Estimation; OSPB Revenue and Economic Forecasts

Revenue Estimating Process. The State relies on revenue estimation as the basis for establishing aggregate funds available for expenditure for its appropriation process. By statute, the OSPB is responsible for developing a General Fund revenue estimate. No later than June 20th prior to the beginning of each Fiscal Year, and no later than September 20th, December 20th and March 20th within each Fiscal Year, the Governor, with the assistance of the State Controller and the OSPB, is required to make an estimate of General Fund revenues for the current and certain future years. The revenue estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow.

The most recent OSPB Revenue Forecast was issued on September 20, 2018, and is included in this Official Statement as "APPENDIX G – "OSPB SEPTEMBER 2018 REVENUE FORECAST." The OSPB September 2018 Revenue Forecast projects revenues for Fiscal Years 2018-19 through 2020-21. The amounts forecast for Fiscal Years 2018-19 and 2019-20 (being the only years for which budgets have been adopted) are summarized in "General Fund Revenue Sources" and "General Fund Overview" above in this Appendix.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national macroeconomic forecast for the OSPB September 2018 Revenue Forecast was provided by Moody's Analytics Economy.com. The OSPB forecasts the State economy using a model originally developed partly in-house and partly by consultants to the State.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Moody's Analytics Economy.com's forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic data estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts and sales tax collections, the model forecasts only the aggregate amount for these revenues. For many of the smaller tax revenue categories, simple trend analyses are generally utilized to derive a forecast.

Revenue Shortfalls. The State's Fiscal Year budgets are prepared and surplus revenues are determined using the modified accrual basis of accounting in accordance with the standards promulgated by GASB, with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon the current forecast, there is anticipated to be an Unappropriated Reserve, the State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid. Also, prior forecasts of General Fund revenue may have overestimated the amount the State would receive for the Fiscal Year.

Whenever the Governor's revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures.

The next OSPB revenue forecast will be released in December of 2018. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB

September 2018 Revenue Forecast if economic conditions change markedly. If a revenue shortfall is projected for Fiscal Year 2019-20 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. See "CERTAIN RISK FACTORS – State Budgets and Revenue Forecasts."

Investment of the State Pool

General. The investment of public funds by the State Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The State Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitraged against must be closely matched in both dollar amount and term.

Fiscal Years 2016-17, 2017-18 and 2018-19 Investments of the State Pool. The following tables set forth the investment by category of the moneys in the State Pool as of the end of each month in Fiscal Years 2016-17, 2017-18 and 2018-19 (through October 2018).

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2016-17
(Amounts expressed in millions)[1]

	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017
Agency CMOs	$ 4.6	$ 4.4	$ 4.0	$ 3.8	$ 3.5	$ 3.3	$ 3.0	$ 2.8	$ 2.6	$ 2.4	$ 2.3	$ 2.1
Commercial Paper	1,030.2	1,135.0	1,208.1	912.3	915.4	843.3	959.2	664.4	484.6	865.0	756.8	745.6
U.S. Treasury Notes	1,179.7	1,106.7	978.8	933.7	983.9	954.3	954.6	875.4	875.0	874.7	874.3	884.1
Federal Agencies	2,842.3	2,442.4	2,240.1	2,235.1	1,935.2	1,845.9	2,300.5	2,040.5	2,359.8	1,780.5	1,945.2	1,263.4
Asset-Backed Securities	975.5	921.9	876.2	832.8	768.8	742.7	717.8	698.5	729.4	678.6	603.8	575.8
Money Market	251.0	381.0	450.0	455.0	410.0	410.0	410.0	350.0	295.0	525.0	290.0	265.0
Corporates	1,658.2	1,752.3	1,856.7	2,018.6	1,989.9	1,991.1	2,364.2	2,699.7	2,830.5	3,325.1	3,542.0	3,033.9
Certificates of Deposit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	**$7,941.5**	**$7,743.7**	**$7,613.9**	**$7,391.3**	**$7,006.7**	**$6,790.6**	**$7,709.3**	**$7,331.3**	**$7,576.9**	**$8,051.3**	**$8,014.4**	**$6,769.9**

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[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2017-18
(Amounts expressed in millions)[1]

	July 2017	Aug 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	June 2018
Agency CMOs	$ 1.9	$ 1.7	$ 1.6	$ 1.4	$ 1.3	$ 1.2	$ 1.0	$ 0.9	$ 0.8	$ 0.7	$ 0.7	$ 0.6
Commercial Paper	931.2	828.4	532.8	657.5	612.5	638.7	867.7	702.9	767.5	1,131.4	1,125.7	977.3
U.S. Treasury Notes	884.0	1,123.8	1,153.8	914.4	894.1	894.3	1,073.7	1,422.3	1,371.9	1,277.2	1,322.7	1,116.7
Federal Agencies	948.2	809.7	979.4	834.6	1,223.9	1,303.7	1,342.7	1,292.2	1,307.1	1,546.6	1,715.8	864.1
Asset-Backed Securities	581.1	519.1	514.3	546.3	562.8	609.4	644.9	654.1	672.3	674.2	781.5	789.3
Money Market	260.0	425.0	485.0	275.0	180.0	215.0	220.0	270.0	330.0	370.0	350.0	783.0
Corporates	3,847.5	3,553.3	3,628.9	3,824.4	3,156.3	3,143.8	3,803.6	3,328.6	3,550.8	3,737.1	3,523.0	3,199.4
Certificates of Deposit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	**$7,453.9**	**$7,261.0**	**$7,295.8**	**$7,053.6**	**$6,630.9**	**$6,806.1**	**$7,953.6**	**$7,671.0**	**$8,000.4**	**$8,737.2**	**$8,819.4**	**$7,730.4**

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2018-19
(Amounts expressed in millions)[1]

	July 2018	Aug 2018	Sept 2018	Oct 2018
Agency CMOs	$ 0.4	$ 0.5	$ 0.5	$ 0.4
Commercial Paper	832.4	887.9	968.7	1,331.0
U.S. Treasury Notes	1,294.8	1,159.0	1,279.0	1,224.4
Federal Agencies	1,356.6	1,249.7	1,219.8	677.6
Asset-Backed Securities	851.8	935.8	947.6	955.5
Money Market	350.0	255.0	540.0	450.0
Corporates	3,481.7	3,396.2	3,577.1	3,670.1
Certificates of Deposit	0.0	0.0	0.0	0.0
Totals	$8,167.7	$7,884.1	$8,532.7	$8,309.0

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office.

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APPENDIX F

OSPB SEPTEMBER 2018 REVENUE FORECAST

As discussed in "APPENDIX E – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts," the OSPB prepares quarterly revenue estimates and is currently forecasting for Fiscal Years 2017-18 through 2019-20. The forecasts include projections of General Fund revenues available for spending and end-of-year reserves through the forecast period. Budgeted General Fund spending levels are also included. The forecasts are based on historical patterns, with economic and legislative changes explicitly included in the models that forecast revenue growth, and include both State and national economic forecasts.

The most recent OSPB Revenue Forecast was issued on September 20, 2018, and is included in its entirety in this Appendix. The pagination of this Appendix reflects the original printed document.

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

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COLORADO
Office of State Planning & Budgeting

September | 2018

The Colorado Outlook

Economic and Fiscal Review

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Summary

- Relative to the June projections, preliminary FY 2017-18 General Fund revenue collections were $103.1 million higher, or 0.9 percent, while the FY 2018-19 forecast of General Fund revenue is higher by $303.2 million, or 2.5 percent. The FY 2018-19 revision includes $44 million in additional revenue expected from collection of state sales tax from online retailers that is expected to begin in December. The FY 2019-20 forecast is higher by $390.0 million, or 3.1 percent.

- After a strong 14.1 percent increase in FY 2017-18, General Fund revenue is forecast to increase at a more moderate rate of 5.6 percent in FY 2018-19. General Fund revenue is projected to increase at a rate of 5.9 percent in FY 2019-20 with continued economic growth.

- The General Fund reserve is estimated to be a preliminary $598.9 million above the required statutory reserve amount of 6.5 percent of appropriations in FY 2017-18. SB 18-276 increased the reserve requirement to 7.25 percent beginning in FY 2018-19. The General Fund reserve is projected to be $255.3 million above the higher required reserve amount under this forecast and FY 2018-19's budgeted expenditures.

- Preliminary cash fund revenue decreased by 15.9 percent in FY 2017-18 as the Hospital Provider Fee was replaced with the Healthcare Affordability and Sustainability Fee program, which is a TABOR-exempt enterprise in accordance with SB 17-267. FY 2018-19 cash fund revenue is expected to grow 5.2 percent, while FY 2019-20 growth is projected to slow to 1.2 percent.

- TABOR revenue is projected to be above the cap by a preliminary $16.2 million in FY 2017-18. TABOR revenue is expected to exceed the cap by $260.5 million in FY 2018-19 and $381.3 million in FY 2019-20. Under this forecast, the refund of the excess FY 2017-18 revenue will occur through the senior homestead and disabled veterans property tax exemption expenditures in FY 2018-19. The refund of excess FY 2019-20 revenue will occur via the homestead and disabled veterans property tax exemption expenditures and six-tier sales tax refund in FY 2020-21.

- Colorado's economic growth accelerated in the first half of 2018. Colorado's employment growth has been robust and widespread across all industries and most regions, while wage growth has risen above inflation in recent months. Oil and gas production has recovered from the mid-decade downturn, albeit at lower levels of employment, and business formation is strong. However, slower labor force growth and tight housing market conditions are expected to limit growth in the later years of the forecast.

- Underlying growth in the U.S. economy looks solid and recession risk appears low, however, unforeseen events could occur that might change this outlook. Trade policy continues to be a risk factor to business costs and agricultural prices. Further, if monetary policy tightens excessively and slows the supply of money in the economy, it could lead to a contraction.

The Economy: Issues, Trends, and Forecast

The following section discusses overall economic conditions in Colorado, nationally, and around the world. The OSPB forecast for economic conditions is slightly improved from the June 2018 Colorado Outlook. The economy has added more jobs than expected in recent months and wage growth is strong. This section includes an analysis of:

- Economic and labor market conditions in Colorado (page 5)
- Economic, financial, and labor market conditions for the nation (page 14)
- U.S. Housing market conditions (page 16)
- International economic conditions and trade (page 19)

Trends and forecasts for key economic indicators — A summary of key economic indicators with their recent trends and statistics, as well as forecasts, is provided at the end of this section. This summary of indicators is intended to provide a snapshot of the economy's performance and OSPB's economic projections, which are informed by the following analysis of the economy.

Summary — Colorado's economic growth has accelerated in the first half of 2018. Colorado's employment growth has been robust and widespread across all industries and most regions, while wage growth has risen above inflation in recent months. Oil and gas production has recovered from the mid-decade downturn, albeit at lower levels of employment. Business formation has continued to grow in response to greater economic confidence and as entrepreneurs identify opportunities in the expanding economy. Although Colorado continues to boast one of the lowest unemployment rates in the nation, tight labor and housing market conditions are expected to limit growth in the later years of the forecast.

The U.S. economy experienced the fastest growth in four years in the second quarter of 2018, driven largely by increases in consumer spending and business investment. Business confidence remains strong and most leading economic indicators point to continued expansion in the coming year. Industrial production growth has returned to rates experienced prior to the 2015-2016 industrial downturn with mining production experiencing particularly strong growth. Importantly, U.S. financial conditions remain generally supportive of continued growth and labor market momentum remains near the highest level of the current expansion. However, overall U.S. economic growth is expected to moderate over the remainder of the forecast period as the Federal Reserve continues to tighten monetary policy and growth in the labor force slows.

Economic risks — Underlying growth in the economy looks solid and recession risk appears low, however, unforeseen events could occur that might change this outlook. Trade policy continues to be a risk factor to business costs and agricultural prices. If monetary policy tightens excessively and slows the supply of money in the economy, it could lead to a contraction. In addition, some analysts have expressed concerns that equity markets are excessively valued. A large enough market correction could cause investors, businesses, and households to reduce spending in the economy. With the current economic expansion nearing the record for longest historical expansion, analysts are more cautious about the possibility of a recession. However, it might be that same caution that prevents "overheating" economic conditions, which have preceded some past recessions.

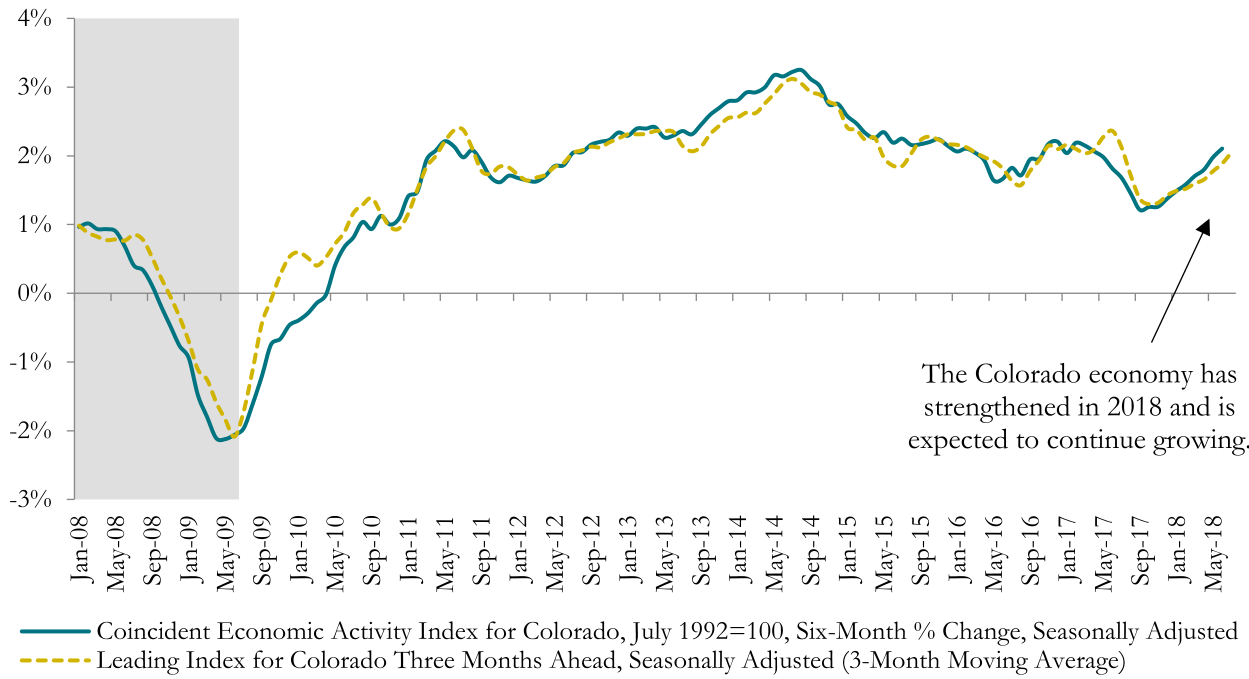
Colorado Economic Conditions

Indices that measure Colorado's economy show stronger growth through most of 2018 – As shown in Figure 1, the Federal Reserve Bank of Philadelphia's monthly Leading Index for Colorado indicates strengthening growth for Colorado's economy in the near term. The Leading Index combines economic indicators that have been found to precede changes in overall economic momentum. These include housing permits, initial unemployment insurance claims, and delivery times from vendors to producers.

Economic indices that measure broad economic activity show accelerating growth for Colorado in 2018.

Another index of broad economic activity for Colorado shows that economic growth has accelerated slightly. The Federal Reserve Bank of Philadelphia's Coincident Economic Activity Index provides a broad, up-to-date measure of state economic activity and matches growth in a state's gross domestic product (GDP) over time. It combines four state-level indicators to track current economic conditions: employment, average hours worked in manufacturing, the unemployment rate, and inflation-adjusted wage and salary disbursements. Movement in the Coincident Economic Activity Index is predicted by the Leading Index. To show this relationship, Figure 1 overlays the leading index, advanced three months ahead, with the coincident index.

Figure 1. Colorado Leading and Coincident Economic Indices



Source: Federal Reserve Bank of Philadelphia

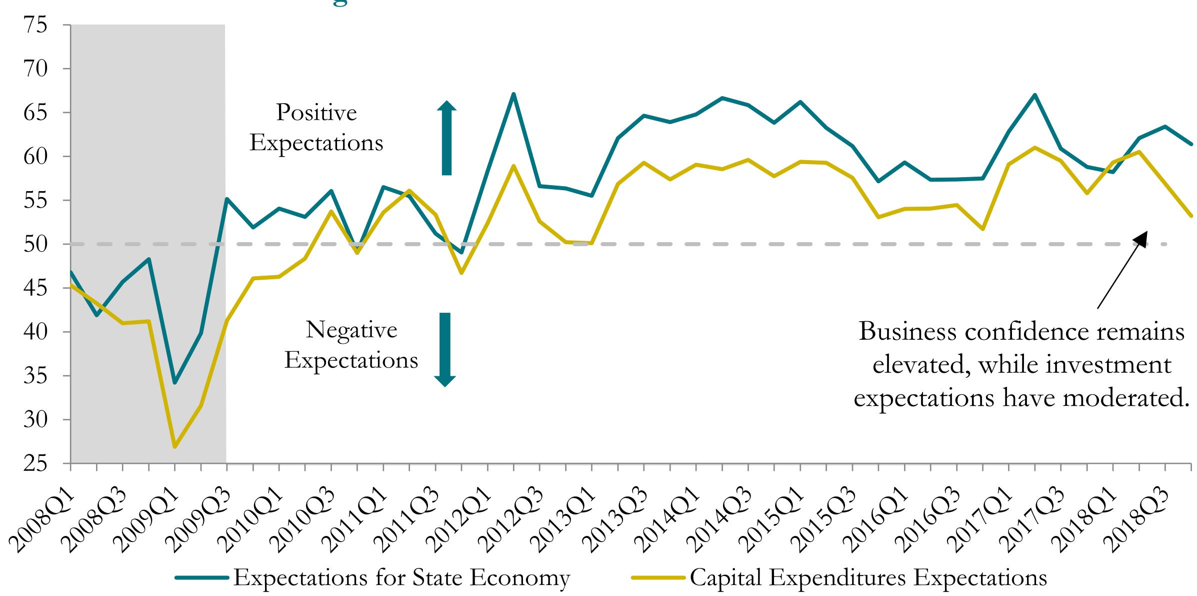
Expectations for the state economy remain positive, while capital expenditure expectations moderate – The Leeds Business Confidence Index, published by the University of Colorado at Boulder's Leeds School of Business, measures business expectations for the two upcoming quarters. Figure 2 shows the index for business expectations for the overall state economy as well as for capital expenditures since the Great Recession and through the fourth quarter of 2018.

Businesses' expectations for the economy remain optimistic, while capital investment is expected to moderate, but remain positive.

Positive expectations for Colorado's economic growth have declined slightly in recent quarters, but remain firmly optimistic. Employment and personal income growth combined with real GDP expansion have contributed to the confidence seen in 2018. This confidence has been tempered in more recent quarters by concerns regarding labor shortages, affordable housing, and U.S. trade policy.

Expectations for the economy are a key factor for future performance. When expectations for the economy are positive, businesses are more likely to hire and invest, which in turn facilitates economic growth. The recent trend in the index suggests that economic growth will likely remain positive in the near term.

Figure 2. CU Leeds Business Confidence Index*



* Readings above 50 indicate positive expectations, with higher readings signifying greater business confidence, while readings below 50 represent negative expectations.

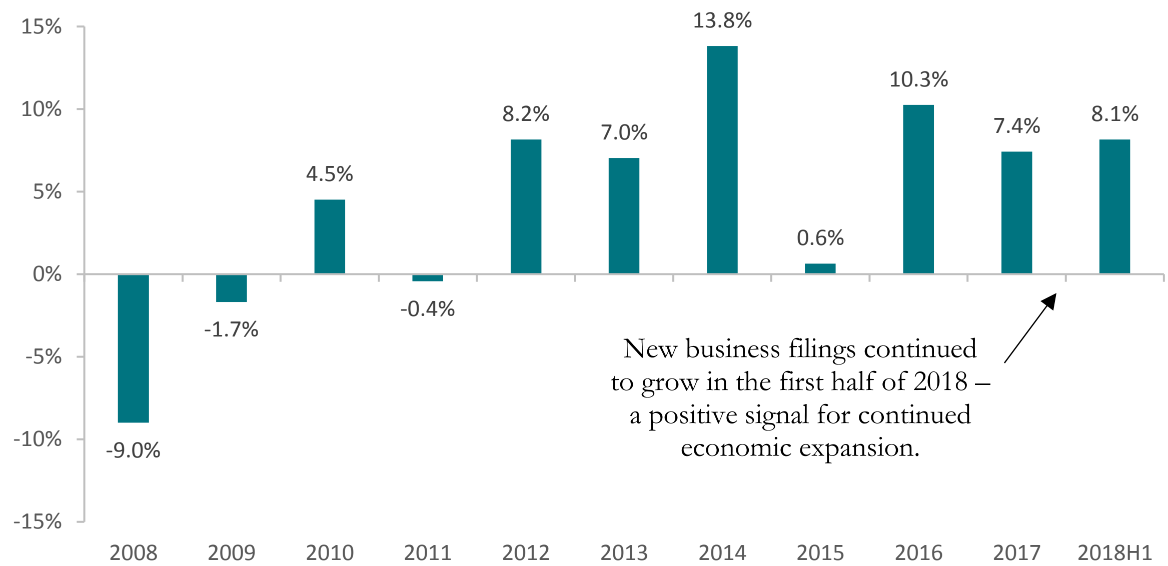
Source: CU Leeds School of Business, Business Research Division

New business formation continues at an accelerated pace – New business filings with the Colorado Secretary of State's office grew 8.1 percent in the first half of 2018 compared to the same period a year earlier. Trends in business formation are important for assessing the economy's underlying momentum. Increased levels of business formation indicate an optimism in the stability and growth of the economy. Since most new jobs are created by new businesses, business formation is also an important indicator of future job growth.

Filings for new businesses continued to grow in the first half of 2018, increasing at the fastest rate since 2014. This is a positive signal for continued economic growth.

Data from the Colorado Secretary of State's office indicate that a total of 31,572 new business filings were recorded in the second quarter of 2018, making a total of 67,244 new filings year to date. This is a slight moderation in growth from the first quarter, which increased 9.9 percent over the prior year, but nonetheless continues the trend of robust growth seen since 2015. When reviewing this data it is important to consider the effect the 2017 federal Tax Cuts and Jobs Act (TCJA) may have had on business formation, as organizations could restructure in the interest of reducing tax liability. Therefore, the TCJA is expected to increase the number of new entity filings above the number that would have occurred without the federal tax changes.

Figure 3. Year-over-Year Change in New Entity Filings to Do Business in Colorado



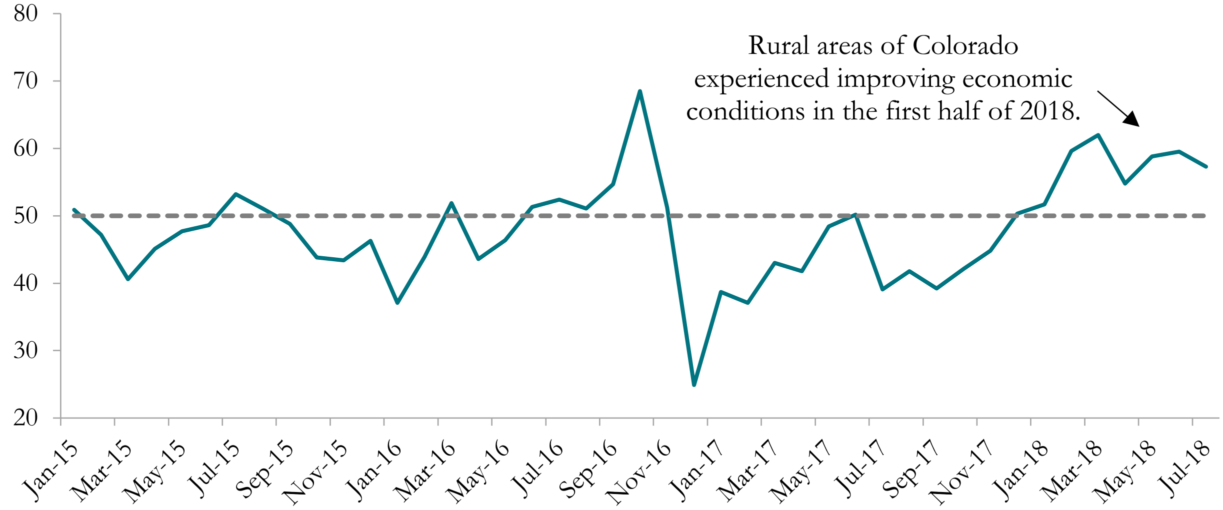
Source: Colorado Secretary of State

Stronger beef and grain prices have boosted agriculture in the first half of 2018, but drought and tariffs threaten continued growth.

Headwinds remain for Colorado's agricultural industry — The Colorado agricultural industry has shown some improvement in early 2018 as prices for wheat and beef increased from the previous year and farmland values remained relatively steady. Agricultural sector lending increased slightly in the second quarter, due primarily to larger loans for livestock resulting from higher prices. However, commodity prices remain below historical averages and beef and grain markets are facing increased competition from China in recent months. Farm income is about half of where it was five years ago. Drought and wildfire serve as headwinds, as do the impacts of tariffs on agricultural exports.

Economic conditions in Colorado's rural areas have shown some improvement — Colorado's rural economies, as measured by Colorado's Rural Mainstreet Index published by Creighton University, have experienced improving economic conditions since the beginning of 2018, as shown in Figure 4. The index measures economic activity in rural areas by surveying community banks on current and expected future economic conditions. Index readings above 50 signify growth. The index climbed to a 16-month high of 59.6 in February before decreasing to 57.3 in July.

Figure 4. Colorado's Rural Mainstreet Index

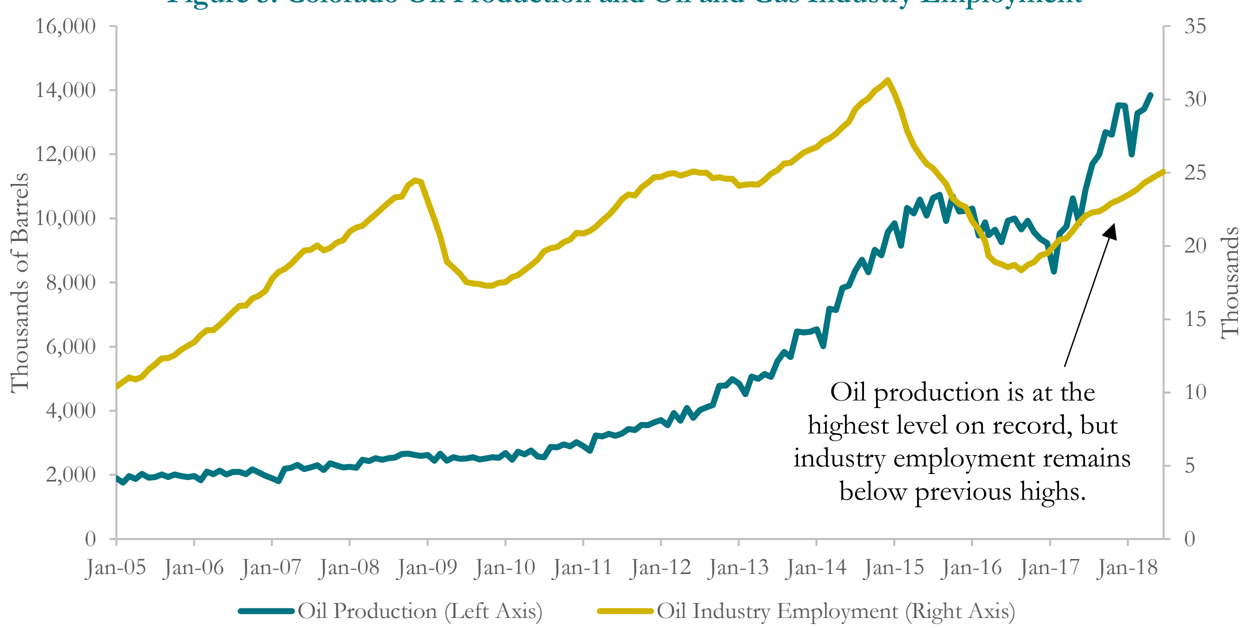


Source: Creighton University

Colorado oil production continues to outpace oil industry employment – Colorado oil production is currently at the highest levels on record, but oil industry employment remains nearly 20 percent below previous highs, as shown in Figure 5. Improved drilling techniques have reduced the time required to drill a well by more than 50 percent since 2014, allowing producers to remain profitable at lower price levels but also resulting in lower demand for labor. In 2008, Colorado monthly oil production averaged just under 110 barrels per employee, but increased efficiencies have driven that figure to more than 550 barrels per employee in recent months. Colorado production is expected to continue to grow as new production shifts away from Texas and New Mexico oil fields in response to pipeline capacity constraints in that region.

Colorado oil production is at record highs, driven by stable oil prices, new drilling techniques, and more efficient operations.

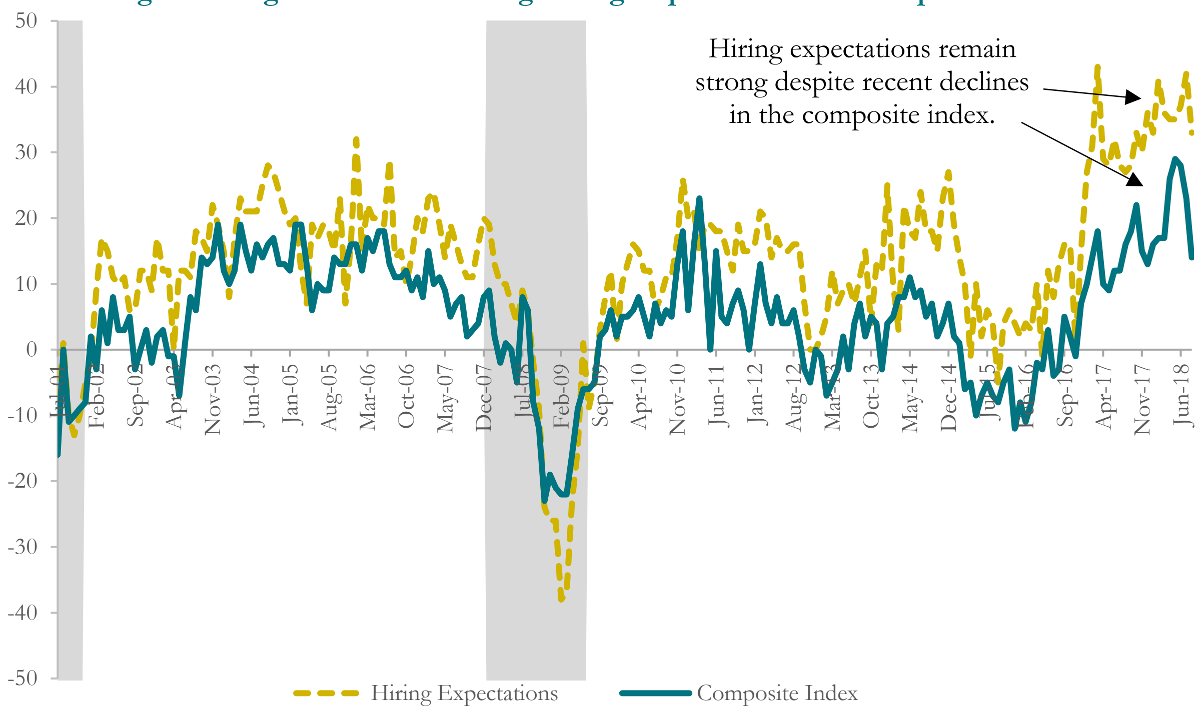
Figure 5. Colorado Oil Production and Oil and Gas Industry Employment



Source: U.S. Energy Information Administration, Colorado Department of Labor and Employment

Regional manufacturing growth slows, but industry expectations remain strong – Strong global economic growth and stable oil and gas prices have driven solid growth in regional manufacturing activity over the last two years. Tariffs, especially those on steel and aluminum, are contributing to rising input costs. Manufacturers are often unable to pass these costs onto customers due to previously agreed upon contract prices, which is reducing manufacturer profit margins. Nonetheless, the Federal Reserve Bank of Kansas City's 10th District Manufacturing Survey, which includes Colorado, reports that while the composite manufacturing index has fallen from its recent high, expectations for future activity and hiring remain strong.

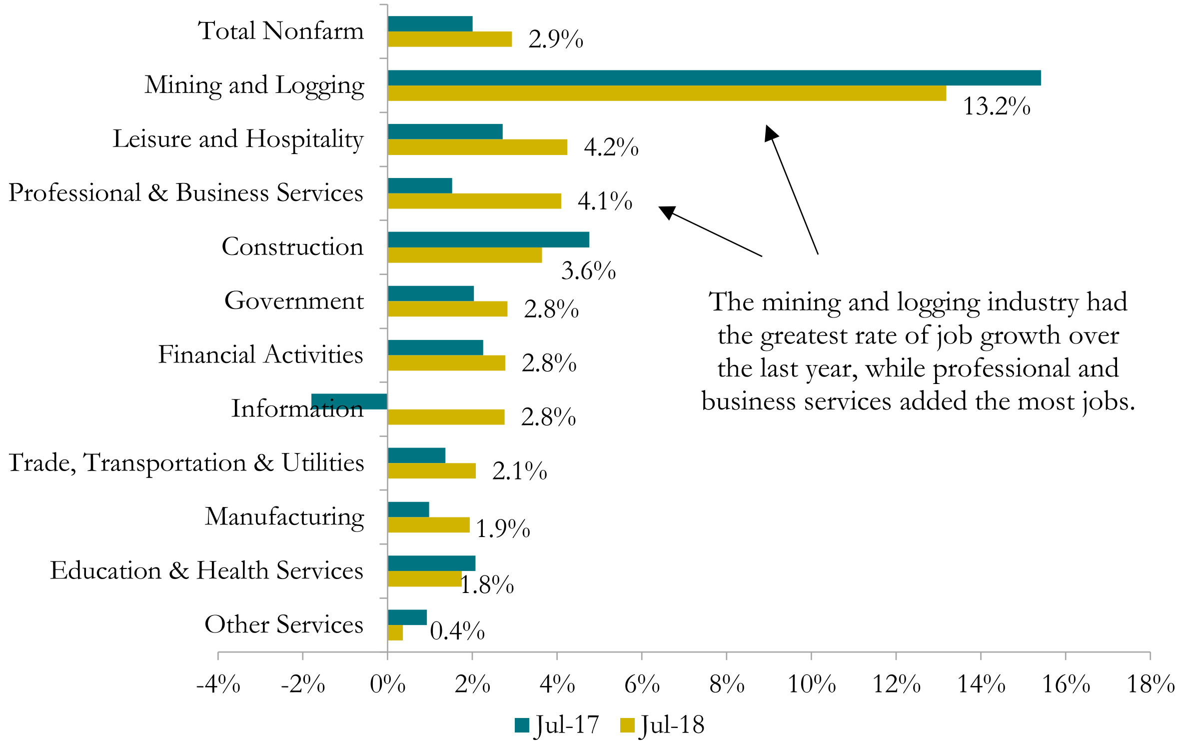
Figure 6. Regional Manufacturing Hiring Expectations and Composite Index



Source: Federal Reserve Bank of Kansas City

Colorado job growth has accelerated, with gains across all major industries– Colorado's strong economy is driving accelerated job growth in the state. As seen in Figure 7, all industries are currently experiencing job growth, with most experiencing faster job growth than a year ago. Mining and logging, which includes oil and gas, remains the fastest growing industry at 13.2 percent as it continues to rebound from the 2015-2016 energy downturn. Overall, Colorado has added 78,100 jobs over the last 12 months. This growth has been led by professional and business services, which added 16,900 jobs over that period, and by leisure and hospitality, which added 14,100 jobs.

Figure 7. Year-over-Year Job Growth by Industry



Source: Colorado Department of Labor and Employment

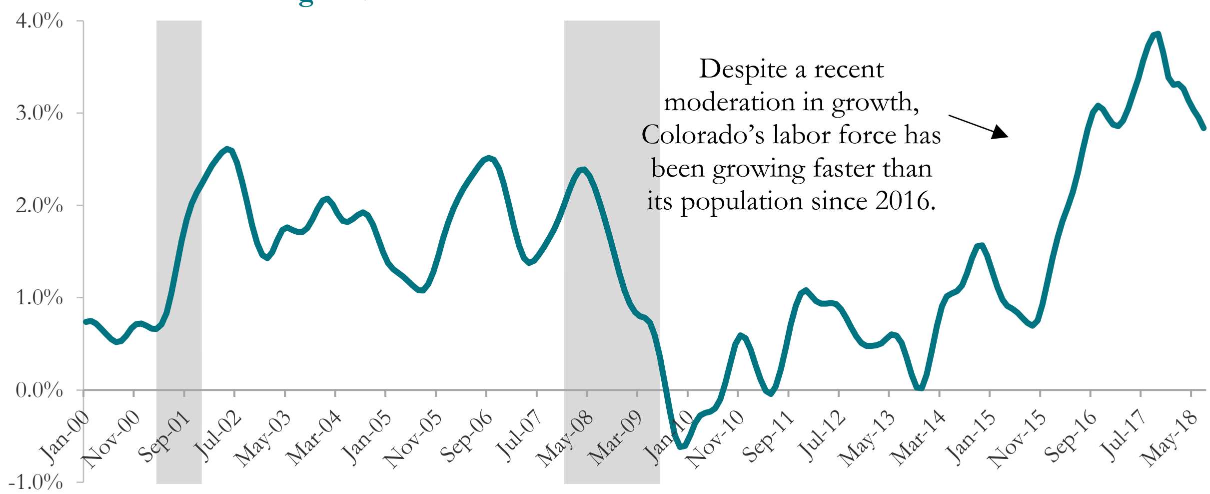
Colorado's tight labor market is leading to stronger wage growth – Colorado's unemployment rate was 2.8 percent in July and has not been above 3.0 percent since October 2016. Colorado has more jobs posted online than unemployed people. In general, when employers struggle to fill positions they are more likely to raise wages in order to recruit and retain talented workers. As shown in Figure 8, the three-month average of Colorado's year-over-year wage growth was 4.2 percent in July, and has been above inflation since fall 2017, a strong indication of the state's tight labor market and robust economic activity.

Figure 8. Colorado Average Hourly Earnings Year-over-Year Growth (3-month moving average)

Source: U.S. Bureau of Labor Statistics

Colorado's labor force is growing at a strong rate, supporting continued job growth – As seen in Figure 9, the state's labor force has been growing rapidly since 2016. Colorado's population growth was 1.6 percent in 2016, slowing to 1.4 percent in 2017. During this same period, the state's labor force grew by 5.9 percent, outpacing population growth by 2.9 percentage points. This is likely a result of workers who had previously dropped out of the labor force returning in response to strong job prospects and rising wages. Strong labor force growth has allowed solid job growth to continue despite low unemployment and slower net migration.

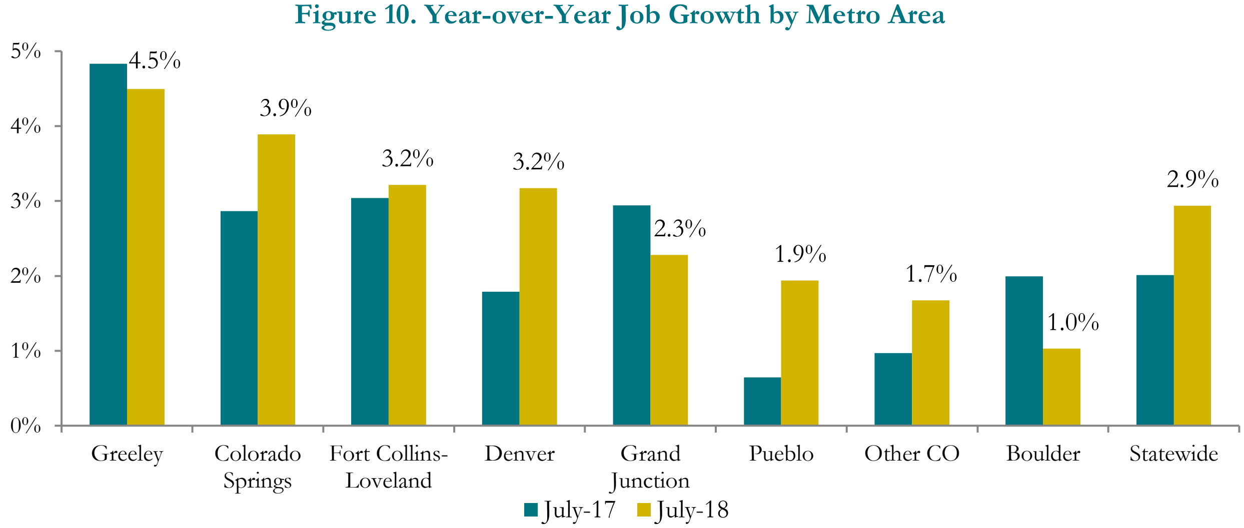
Figure 9. Colorado Year-over-Year Labor Force Growth



Source: U.S. Bureau of Labor Statistics

Greeley and Fort Collins beat the statewide average for both job growth and unemployment, while Boulder job growth has slowed under tighter labor market conditions – Among metro areas, Greeley and Colorado Springs experienced the most job growth over the last 12 months, at 4.5 percent and 3.9 percent respectively. Greeley's job growth is reflective of the recovery in the oil and gas industry, while Colorado Springs has benefitted from increased federal defense spending, growth in a diverse range of industries, and strong population growth. Boulder had the slowest job growth over the past 12 months, partly due to a lack of available workers. The Boulder metro area had nearly two jobs posted online per unemployed person in July, the highest ratio of all major metro areas in the state.

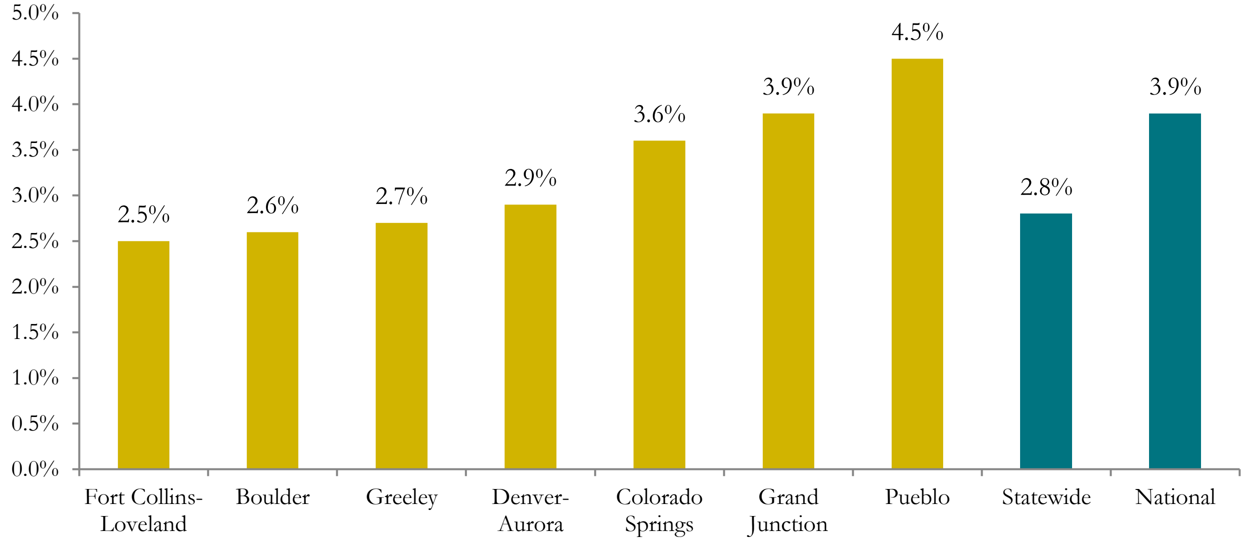
Figure 10. Year-over-Year Job Growth by Metro Area



Source: Colorado Department of Labor and Employment

Pueblo, at 4.5 percent, is the only metro area in the state with an unemployment rate above the national average of 3.9 percent in July. The four metro areas of the northern Front Range all had unemployment rates below 3.0 percent.

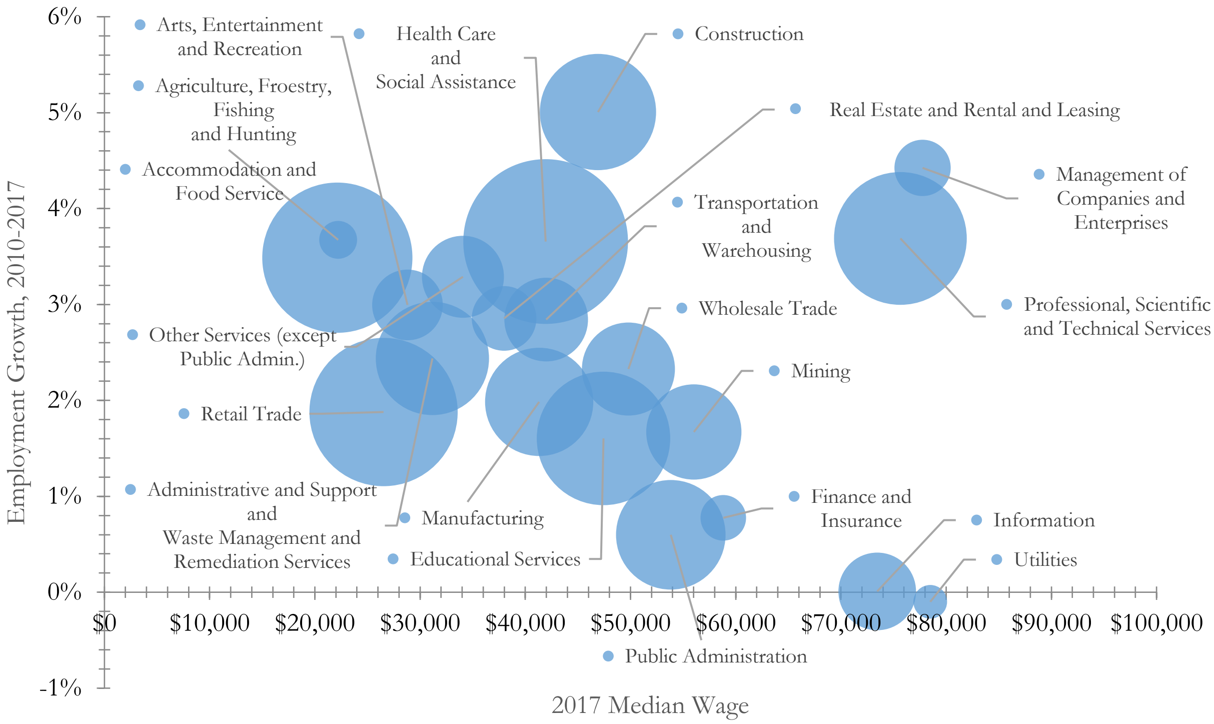
Figure 11. Unemployment Rates by Metro Area, July 2018



Source: U.S. Bureau of Labor Statistics

Employment growth from 2010 through 2017 was widespread across most industries and all wage-levels – Looking at the long-term trend of employment growth by industry during the expansion period, most industries in Colorado have been growing, albeit at varied rates. Figure 12 shows employment growth rates from 2010 through 2017, median wages in the industry in 2017, and the size of the industry based on number of jobs in 2017. As shown in Figure 12, most Colorado industries experienced post-recession employment growth with the strongest growth in the middle-wage construction and health care sectors, as well as the higher-wage professional services and management sectors. The utilities industry was the only sector to lose jobs during this period, while employment in the information industry remained unchanged from 2010.

Figure 12. Colorado Employment Growth (2010-2017) and Median Annual Wages by Industry (2017)*

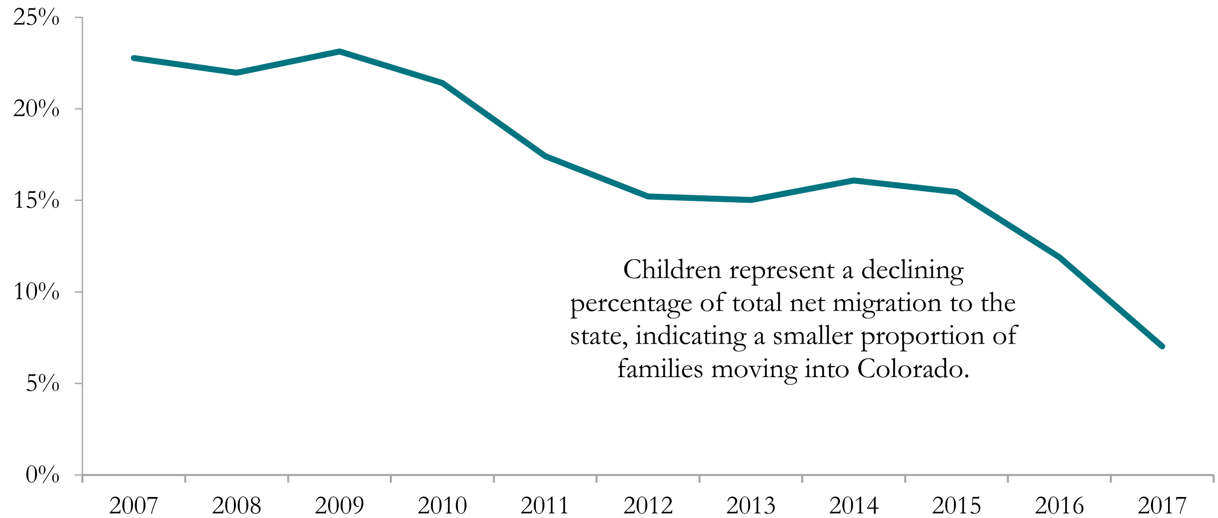


*Size of bubble represents size of industry as measured by average employment in 2017
Source: Colorado Department of Labor and Employment, OSPB Calculations

Families represent a smaller share of relocations into Colorado – Figure 13 shows the share of Colorado net migration made up by individuals under the age of 18, which is a useful proxy for family net migration as minors typically relocate with parents or other guardians. This ratio declined from 15 percent in 2015 to 7 percent in 2017, suggesting a shift in the composition of Colorado's newcomers. Despite this decline, net migration for those under 18 is still positive, suggesting that more families are moving into Colorado than are departing. Nonetheless, the number of under-18 migrants has fallen 59 percent since its peak in 2015, compared to a decline of 9 percent for all migrants during the same time period.

Family net migration to Colorado is shrinking as a share of total net migration, but is still positive.

Figure 13. Under 18 Net Migration as a Percent of Total Net Migration



Source: Colorado State Demographer's Office

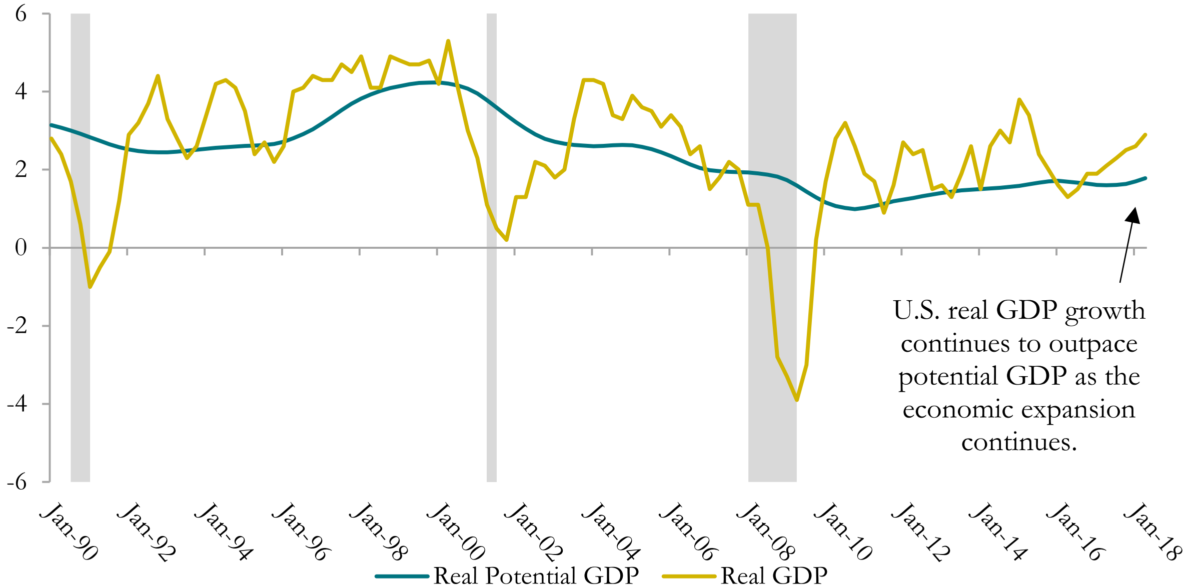
U.S. Economic Conditions

Inflation-adjusted gross domestic product grew at a robust rate in the second quarter and is expected to remain strong in the second half of 2018 – In the second quarter of 2018, U.S. real gross domestic product (GDP) grew at a revised 4.2 percent, the fastest rate in four years. This growth is 1.1 percentage points faster than real potential GDP, which is the Congressional Budget Office's estimate of full economic output that can be sustained over the long run. During economic expansions, GDP often grows faster than potential GDP.

U.S. real GDP grew 4.2 percent in the second quarter, the strongest growth in four years.

The strong GDP growth is attributed primarily to large increases in business investment in response to more generous expensing provisions included in the 2017 federal Tax Cuts and Jobs Act and an uptick in consumer spending as employment and wage growth boost personal income. Real GDP growth also benefited from an increase in exports as foreign buyers stockpiled goods in anticipation of U.S. tariffs.

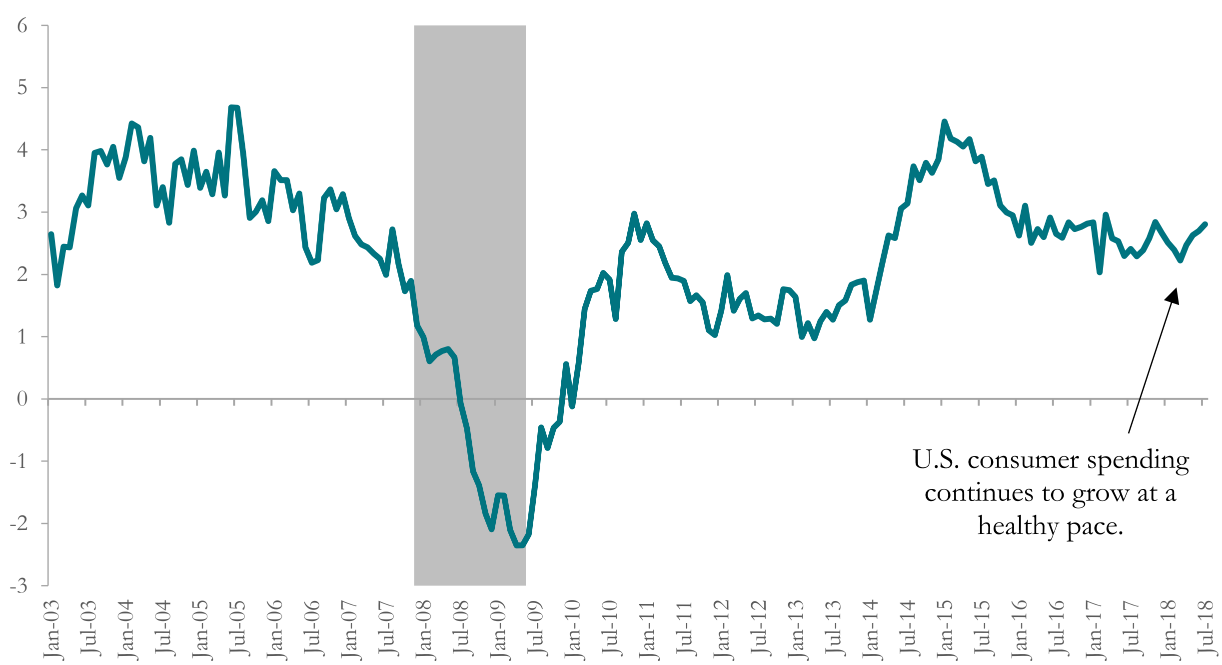
Figure 14. Annual Percentage Change in U.S. Real GDP and Real Potential GDP



Source: Bureau of Economic Analysis and Congressional Budget Office

Consumer spending growth has remained steady, averaging about 2.5 percent since early 2016 – As shown in Figure 15, growth in U.S. consumer spending grew at a 2.8 percent annual rate in July 2018, a slight increase from earlier in the year. Consumer spending has been a leading contributor to GDP growth in recent quarters, a trend that is expected to continue. Ongoing employment growth and higher wages have increased disposable incomes. Household debt levels remain relatively low and the savings rate is nearly 7 percent, suggesting that household finances will support further consumption growth.

Figure 15. U.S. Personal Consumption Expenditures Annual Growth Rate



Source: U.S. Bureau of Economic Analysis

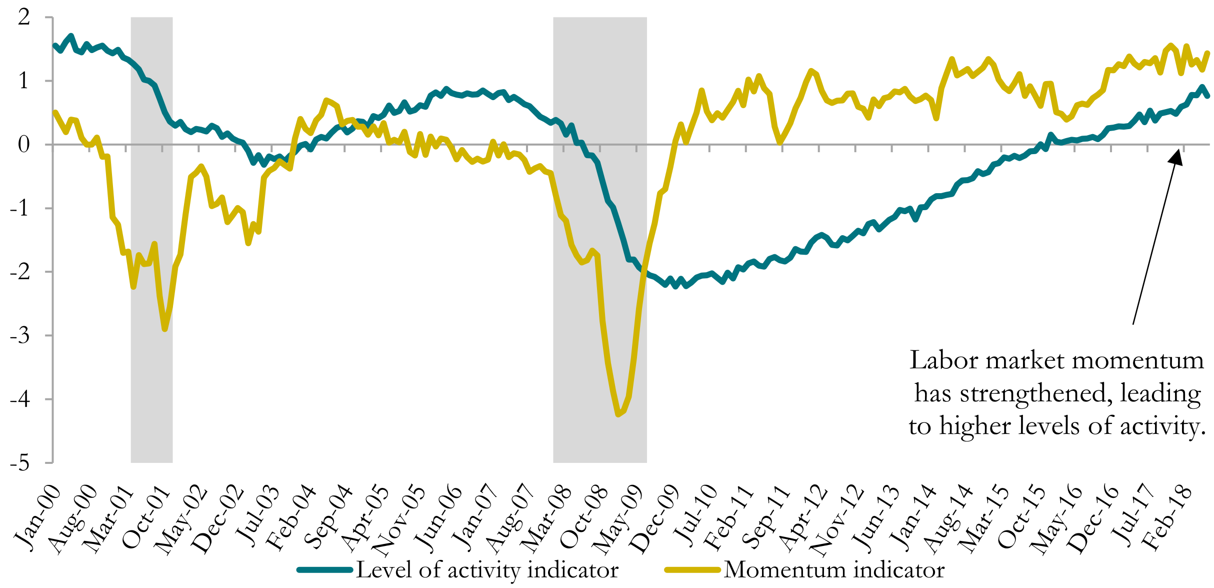
Labor market momentum continues as the economy approaches full employment – The official U.S. unemployment rate – known as the "U-3" rate – was at its lowest level since 1969 in August at 3.9 percent. The low unemployment rate indicates the U.S. labor market is close to its full employment level, or the level of employment that can be sustained without causing increased inflation.

Labor market momentum remains near the highest level of the current expansion.

The Federal Reserve Bank of Kansas City tracks labor market conditions with a proprietary index measuring both momentum and activity levels. The momentum index measures how rapidly conditions are improving compared to their historical average, while the level of activity index measures how far labor market conditions are from their historical average. The index shows that labor market momentum has remained near its highest levels of the current expansion. This momentum is driven largely by ongoing decreases in initial claims for jobless benefits and the leveling off of the labor force participation rate after a period of strong decline.

In Figure 16 below, positive values indicate that labor market conditions are above their long-run average, while negative values indicate that conditions are below their long-run average.

Figure 16. Kansas City Fed Labor Market Conditions Indices



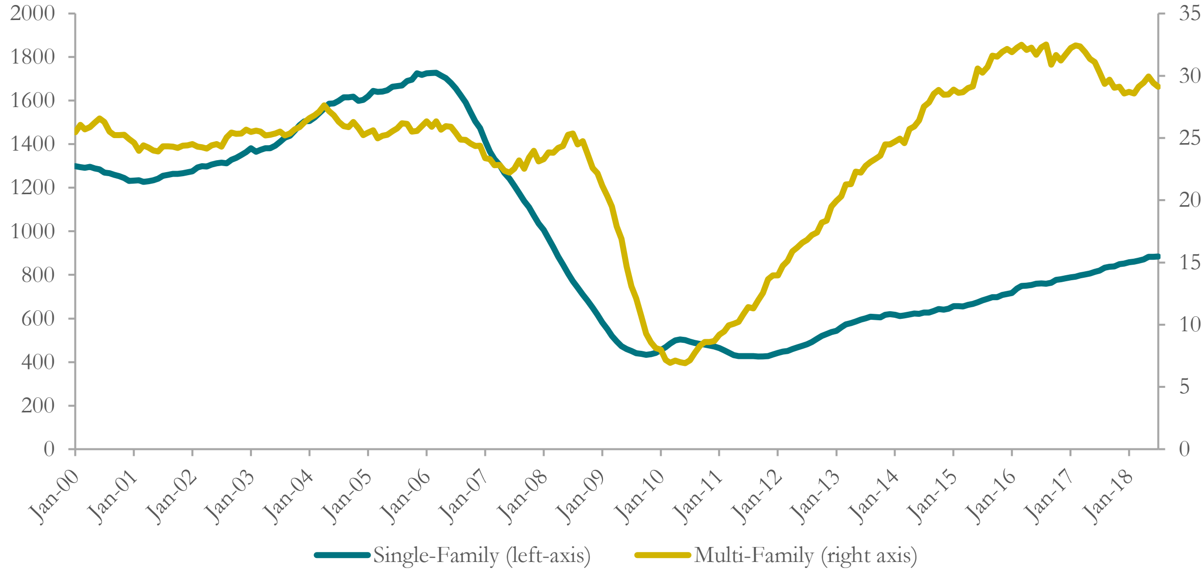
Source: Federal Reserve Bank of Kansas City

Multifamily housing permits have surpassed pre-recession highs, while single-family housing permits remain far below the 2005 peak — New housing permits for 1-unit structures totaled 885,000 in July, about half the levels seen in 2005, as shown in Figure 17. Multifamily housing permits totaled 29,000 in July, and remain at the highest levels seen since the late 1980s.

Multifamily housing permits remain near the highest levels seen since the late 1980s, while single-family starts remain subdued.

Sustained improvement in the nation's labor market is generating increased demand for housing, but the tepid supply response is driving up prices. Some price relief is expected in the multifamily housing market as homebuilders add inventory. However, the homeownership rate remains historically low, and any future increase in mortgage interest rates will create additional challenges for home buyers. Labor shortages, higher building costs, tighter financing for housing development, and restrictive land use policies in some areas will continue to constrain home construction in the short run.

Figure 17. U.S. Housing Permits, 12-Month Moving Average, Thousands of Units



Source: U.S. Census Bureau

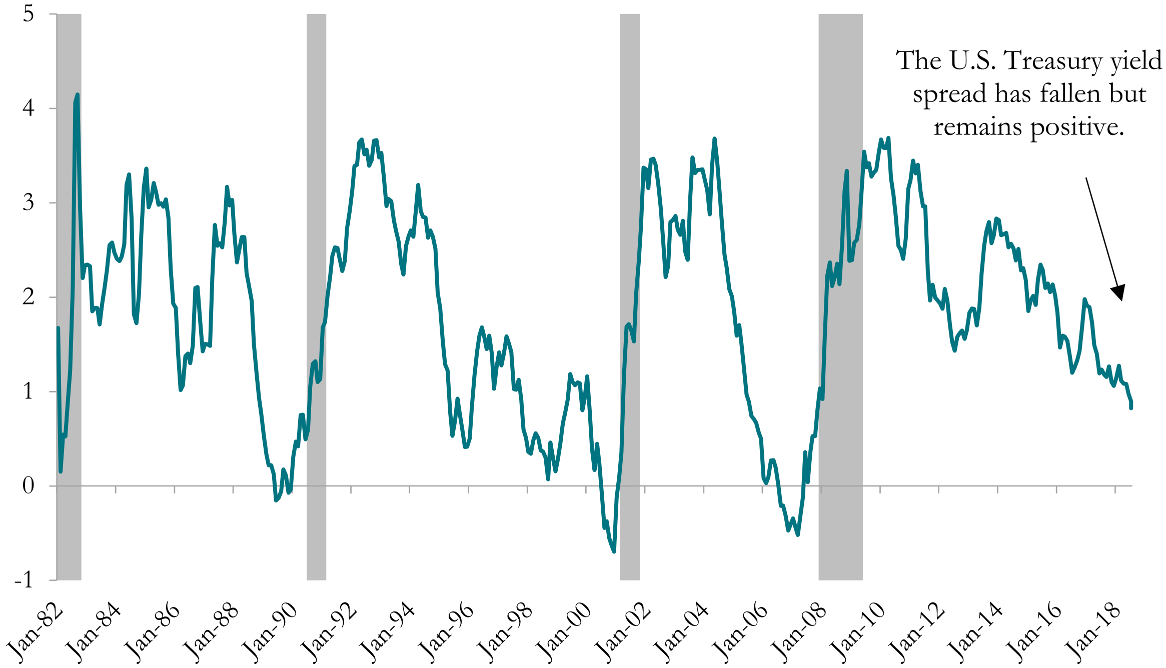
The spread between the yield on 3-month and 10-year U.S. Treasury securities continues to fall – As shown in Figure 18, the credit spread between 3-month and 10-year U.S. Treasury securities has continued to fall, reaching 0.82 percentage points in August. This credit spread, which measures the difference between long-term and short-term interest rates, has historically been treated as a leading indicator of the U.S. economy.

The credit spread between the 3-month and 10-year U.S. Treasury securities continues to fall, but this might not portend a recession.

Banks borrow short term, such as through consumer deposits or interbank lending, and loan long term, such as mortgages or auto loans. When short-term rates are higher than long-term rates, also known as a "yield curve inversion," this could lead to credit constraints as banks pull back on lending. In addition, lower longer term rates as reflected in a falling credit spread signify that investors expect slower economic growth and lower inflation in the future. Financial markets are mostly forward looking, reflecting expectations of the future path of the economy ― an important factor in how the economy will actually perform. An inverted yield curve has preceded every post-war U.S. recession.

However, in the current rate environment, the yield curve may not be as successful at predicting downturns. Some economists have argued that monetary policy shifts and structural economic changes have distorted the signal traditionally provided by the yield curve. For example, the U.S. Treasury is currently issuing short-term debt to finance the budget deficit, which is pushing up supply, depressing prices, and consequently raising yields on short-term U.S. Treasury securities (bond prices and yields move inversely). Meanwhile, monetary policy in the European Union and Japan is increasing demand for long-term U.S. Treasuries, which is driving down yields on the long end of the yield curve. Finally, inflation expectations and the "term premium", or the bonus investors demand for the risk of holding assets for longer periods, have been consistently lower in the post-Great Recession period. Furthermore, the credit spread has fallen lower in some cases without a resulting recession, as occurred in the 1960s and 1990s when the credit spread remained low for several years during continued economic expansion.

Figure 18. U.S. Treasury Yield Spread, 10-Year and 3-Month



Source: Bureau of Labor Statistics

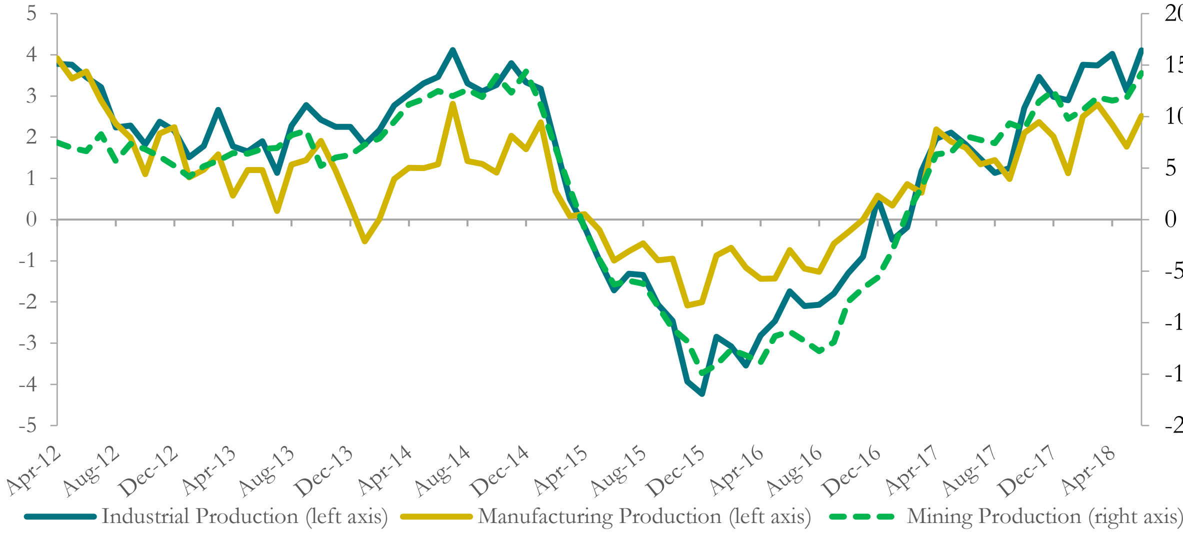
Corporate profits showed strong growth in the second quarter **—** According to the U.S. Commerce Department, second quarter after-tax profits grew 16.1 percent from a year earlier, the largest year-over-year gain in six years. Federal taxes paid by U.S. companies fell by 33 percent from a year prior. This was largely as a result of the 2017 federal tax law changes, which lowered corporate income tax rates and allowed more accelerated expensing of equipment and other purchases. Corporate profits also benefited from solid economic performance internationally and the strong U.S. economic growth seen in the second quarter when GDP increased at an annual rate of 4.2 percent.

Strong economic growth and lower tax rates pushed up corporate earnings in the second quarter.

Industrial production is increasing at rates last seen prior to the 2015-2016 downturn **—** Total industrial production in the U.S., which includes the output of the mining and manufacturing industries, is accelerating at rates last seen at the end of 2014, as shown in Figure 19. The contraction in the oil and gas industry in 2015-2016, along with weaker exports and the appreciation of the dollar, contributed to the decline in industrial production. This period was the first time that an industrial downturn of such duration occurred in the U.S. without leading to a broad-based recession. However, the industrial sector has returned to previous robust growth rates. In July, industrial production grew by 4.4 percent compared to the same period a year earlier, driven primarily by mining production, which shot up 14.1 percent, and to a lesser extent manufacturing, which grew by 3.1 percent.

Industrial production growth accelerated in the first half of 2018, further evidence of the strength of the U.S. economy.

Figure 19. U.S. Industrial Production, Annual Percent Change



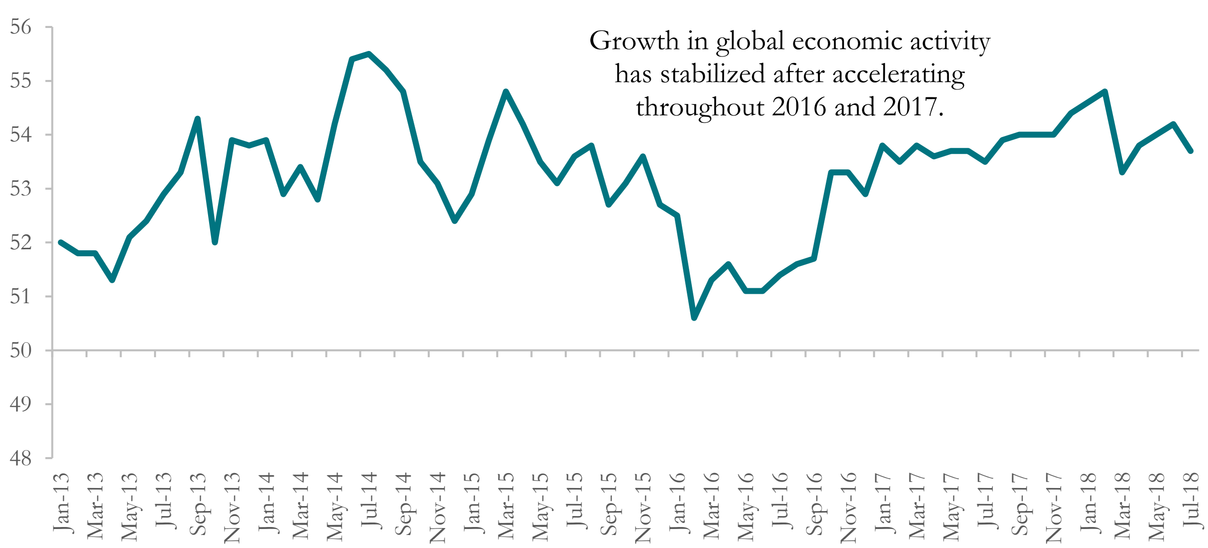
Source: U.S. Federal Reserve Board of Governors

International Economic Conditions

Global economic growth continues at a stable, high rate – According to the International Monetary Fund (IMF), global economic growth is expected to increase to 3.9 percent in 2018 and 2019 after growing by 3.7 percent in 2017. This growth is led by emerging market economies, which are expected to grow by 4.9 percent in 2018 while advanced economies are expected to experience only 2.4 percent growth. The strong global economy is captured by the JP Morgan Global Composite PMI, which reflects economic activity in both manufacturing and services sectors. As shown in Figure 20, economic activity has stabilized after accelerating throughout 2016 and 2017.

Global economic growth remains strong, but the strong acceleration experienced throughout 2016 and 2017 has ended.

Figure 20. JP Morgan Global Composite PMI



Source: IHS Markit

Trade policy continues to be a risk factor to business costs and agricultural prices – Firms that export goods in certain sectors and industries in the state's economy are experiencing adverse impacts from retaliatory tariffs from trading partners. Tariffs on agricultural products in particular are causing disruptions in the industry. OSPB will continue to monitor these risks. The table below lists the Colorado industries most likely to be impacted by retaliatory export tariffs. The total value of the top ten Colorado export industries impacted by tariffs is approximately $232 million, or approximately 0.1 percent of Colorado's annual gross domestic product.

Figure 21. Top 10 Colorado Goods Impacted by Export Tariffs, 2017*

Industry	Export Value $ millions	Destination
Meat, Swine, Hams, Shoulders - Bone In, Fresh Or Chilled	$105.8	Mexico
Cheese Of All Kinds, Grated Or Powdered	$35.9	Mexico
Aluminum Waste And Scrap	$29.1	China
Meat, Swine, Hams, Shoulders Etc. - Bone In, Frozen	$15.8	Mexico
Bread, Pastry, Cakes, Etc. NESOI & Puddings	$13.5	Canada
Aluminum Casks, Etc., Not Over 300 Liter Cap	$9.0	Canada
Structures And Parts NESOI Of Iron Or Steel	$6.8	Mexico
Towers And Lattice Masts Of Iron Or Steel	$5.8	Mexico
Surface-active Soap, Retail Sale	$5.5	Canada
Aluminum Alloy Plates, Etc., Over 0.2 mm Thick	$5.0	Canada

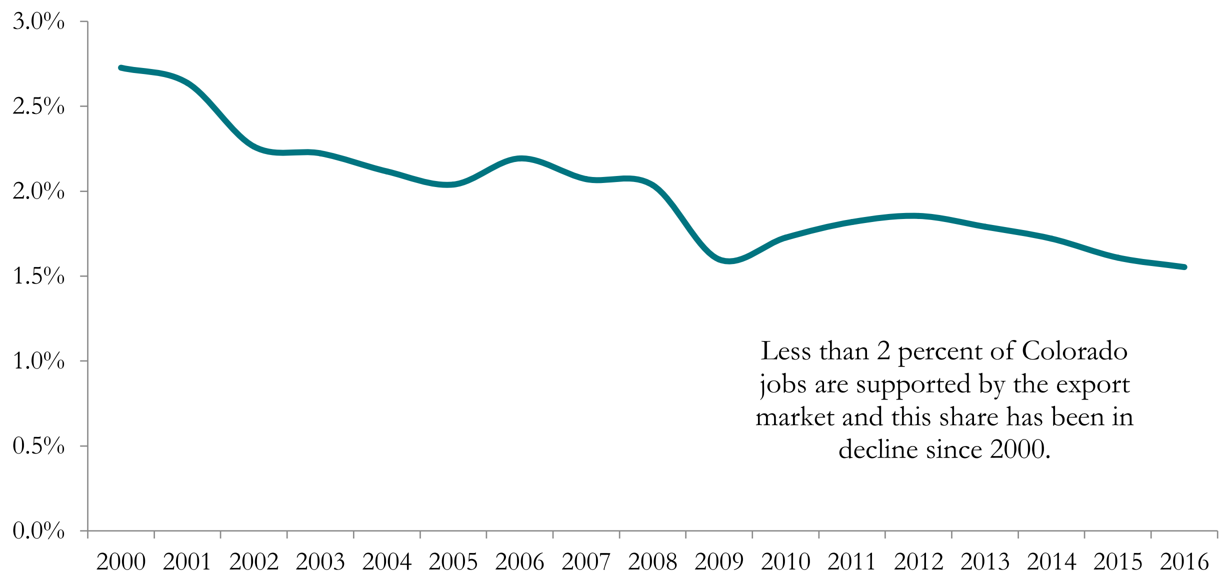
*Reflects tariffs enacted or proposed as of 9/15/18

*The acronym NESOI stands for "not elsewhere specified or included."

Source: U.S. Census Bureau

The share of Colorado jobs dependent on exports has declined – As shown in Figure 22, the percentage of Colorado jobs that are supported by exports declined from 2000 to 2017. While the share of export-supported jobs initially recovered following a sharp decline during the Great Recession, it has since returned to its lower 2009 level of approximately 1.6 percent.

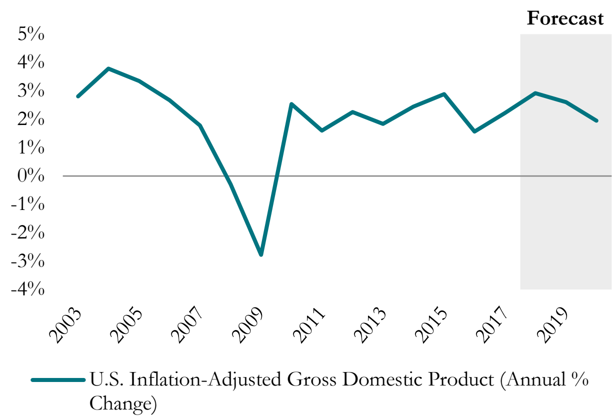
Figure 22. Colorado Jobs Supported by Goods Exports as a Percentage of Total Non-Farm Jobs



Source: International Trade Administration, OSPB calculations

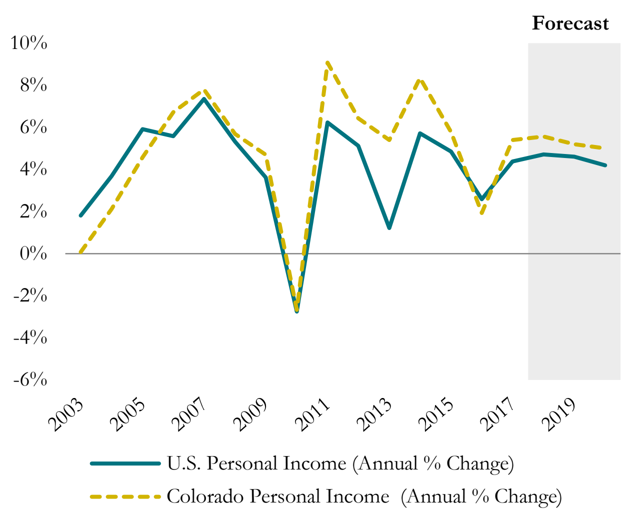
Summary of Key Economic Indicators
Actual and Forecast

U.S. Gross Domestic Product (GDP)



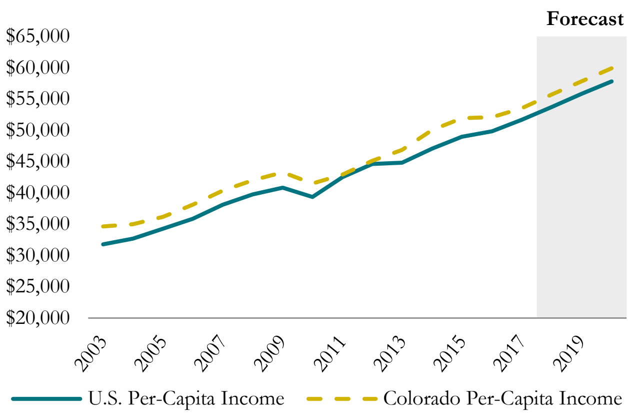
- GDP is a standard barometer for the economy's overall performance and reflects the value of final output produced in the U.S.
- The U.S. economy is expected grow 2.9 percent in 2018 and 2.6 percent in 2019, as the global economic expansion continues. GDP growth is expected to fade in 2020 primarily due to slower growth in the labor force.

U.S. and Colorado Personal Income



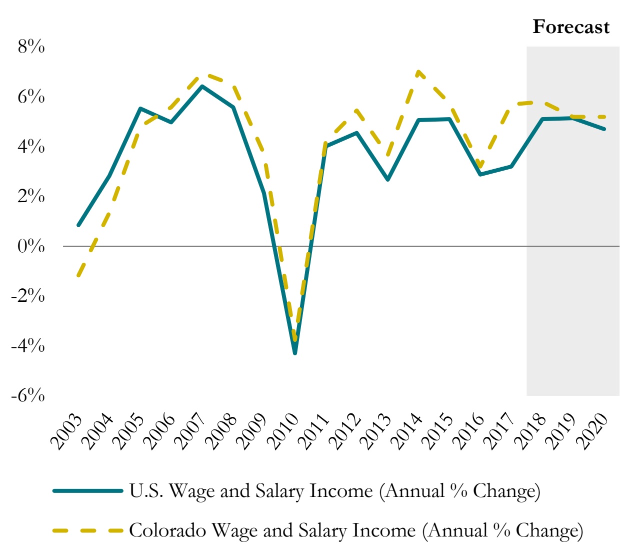
- Colorado personal income growth is expected to reach 5.6 percent in 2018, before moderating slightly to 5.2 percent in 2019 and 5.0 percent in 2020 in response to a tighter labor market and slowing economic growth.
- U.S. personal income growth is expected to rise to 4.7 percent in 2018 due to continued job and wage growth, before slowing to 4.6 percent in 2019 and to 4.2 percent in 2020 as job growth begins to level off.

U.S. and Colorado Per-Capita Income



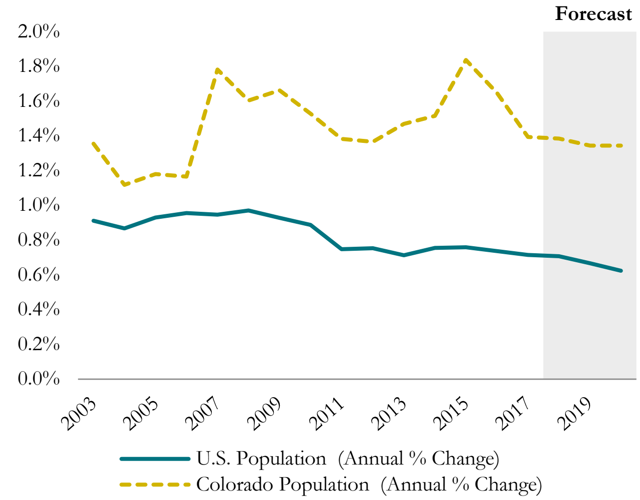
- Colorado per-capita income is expected to grow slightly faster than the nation overall in 2018, rising to an estimated $56,365. The forecast predicts per capita growth of 3.8 percent to $58,512 in 2019 and 3.6 percent to $60,675 in 2020.
- U.S. per-capita income is expected to grow 4.0 percent in 2018 to $53,732, then increase 3.9 percent in 2019 and 3.6 percent in 2020 to $55,831 and $57,815, respectively.

U.S. and Colorado Wage and Salary Income



- Colorado wage and salary growth is expected to increase at a slightly faster pace in 2018 compared with 2017, rising 5.8 percent. Growth is driven by continued employment gains, with a tight labor market putting upward pressure on wages. Wage and salary growth for the state is expected to moderate to 5.2 percent in 2019 and 2020.
- U.S. wages and salaries are expected to rise by 5.1 percent in 2018 and again in 2019. In 2020, U.S. wage and salary growth is expected to slow to 4.7 percent.

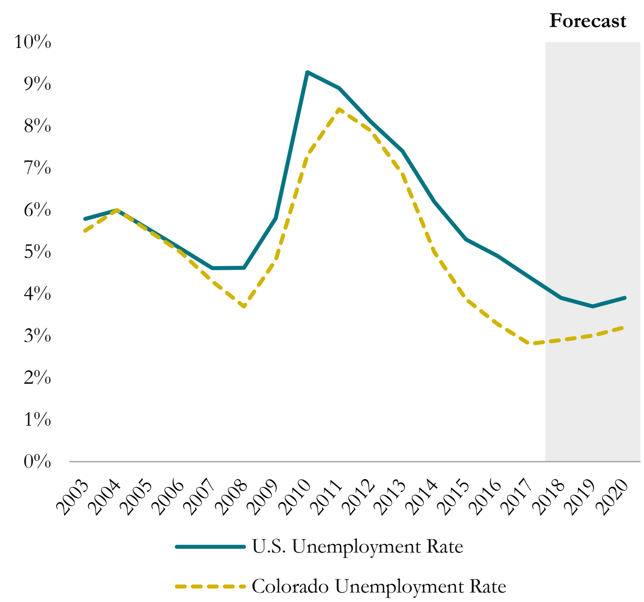
U.S. and Colorado Population



- Colorado's population growth fell to 1.4 percent in 2017, as net migration decreased from prior levels. Population growth is expected to continue at the same rate in 2018, before slowing to 1.3 percent in 2019 and 2020. The state's total population is expected to reach 5.8 million by 2020.

- The nation's population growth rate is expected to remain at 0.7 percent per year throughout the forecast, reaching 332.3 million by 2020.

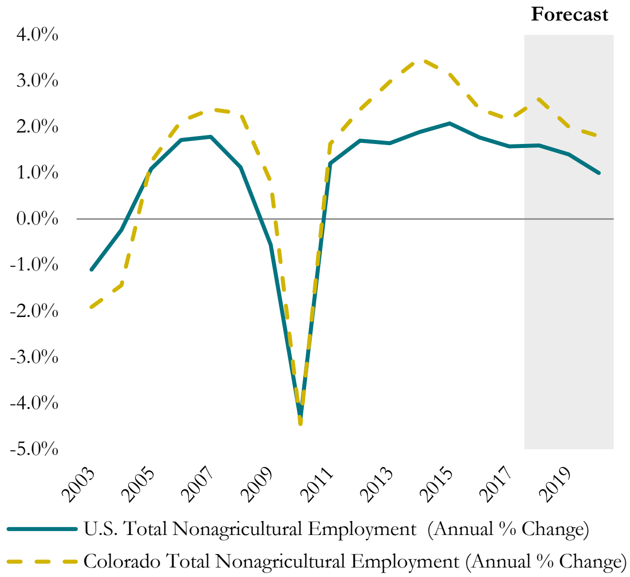
U.S. and Colorado Unemployment



- Colorado's unemployment rate reached a post-recession low of 2.8 percent in 2017. The unemployment rate is projected to increase slightly over the next few years, to 2.9 percent in 2018, 3.0 percent in 2019, and 3.2 percent in 2020. Colorado will continue to experience unemployment rates among the lowest in the nation.

- The national unemployment rate is expected to fall to 3.9 percent in 2018 due to strong employment growth, and to 3.7 percent in 2019, before rising to 3.9 percent in 2020.

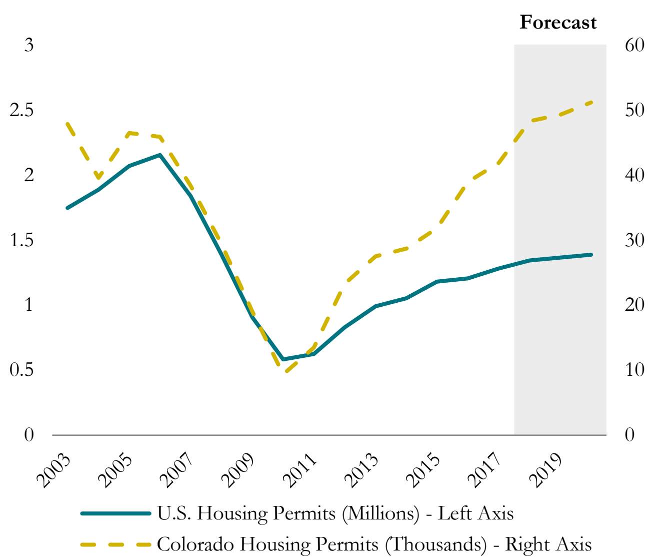
U.S. and Colorado Total Nonagricultural Employment



- Total employment in Colorado is expected to increase 2.6 percent in 2018 before slowing to 2.0 percent in 2019 and 1.8 percent in 2020 as a tight labor supply constrains job growth.

- U.S. nonagricultural employment is expected to slow as the labor market approaches full employment, growing 1.6 percent in 2018, 1.4 percent in 2019, and 1.0 percent in 2020.

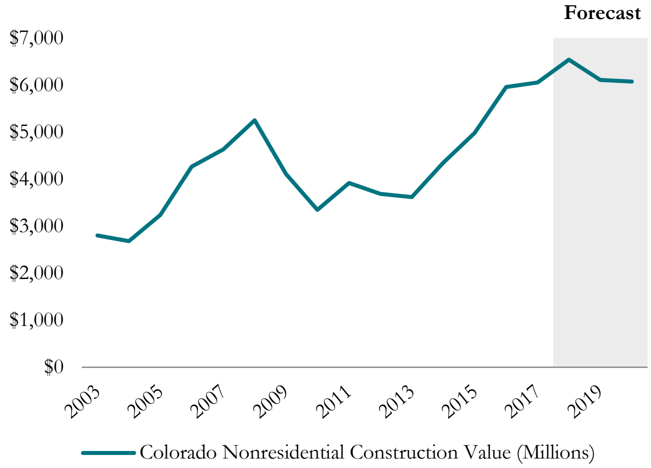
U.S. and Colorado Housing Permits Issued



- Colorado housing permits are projected to increase 15.2 percent to 48,300 in 2018, driven by the continued demand for new housing construction. Housing permit growth is expected to level off in 2019 and 2020, growing 2.1 and 3.8 percent, respectively.

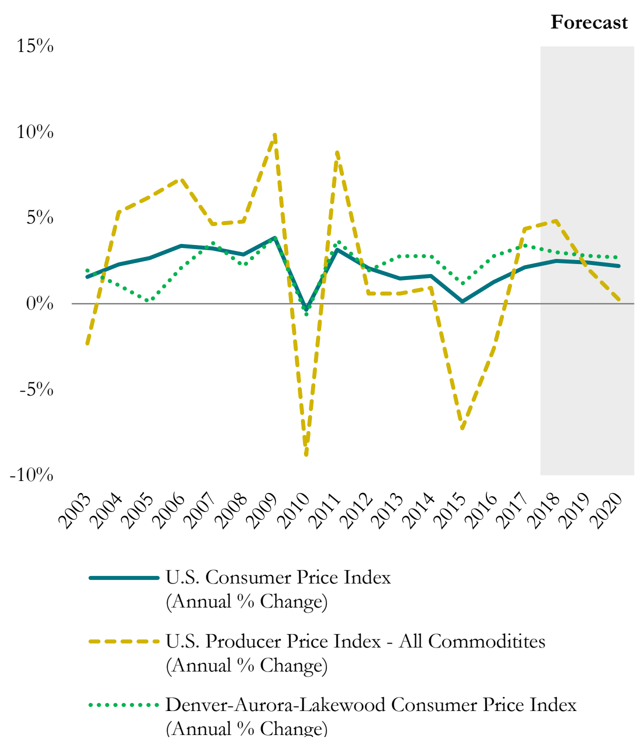
- U.S. housing construction permits are expected to grow 4.9 percent to 1.3 million in 2018. Growth is then expected to slow, with 1.5 percent growth in 2019 and 1.8 percent growth in 2020.

Colorado Nonresidential Construction Value



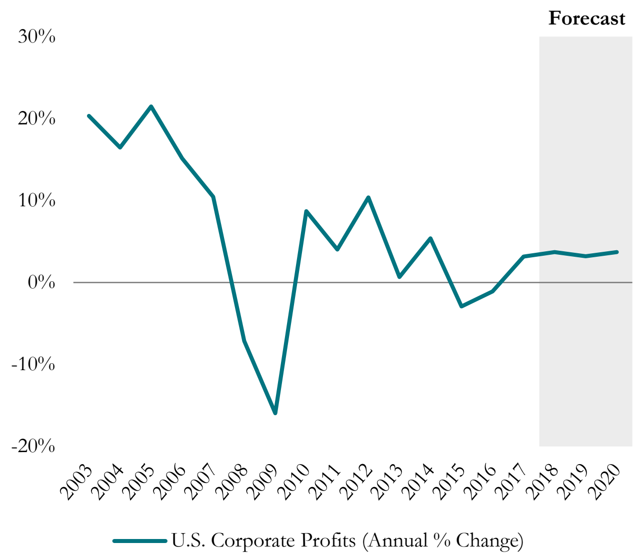
- Colorado's nonresidential construction value grew 1.5 percent in 2017 following four years of double-digit growth. Nonresidential construction value is expected to grow 8.1 percent in 2018 before declining later in the forecast period. The slowdown in nonresidential construction will be slightly offset by the $937 million in construction projects authorized through the Denver bond package approved by voters in November 2017.

Consumer Price Index and Producer Price Index



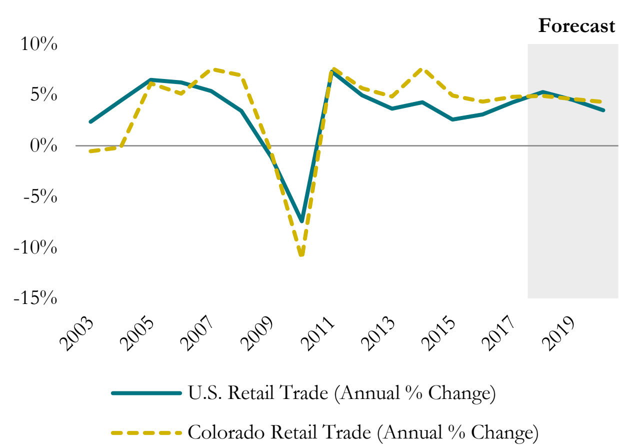
- National consumer prices are expected to rise 2.5 percent in 2018 and 2.4 percent in 2019 before slowing to 2.2 percent in 2020.
- Producer prices are expected to grow by 4.8 percent in 2018 followed by more moderate gains of 2.1 percent in 2019 and 0.2 percent in 2020.
- The Denver-Aurora-Lakewood Consumer Price Index (formerly the Denver-Boulder-Greeley Consumer Price Index) is projected to grow faster than the national average, with 3.0 percent growth in 2018, 2.8 percent growth in 2019, and 2.7 percent growth in 2020.

U.S. Corporate Profits



- U.S. corporate profits grew by 3.2 percent in 2017 as global economic growth and stronger energy prices increased earnings.
- Profit growth is expected to continue in coming years with forecasted growth rates of 3.7 percent in 2018, 3.2 percent in 2019, and 3.7 percent in 2020.

Retail Trade



- Colorado retail sales are expected to grow, with projected increases of 4.9 percent in 2018. Retail sales will experience a slight deceleration to 4.6 percent in 2019 and 4.3 percent in 2020 as employment and wage growth slow.
- Nationwide retail trade is expected to grow 5.3 percent in 2018 and 4.5 percent in 2019 as the economic expansion continues. Retail sales growth is expected to slow in 2020 in response to more moderate economic growth.

General Fund and State Education Fund Revenue Forecast

Relative to the June projections, preliminary FY 2017-18 General Fund revenue was greater by $103.1 million, or 0.9 percent. The revenue forecast for FY 2018-19 is higher by $303.2 million, or 2.5 percent. After modest increases of just 1.7 percent in FY 2015-16 and 3.1 percent in FY 2016-17, General Fund revenue increased at a much stronger rate of 14.1 percent in FY 2017-18 due to an acceleration in economic growth and several one-time factors. Revenue growth will moderate to 5.6 percent in FY 2018-19 and 5.9 percent in FY 2019-20.

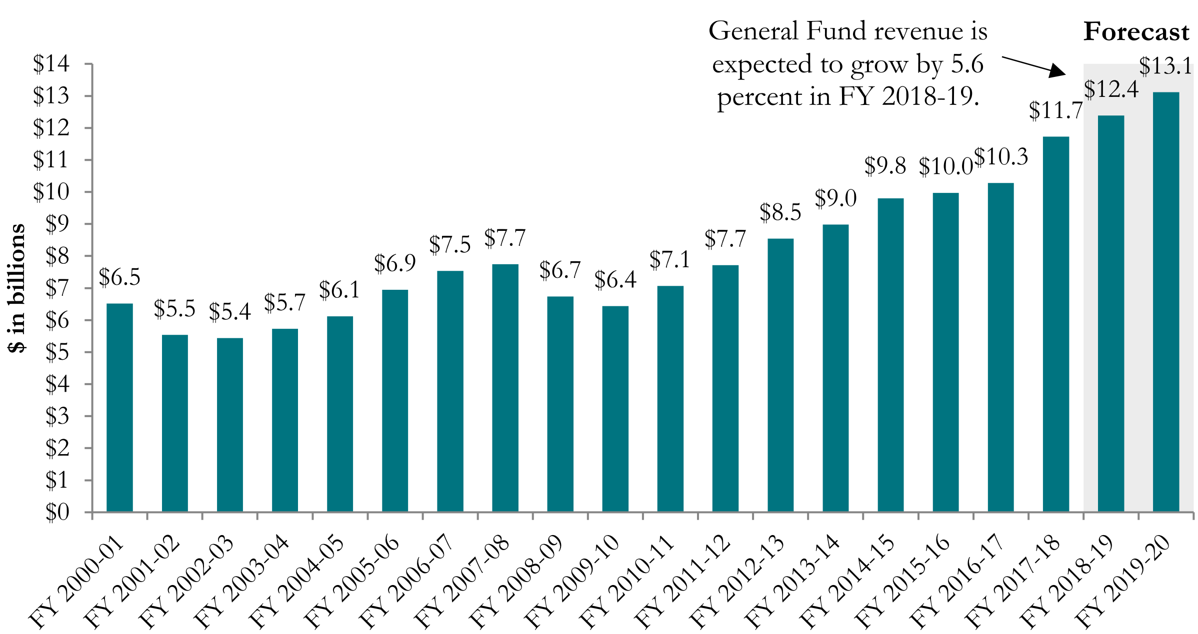
Individual income taxes, corporate income taxes, and sales and use tax receipts continue to benefit from strong economic and employment growth. Several factors contributed to the acceleration of revenue growth in FY 2017-18, including an increase in economic activity after the oil and gas-related slowdown of 2015 and 2016, a tobacco settlement payment, and strong investment income.

General Fund revenue grew 14.1 percent in FY 2017-18 due to an acceleration in economic growth and several one-time factors. Revenue growth will moderate in FY 2018-19 and FY 2019-20 as tight labor markets constrain growth.

Furthermore, the acceleration in revenue growth can also be attributable to an increase in Colorado taxable income resulting from the repeal of certain deductions and exemptions under the 2017 federal Tax Cuts and Jobs Act (TCJA). FY 2018-19 General Fund revenue will grow as a result of continued economic growth, the *South Dakota vs. Wayfair, Inc.* U.S. Supreme Court decision allowing states to collect sales tax from online retailers, and the ongoing impact of the TCJA.

Figure 23 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2019-20. A more detailed forecast of General Fund revenue by source is provided in Table 3 in the Appendix. For more details on the economy, the main determinant of General Fund revenue, see "The Economy: Issues, Trends, and Forecast" section of this forecast, which starts on page 4.

Figure 23. General Fund Revenue

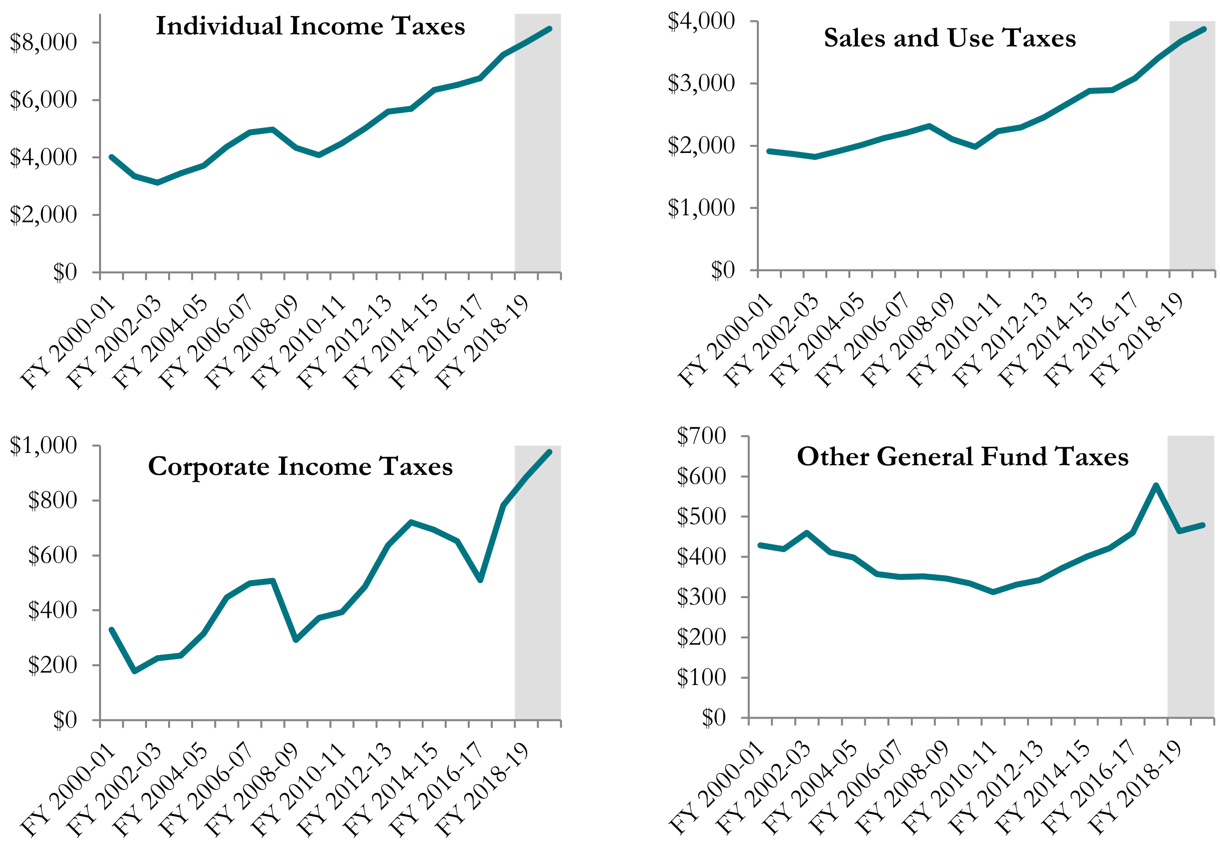


Source: Office of the State Controller and OSPB forecast

Discussion of Forecasts for Major General Fund Revenue Sources

The following section discusses the forecasts for the three major revenue sources that together make up 95 percent of total General Fund revenue: individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the other remaining General Fund sources ─ such as interest earnings, taxes paid by insurers on premiums, and excise taxes on tobacco products and liquor ─ posted a large one-time increase in FY 2017-18 from a $113 million settlement payment with tobacco companies but is expected to moderate over the forecast period. Figure 24 shows actual revenue collections as well as the forecast for General Fund revenue.

Figure 24. General Fund Revenue Sources, $ in Millions



Source: Office of the State Controller and OSPB forecast

Individual income tax – Individual income tax collections grew at a robust rate of 11.5 percent in FY 2017-18. Growth is projected to moderate to 5.8 percent in both FY 2018-19 and FY 2019-20.

After accelerating in FY 2017-18, individual income tax revenue is expected to moderate to 5.8 percent growth in both FY 2018-19 and FY 2019-20.

The strong growth in individual income tax collections in FY 2017-18 was due to a combination of factors, including stronger employment and wage growth following the 2015-2016 slowdown in the industrial sectors of the economy, stronger capital gains and investment earnings, and an increase in taxable income resulting from federal tax changes. Individual income tax revenue is expected to grow at a more moderate pace in FY 2018-19 and FY 2019-20 due to slower employment growth in a tight labor market and a moderation in capital gains income.

Preliminary FY 2017-18 collections for individual income tax revenue were slightly higher than forecast in June. FY 2018-19 and FY 2019-20 were revised upwards as a result of expectations for stronger wage withholdings and estimated payments and lower tax refunds.

The enactment of the federal Tax Cuts and Jobs Act in December 2017 is expected to increase individual and corporate income tax revenue. This is because the legislation on balance increases federal taxable income, upon which Colorado taxable income is based. It is important to note that there is a higher-than-usual degree of uncertainty surrounding the current forecast of individual income tax collections. The effects of the federal Tax Cuts and Jobs Act on state individual income tax revenue may differ from our estimates due to possible delays in timing or potential taxpayer responses to the tax law changes that may be unforeseen at this time.

Corporate income tax – Corporate income tax collections are projected to increase 13.2 percent in FY 2018-19 after increasing 53.5 percent in FY 2017-18. Corporate income tax receipts are expected to rise throughout the forecast period due to continued economic expansion and the effects of the federal Tax Cuts and Jobs Act.

Corporate income tax revenue will continue to grow, increasing by 13.2 percent in FY 2018-19 and 10.3 percent in FY 2019-20.

Corporate income tax revenue is among the most volatile General Fund revenue sources as it is influenced by special economic factors and the structure of the corporate income tax code. Trends in corporate profits are a primary determinant of corporate income tax collections. Corporate profits weakened starting in 2015, leading to a decline in corporate income tax revenues. While corporate profits began to grow again in the second half of 2016, corporate income tax revenue continued to decline as corporations deferred tax liabilities in anticipation of favorable federal tax law changes.

With the passage of the Tax Cuts and Jobs Act in December 2017, state corporate income tax payments rebounded and are expected to continue to grow with higher corporate earnings and the ongoing economic expansion. Although renewed growth in corporate income tax collections is expected, future increases will be constrained by higher business costs, especially for employee compensation and borrowing, which will reduce profit margins and lower tax liabilities.

Sales and use tax – Sales tax revenue increased 9.5 percent in FY 2017-18 and is expected to increase an additional 8.2 percent in FY 2018-19 and 5.3 percent in FY 2019-20.

Colorado's strong economic growth is providing consumers with more disposable income, which, combined with more business spending, is causing sales tax revenue to grow at an increasing rate. Auto sales, a major source of sales tax revenue, have been slowing in recent months but remain at a high level. In addition, the composition of auto sales is shifting from cars towards higher-priced light trucks, SUVs, and minivans, which result in more sales tax revenue to the State.

A portion of the 9.5 percent increase in FY 2017-18 was due to the higher net tax rate on retail marijuana sales pursuant to SB 17-267. This legislation increased the special tax rate on retail sales from 10 percent to 15 percent while exempting retail marijuana from the state's 2.9 percent sales tax, making the net tax rate increase 2.1 percentage points.

Increased consumer and business activity and online sales tax collections will drive sales tax revenue increases. Sales tax revenue is forecast to increase 8.2 percent in FY 2018-19.

The growth rates in FY 2018-19 and beyond are driven partially by online sales tax collections, which the U.S. Supreme Court allowed states to begin collecting with its June 2018 ruling in *South Dakota v. Wayfair, Inc.* Colorado is expected to begin collecting online sales taxes in December 2018. This will result in an estimated sales tax revenue increase of about $44 million in FY 2018-19 and $82 million in FY 2019-20, the first full fiscal year of implementation.

The use tax is a companion to the sales tax and is paid by Colorado residents and businesses on purchases that did not include the 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 the tax on transactions involving out-of-state sellers.

Use tax collections increased 19.4 percent in FY 2017-18 and are projected to increase another 5.9 percent in FY 2018-19. Much of the increase in use tax collections is due to stronger economic growth and the rebound in the oil and gas industry. However, a portion of the FY 2017-18 increase is due to the implementation of reporting requirements on online sales, pursuant to House Bill 10-1193. This law requires out-of-state retailers that do not collect Colorado sales tax to notify the purchasers of their tax liability as well as the Colorado Department of Revenue. Implementation of this law was delayed due to litigation that has now been resolved. The revenue impact of this law will be temporary, as these retailers will now be required to collect sales taxes as allowed by the *Wayfair* decision.

State Education Fund Revenue Forecast

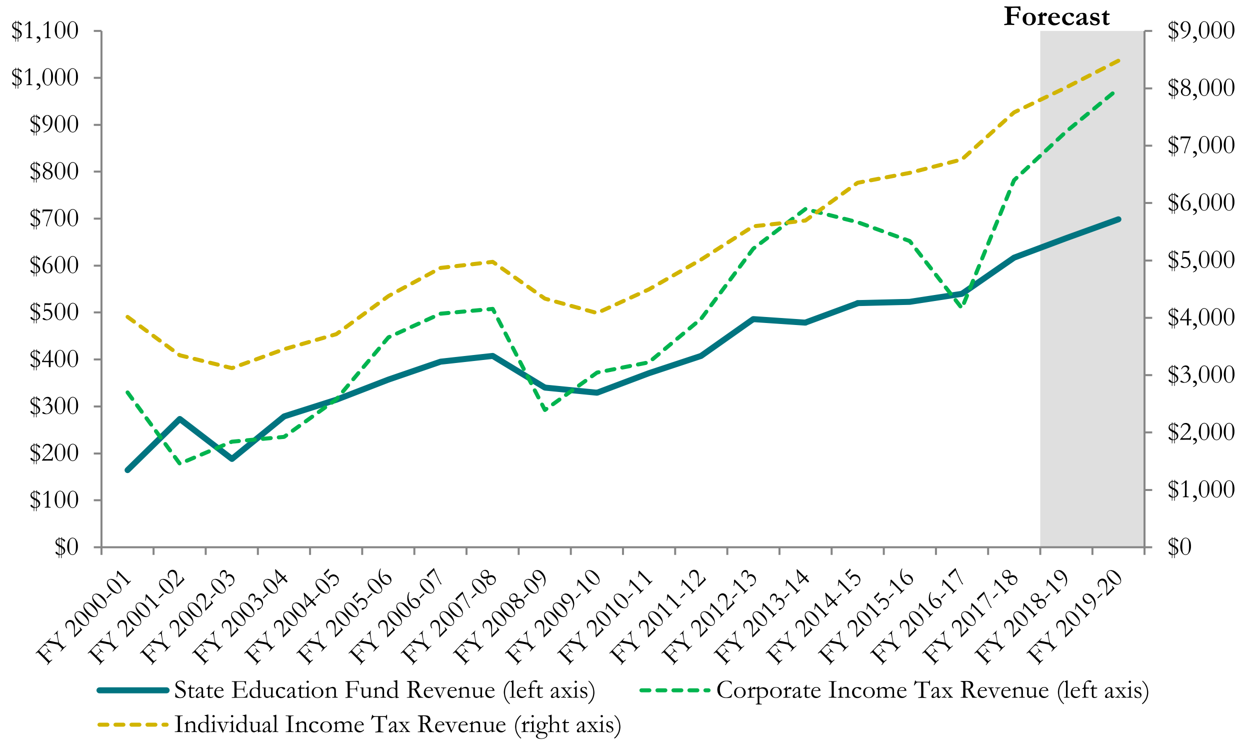
Revenue to the State Education Fund increased 14.3 percent in FY 2017-18 and is expected to grow another 6.8 percent in FY 2018-19 and 6.1 percent in FY 2019-20.

The Colorado Constitution requires that one-third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. In addition to this revenue, policies enacted over the past several years have transferred other General Fund money to the State Education Fund.

Tax revenue to the State Education Fund will increase 6.8 percent and 6.1 percent in FY 2018-19 and FY 2019-20, respectively.

Because State Education Fund revenue is derived from taxable income, it follows the trends in individual income and corporate income tax revenue collections discussed above. The strong growth rate in FY 2017-18 was due to the robust gain in corporate income tax collections as well as higher individual income tax collections driven by the strong economy, labor conditions, and the stock market. The revenue impact of federal tax law changes is also contributing to the growth seen in FY 2017-18 and throughout the forecast period.

Figure 25. State Education Fund Revenue from One-Third of One Percent of Taxable Income, $ in Millions



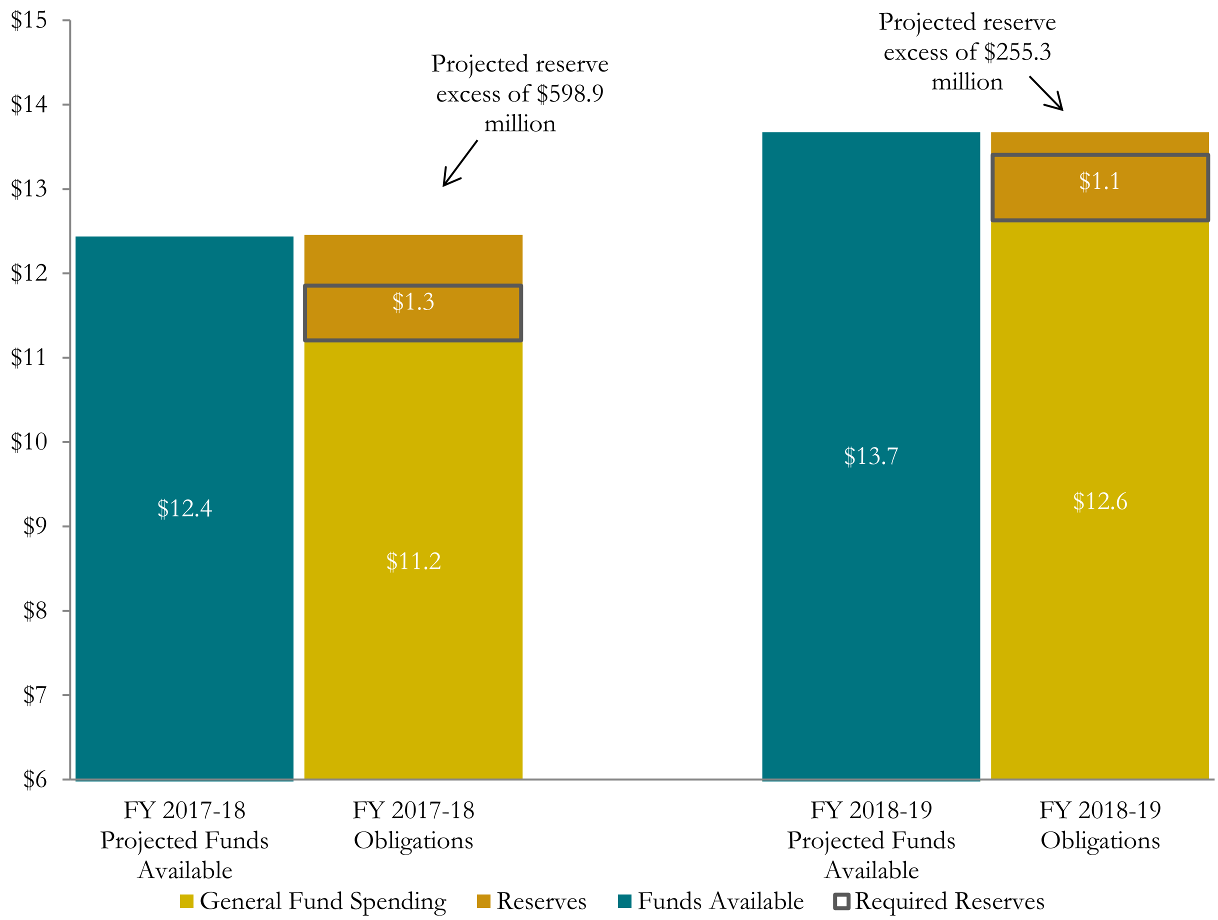
Source: Office of the State Controller and OSPB forecast

General Fund and State Education Fund Budget

General Fund – As discussed in the "General Fund and State Education Fund Revenue Forecast" section starting on page 27, the General Fund revenue forecast for FY 2018-19 is $303.2 million, or 2.5 percent, higher than estimated in the June forecast. The forecast for FY 2019-20 is $390.0 million higher, or 3.1 percent. The State's General Fund reserve is projected to be $255.3 million above the required statutory reserve amount of 7.25 percent of appropriations in FY 2018-19.

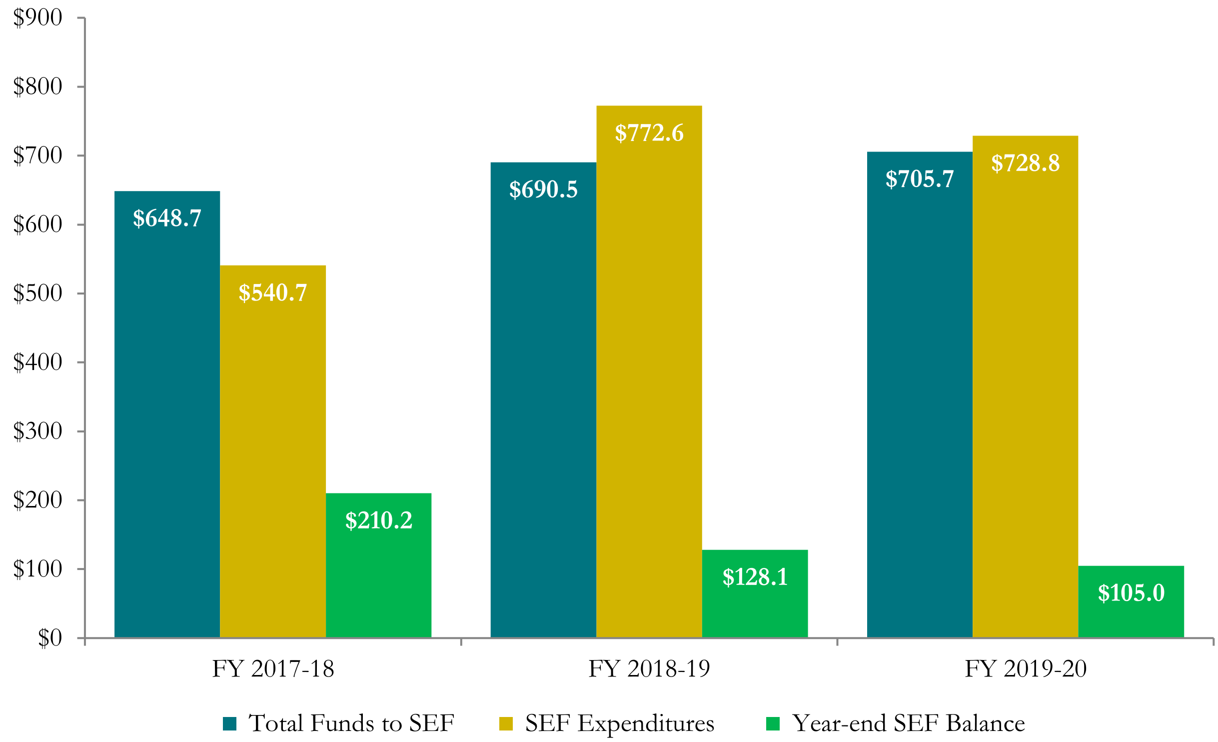
Figure 26 summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2017-18 and FY 2018-19.

Figure 26. General Fund Available, Obligations, and Reserves, $ in Billions



State Education Fund – In FY 2018-19, the State Education Fund's year-end balance is projected to decrease from its FY 2017-18 level of $210.2 million to $128.1 million. This decrease is the result of a higher level of State Education Fund expenditures in FY 2018-19, which reduced the need for General Fund appropriations for funding pre-K through 12th grade education. However, FY 2018-19's lower ending balance leaves less funding available for FY 2019-20, resulting in an increased need for General Fund next fiscal year. Figure 27 summarizes total State Education Fund revenue available, total spending, and ending balance levels for FY 2017-18 through FY 2019-20.

Figure 27. State Education Fund Money, Spending, and Reserves, $ in Millions



****Expenditures for FY 2017-18 and FY 2018-19 reflect appropriated amounts. Actual expenditures from the State Education Fund for FY 2019-20 will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections shown are illustrative only.***

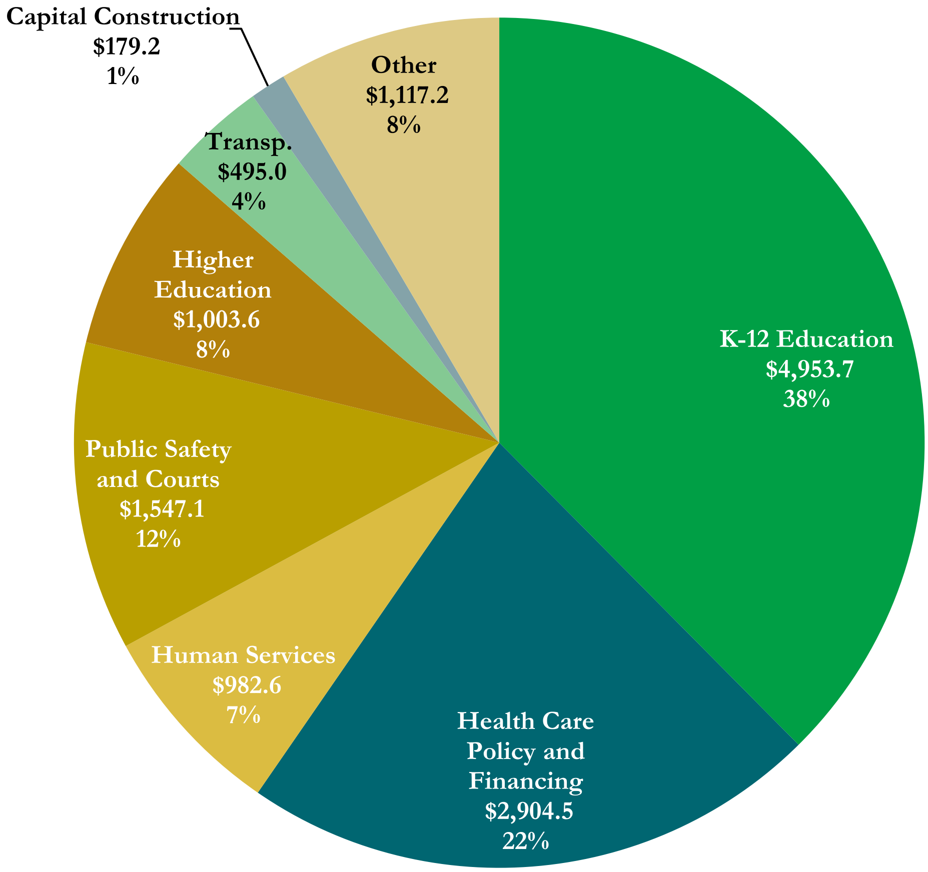
Detailed Overview Tables – A detailed overview of the amount of money available in the General Fund and State Education Fund, expenditures, and end-of-year reserves is provided in the overview tables (Tables 4 and 5) in the Appendix at the end of this document beginning on page 46. A discussion of the information presented in these tables can be found on the Office of State Planning and Budgeting's website at this link: https://goo.gl/d63Ys2.

Spending by Major Department or Program Area

The General Fund provides funding for the State's core programs and services, including pre-K through 12th grade education, higher education, services for low-income populations, including the disabled and elderly, courts, and public safety. It also helps fund capital construction and maintenance needs for State facilities and, in some years, transportation projects. Under the state constitution, the State Education Fund helps fund pre-K through 12th grade education and annually receives one-third of one percent of taxable income. In some years, it has also received supplemental money from the General Fund as authorized by statute.

In Figure 28, the major areas of the combined General Fund and State Education Fund FY 2018-19 budget are noted. Approximately 92 percent of General Fund and State Education Fund spending encompasses the following areas: pre-K through 12th grade education, Medicaid and related costs at the Department of Health Care Policy and Financing, human services, public safety, the correctional system, courts, and higher education.

Figure 28. FY 2018-19 General Fund and State Education Fund Budget Composition ($ in Millions)



Risks to the Outlook and Budget Implications

This budget outlook is based on OSPB's economic analysis and forecast, discussed in more detail in the section titled "The Economy: Issues, Trends, and Forecast," beginning on page 4. Changes to the Colorado economy determine revenue to the General Fund and State Education Fund. In addition to revenue, changes in economic conditions impact the budget outlook through associated changes in the use of many state services, such as higher education and Medicaid.

Colorado's economic growth accelerated in the first half of 2018. Colorado's employment growth has been robust and widespread across all industries and most regions, while wage growth has risen above inflation in recent months. Although recession risk appears low, unforeseen events could occur that might change this outlook. Trade policy continues to be a risk factor to business costs and investment, as well as for agricultural prices. Further, if monetary policy tightens excessively and slows the supply of money in the economy, it could lead to a contraction.

Cash Fund Revenue Forecast

A wide array of state programs collect taxes, fees, fines, and interest to fund services and operations. When fees or other revenue sources are designated for a particular program, they are typically directed to that program's cash fund. OSPB's forecast of cash fund revenue subject to TABOR and the Referendum C cap is shown in Table 6 in the Appendix.

On a preliminary basis, FY 2017-18 cash fund revenue decreased by 15.9 percent as the Hospital Provider Fee was replaced with the Healthcare Affordability and Sustainability Fee program, which is a TABOR-exempt enterprise in accordance with SB 17-267. The cash fund revenue forecast for FY 2018-19 and subsequent years was largely unchanged from the June forecast as projected increases in some cash fund revenue sources were offset by decreases in other cash funds.

Actual revenue collections for FY 2017-18 were $17.9 million, or 0.8 percent, higher than projections in June, largely due to higher-than-expected revenue to severance tax cash funds and transportation-related revenues. Revenue collections for the large group of cash funds referred to as "other miscellaneous cash funds" were slightly below expectations. In addition to the change in the Hospital Provider Fee, cash fund revenue is also reduced by the exemption of retail marijuana sales from the 2.9 percent state sales tax pursuant to SB 17-267.

Transportation-related cash funds — Transportation-related cash fund revenue is forecast to grow 3.1 percent in FY 2018-19 and 2.5 percent in FY 2019-20 after growing by 4.4 percent in FY 2017-18. The September forecast for FY 2018-19 is 1.7 percent, or $22.1 million, higher than the June forecast.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a number of smaller cash funds including emissions fees and professional licenses. HUTF collections are distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol. The primary revenue sources for the HUTF cash funds are motor fuel taxes and registration fees, but also include special transport permits and DUI fines.

State gasoline taxes have remained at 22 cents per gallon since their last increase in 1991. Since that time, fuel tax revenue has averaged 2.0 percent growth per year, while inflation has averaged 2.8 percent per year.

State gasoline taxes, which have remained at 22 cents per gallon since their last increase in 1991, represent more than 75 percent of motor fuel tax revenue. Fuel tax revenue to the HUTF has averaged 2.0 percent growth per year during the current economic expansion. As inflation has averaged 2.8 percent per year over that period, current fuel taxes allow for less road construction and maintenance than they did in 1991. Growth is expected to continue at a modest rate, with improvements in fuel-efficiency and growing numbers of electric vehicles largely offset by the state's strong economic activity and an increasing consumer preference for larger vehicles.

Vehicle registration revenue growth is driven by auto sales and in-migration to the state. Auto sales grew steadily from the end of the Great Recession in 2009 through 2017. As interest rates rise and the pent-up demand experienced since the Great Recession decreases, new auto sales are leveling off. Colorado vehicle sales are expected to remain slightly stronger than nationwide sales due to greater economic and population growth.

Figure 29. Transportation Funds Forecast by Source, $ in Millions

Transportation Funds Revenue	Preliminary FY 17-18	Forecast FY 18-19	Forecast FY 19-20	Forecast FY 20-21
Highway Users Tax Fund (HUTF)				
Motor and Special Fuel Taxes	**$645.0**	**$678.3**	**$692.5**	**$707.3**
Change	3.0%	5.2%	2.1%	2.1%
Total Registrations	**$261.9**	**$275.1**	**$282.2**	**$290.3**
Change	4.9%	5.0%	2.6%	2.9%
Other HUTF Receipts	**$184.6**	**$195.8**	**$200.5**	**$204.8**
Change	1.0%	6.1%	2.4%	2.1%
Total HUTF	***$1,091.5***	***$1,149.1***	***$1,175.2***	***$1,202.3***
Change	*3.1%*	*5.3%*	*2.3%*	*2.3%*
State Highway Fund	**$40.6**	**$44.2**	**$45.6**	**$46.7**
Change	5.9%	8.7%	3.2%	2.5%
Other Transportation Funds	**$122.1**	**$121.1**	**$126.8**	**$129.1**
Change	2.8%	-0.8%	4.6%	1.9%
Total Transportation Funds	***$1,274.8***	***$1,314.4***	***$1,347.5***	***$1,378.2***
Change	*4.4%*	*3.1%*	*2.5%*	*2.3%*

*Totals may not sum due to adjustments from recent policy changes that impact revenue.

Limited gaming revenue — Revenue from limited gaming grew $8.0 million, or 6.7 percent, in FY 2017-18, reaching a total of $127.2 million. It is projected to reach $131.9 million in FY 2018-19 and $135.9 million in FY 2019-20.

Of the $127.2 million total preliminary limited gaming revenue in FY 2017-18, $106.8 million is subject to TABOR, as reflected in Figure 30. Of this amount, $105.0 million is classified as "base limited gaming revenue" in accordance with Amendment 50. In FY 2018-19, $110.1 million is subject to TABOR, with $108.2 million classified as "base limited gaming revenue." Base limited gaming revenue is distributed by statutory formula to the State General Fund, the State Historical Society, cities and counties affected by gaming activity, and programs related to economic development. In FY 2019-20, $113.5 million of the total projected limited gaming revenue is subject to TABOR, with $111.4 million designated as base limited gaming revenue.

Gaming revenue attributable to Amendment 50 is not subject to TABOR. This revenue is distributed mostly to community colleges, with a smaller portion going to local governments with communities affected by gaming. These distributions totaled $16.7 million in FY 2017-18 and are projected to total $18.1 million in FY 2018-19, and $19.4 million in FY 2019-20. Figure 30 shows the distribution of limited gaming revenue in further detail.

Figure 30. Distribution of Limited Gaming Revenues, $ in Millions

Distribution of Limited Gaming Revenues	Preliminary FY 17-18	Forecast FY 18-19	Forecast FY 19-20	Forecast FY 20-21
A. Total Limited Gaming Revenues	**$127.2**	**$131.9**	**$135.9**	**$139.3**
Annual Percent Change	6.7%	3.7%	3.0%	2.5%
B. Base Limited Gaming Revenues (max 3% growth)	**$105.0**	**$108.2**	**$111.4**	**$114.3**
Annual Percent Change	3.0%	3.0%	3.0%	2.5%
C. Gaming Revenue Subject to TABOR	**$106.8**	**$110.1**	**$113.5**	**$116.3**
Annual Percent Change	3.0%	3.1%	3.0%	2.5%
D. Total Amount to Base Revenue Recipients	**$94.8**	**$98.7**	**$101.2**	**$104.0**
Amount to State Historical Society	$26.6	$27.6	$28.3	$29.1
Amount to Counties	$11.4	$11.8	$12.1	$12.5
Amount to Cities	$9.5	$9.9	$10.1	$10.4
Amount to Distribute to Remaining Programs (State Share)	$47.4	$49.4	$50.6	$52.0
Amount to Local Government Impact Fund	$5.4	$5.9	$6.2	$6.6
Colorado Tourism Promotion Fund	$15.0	$15.0	$15.0	$15.0
Creative Industries Cash Fund	$2.0	$2.0	$2.0	$2.0
Film, Television, and Media Operational Account	$0.5	$0.5	$0.5	$0.5
Advanced Industries Acceleration Fund	$5.5	$5.5	$5.5	$5.5
Innovative Higher Education Research Fund	$2.1	$2.1	$2.1	$2.1
Transfer to the General Fund	$16.9	$18.4	$19.3	$20.3
E. Total Amount to Amendment 50 Revenue Recipients	**$16.7**	**$18.1**	**$19.4**	**$20.1**
Community Colleges, Mesa and Adams State (78%)	$13.0	$14.1	$15.1	$15.7
Counties (12%)	$2.0	$2.2	$2.3	$2.4
Cities (10%)	$1.7	$1.8	$1.9	$2.0

Severance tax revenue — Severance tax revenue totaled $142.6 million in FY 2017-18 and is expected to grow by 28.6 percent to $183.5 million in FY 2018-19 before falling to $138.6 million in FY 2019-20. This forecast reflects increased oil and gas production value due to higher commodity prices and increased drilling activity. Larger ad valorem credits coupled with a projection of stable oil and gas prices are expected to cause the decline in severance tax revenue in FY 2019-20.

As a result of the Colorado Supreme Court's April 2016 decision in *BP America v. Colorado Department of Revenue*, taxpayers can claim additional severance tax deductions related to their transportation, manufacturing, and processing costs incurred in oil and gas extraction activities. In addition to lowering severance tax collections on an ongoing basis, this decision also increased the refunds being made to severance taxpayers for past tax years.

Federal Mineral Leasing (FML) revenue — FML revenue decreased in FY 2017-18, declining 5.3 percent to $86.2 million. It is expected to grow 10.5 percent to $95.2 million in FY 2018-19 and 5.1 percent to $100.1 million in FY 2019-20. The rebound in growth in FY 2018-19 is a result of increased production and the end of refunds of FML "bonus" payments to mineral extraction leaseholders on the Roan Plateau. Note that while FML revenue is exempt from TABOR, it is included here because a portion of the money is used for the State's share of pre-K-12 school finance.

FML royalties are derived from a percentage of the value of resources produced on leased federal lands. FML activity includes the production of natural gas and oil as well as propane, carbon dioxide, coal, and other mineral resources. The Bureau of Land Management (BLM) sells leases to extract mineral resources from federal lands. Producers then remit royalties and other payments to the federal government that are then shared with the state in which production occurs.

On March 13, 2018, the U.S. Department of the Interior announced that $18.2 million of previously withheld FML revenue would be disbursed to the State. HB 18-1249 changed the distribution of this disbursement. Instead of being deposited into the State's Mineral Leasing Fund, the revenue was distributed to the affected counties – Garfield, Rio Blanco, Mesa, and Moffat – to return funding that the federal government had previously withheld from them in order to pay for the cleanup of the Anvil Points oil shale site.

Figure 31. Federal Mineral Leasing (FML) Payments, $ in Millions

Fiscal Year	Bonus	Non-Bonus	Total FML	% Change
FY 2017-18	$0.4	$85.8	$86.2	-5.3%
FY 2018-19	$1.7	$93.5	$95.2	10.5%
FY 2019-20	$1.8	$98.3	$100.1	5.1%
FY 2020-21	$1.9	$103.0	$104.9	4.8%

FY 2017-18 figures are actual collections, FY 2018-19 through FY 2020-21 are projections.
Figures do not include $18.2 million of previously withheld revenue disbursed in accordance with HB18-1249.

Other cash funds — Cash fund revenue to the Department of Regulatory Agencies (DORA) increased 6.5 percent to $80.5 million in FY 2017-18. This revenue is projected to increase 3.6 percent to $83.4 million in FY 2018-19 and another 3.5 percent to $86.3 million in FY 2019-20. DORA regulates businesses and professionals in certain industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers. Revenue from licensing fees and other services fund many of the Department's activities.

Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance programs. Following a general trend of increasing insurance premiums, the surcharge rate, which is determined through a series of rule hearings, was revised up by 0.4 percentage points in FY 2017-18. Revenue from this source grew 72.5 percent to $17.8 million in FY 2017-18 due to the increased surcharge rate and is estimated to grow 6.6 percent to $19.0 million in FY 2018-19 before falling 7.0 percent to $17.6 million in FY 2019-20. Each year, the Division of Workers' Compensation performs a comprehensive review to determine the funding needed to operate its programs.

The "Other Miscellaneous Cash Funds" category in Table X includes revenue from over 300 cash funds, which generally collect revenue from fines, fees, and interest earnings. Approximately 75 percent of the revenue comes from the largest 30 of these funds. Included among these are the Employment Support Fund, Medicaid Nursing Facility Cash Fund, and cash funds that collect marijuana industry-related revenue.

Revenue to miscellaneous cash funds totaled a preliminary $674.8 million in FY 2017-18, an increase of 4.4 percent. In FY 2018-19, revenue to these funds is expected to increase 5.2 percent to $710.2 million, followed by an estimated increase of 5.1 percent to $746.7 million in FY 2019-20. Of the FY 2018-19 increase, $6.4 million can be attributed to the impacts of legislation passed during the 2018 legislative session.

Marijuana-related revenue — Figure 32 shows revenue from the special taxes on the legal marijuana industry authorized by Proposition AA in November 2013, along with revenue from the 2.9 percent sales tax collected on marijuana sales.

Figure 32. Tax Revenue from the Marijuana Industry, $ in Millions

Tax Revenue from the Marijuana Industry	Actual FY 17-18	Forecast FY 18-19	Forecast FY 19-20	Forecast FY 20-21
Proposition AA Taxes				
Retail Marijuana 15% Special Sales Tax	$167.2	$182.2	$187.7	$190.5
Retail Marijuana 15% Excise Tax	$68.0	$57.8	$56.6	$56.3
Total Proposition AA Taxes	**$235.1**	**$240.0**	**$244.3**	**$246.9**
2.9% Sales Tax (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$10.6	$9.1	$8.2	$8.0
Retail Marijuana 2.9% State Sales Tax	$5.2	$0.7	$0.7	$0.8
Total 2.9% Sales Taxes	**$15.8**	**$9.8**	**$9.0**	**$8.8**
Total Marijuana Taxes	**$251.0**	**$249.8**	**$253.3**	**$255.6**

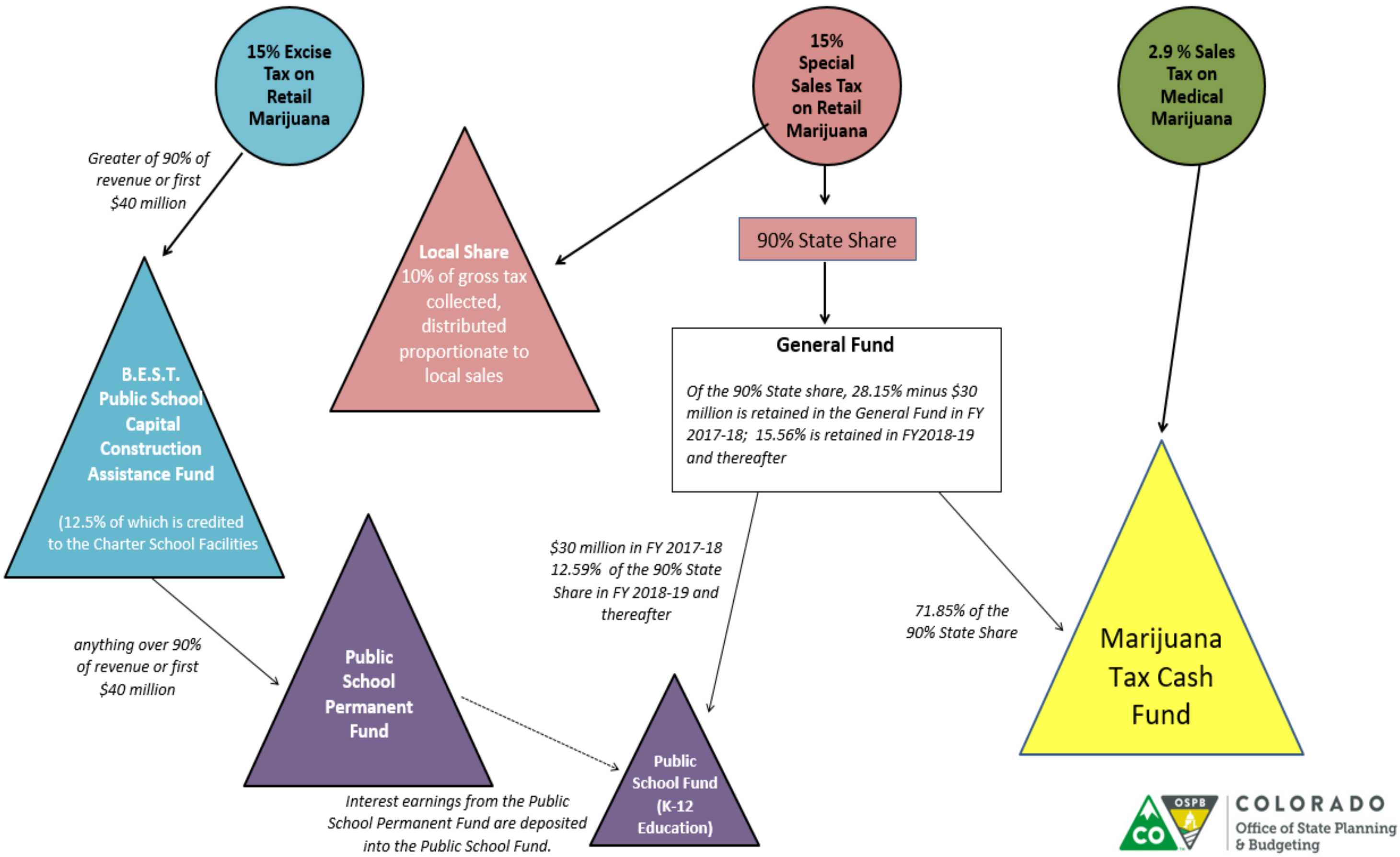
*Totals may not sum due to rounding.

SB 17-267 made changes to marijuana taxation and revenue beginning in FY 2017-18. The bill exempted retail marijuana from the 2.9 percent state sales tax, while increasing the special sales tax rate on retail marijuana from the prior 10 percent to 15 percent in FY 2017-18 and subsequent years. Note that the table above shows some revenue from the 2.9 percent state sales tax on retail marijuana in FY 2017-18 and later years. This is because marijuana accessories and other non-marijuana items sold in marijuana shops were not exempted.

Revenue from the 2.9 percent sales tax on marijuana and fees related to regulation of the marijuana industry are included in the Miscellaneous Cash Funds category in Table X. The table does not include the proceeds from marijuana taxes authorized by Proposition AA, as they are not subject to TABOR.

Most of the revenue from the retail marijuana sales tax in Proposition AA goes first to the General Fund — and is included as sales tax revenue in Table X in the Appendix — before being transferred to the Marijuana Tax Cash Fund, local governments, and the Public School Fund. The remaining amount after these transfers stays in the General Fund. Proposition AA also included an excise tax of 15 percent on retail marijuana that is credited to public school cash funds. Figure 33 shows the distribution of marijuana tax revenue.

Figure 33. Distribution of Tax Revenue from the Marijuana Industry Starting in FY 2018-19



Taxpayer's Bill of Rights: Revenue Limit

Background on TABOR – Provisions in the Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limit the growth of certain State revenue to the sum of inflation and population growth. Revenue collected above the TABOR limit must be returned to taxpayers unless voters decide the State can retain the revenue.

In November 2005, voters approved Referendum C, which allowed the State to retain all revenue received through FY 2009-10 during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 7 found in the Appendix) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 7) for each subsequent year. The passage of SB 17-267 during the 2017 legislative session reduced the Referendum C cap by $200 million in FY 2017-18. The lower cap then grows by the sum of inflation and population growth in subsequent years.

Most General Fund revenue and a portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Revenue that is not subject to TABOR includes revenue exempt by Colorado voters; federal money; and revenue received by entities designated as enterprises, such as public universities and colleges. Table 7 found in the Appendix summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

TABOR revenue exceeded the revenue cap in FY 2017-18 and will remain above the cap throughout the forecast period – TABOR revenue came in $16.2 million above the cap in FY 2017-18 and is projected to be above the cap by $260.5 million in FY 2018-19 and $381.3 million in FY 2019-20.

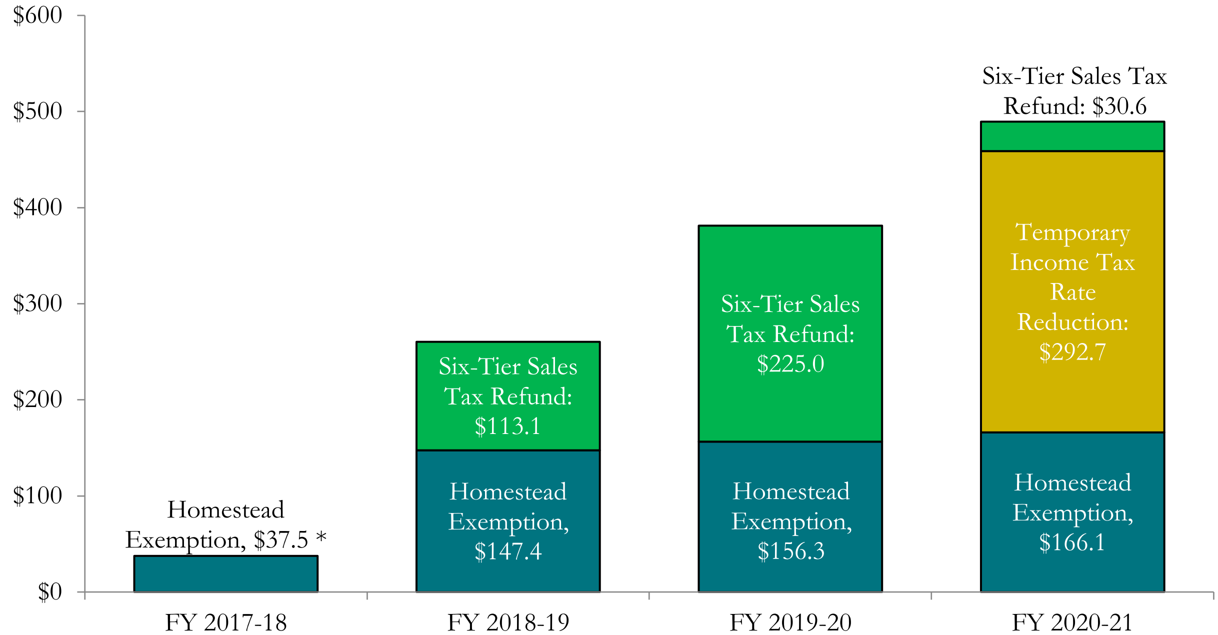
TABOR revenue exceeded the Referendum C cap by $16.2 million in FY 2017-18 and is expected to be above the cap by $260.5 million in FY 2018-19 and $381.3 million in FY 2019-20.

TABOR revenue last exceeded the Referendum C cap in FY 2014-15, by $169.7 million. Of this amount, $153.7 million was scheduled to be refunded to taxpayers via their 2015 tax returns, which included $3.6 million in outstanding refunds from prior years. The remaining $19.6 million of the $169.7 million in excess FY 2014-15 revenue resulted from a reclassification of revenue transferred from the Unclaimed Property Fund to the Adult Dental Fund as subject to TABOR. The legal analysis and audit review on the correct classification of this revenue occurred after refund amounts had been established for state income tax forms. Such adjustments and audit findings have occurred in the past and the process requires the reclassified revenue to be refunded in the next year a refund is due, which is FY 2017-18, as discussed below.

In addition to this $19.6 million adjustment, after the close of FY 2014-15, a net $14.2 million in FY 2014-15 revenue previously treated as nonexempt was reclassified as exempt from TABOR. This reclassification offsets a portion of the aforementioned $19.6 million due to be refunded to taxpayers in the next year a refund is due.

Colorado law specifies three mechanisms by which revenue in excess of the cap needs to be refunded to taxpayers in future years: the senior homestead and disabled veterans property tax exemptions, a sales tax refund to all taxpayers ("six-tier sales tax refund"), and a temporary income tax rate reduction. The refund amount determines which refund mechanisms are used. Figure 34 shows the anticipated refund that will be distributed through each statutorily defined refund mechanism.

Figure 34. Distribution of TABOR Refunds, $ in Millions*



* Amount above Referendum C cap plus adjustments from prior years. TABOR refunds are paid in the fiscal year following the fiscal year in which they are obligated.

Under this forecast, TABOR refunds of $37.5 million are required for FY 2017-18, as shown in the table below and in line 11 in Table 7. This amount includes the $16.2 million in excess of the Referendum C cap in FY 2017-18, plus a net $5.4 million outstanding from the FY 2014-15 refund requirement due to those adjustments discussed above, plus $15.9 million in FY 2014-15 refunds that remain unclaimed by taxpayers. Any TABOR refund amount that is not refunded is required to be refunded the next year a refund is due. The following table illustrates these adjustments.

Projected FY 2017-18 TABOR Refund with Adjustments	
Revenue Above the Referendum C Cap	$16.2
Adjustments from Prior Fiscal Years	
Reclassification of Transfer to Adult Dental Fund	$19.6
Other Reclassifications	-$14.2
Remaining Amount not Refunded from 2015 Tax Returns	$15.9
Total Adjustments	$21.3
Total Refund	**$37.5**

As specified by Section 39-22-627, C.R.S, the refund of the FY 2017-18 excess revenue will occur through the senior homestead and disabled veterans property tax exemption expenditures in FY 2018-19. The refund amount is not sufficient to trigger a sales tax refund or temporary income tax rate reduction.

In FY 2018-19 and FY 2019-20, the excess revenue is not sufficient to trigger a temporary income tax rate reduction, and refunds in excess of the homestead exemption will instead be refunded via a six-tier sales tax refund. The sales tax refund will average an estimated $32 per taxpayer in FY 2018-19 and $63 per taxpayer in FY 2019-20, each to be refunded in the following year.

In FY 2020-21, required refunds of $489.4 million will exceed homestead exemption refund expenditures by an amount sufficient to fund a temporary income tax rate cut, from 4.63 percent to 4.5 percent. This rate reduction will reduce income tax payments by an average of $45 for taxpayers filing single returns and an average of $159 for taxpayers filing joint returns. The income tax rate reduction leaves an additional $30.6 million in required refunds for FY 2020-21, which will be disbursed via a flat sales tax refund, as the average sales tax refund of $8 per taxpayer is less than the $15 average required to trigger a six-tiered sales tax refund according to Section 39-22-2002, C.R.S.

Figure 35. Average TABOR Refund per Taxpayer by Fiscal Year Paid (Excluding Homestead Exemption)

Average Refund Paid	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Single Filers	0	$32	$63	$54
Joint Filers	0	$64	$126	$176

Figure 36 shows per-taxpayer refund estimates by income tier for both sales tax refunds and income tax rate reduction refunds. The homestead exemption refunds are not included in these tables as only certain senior and disabled veteran populations are eligible for those programs.

Figure 36. Projected Distribution of Refunds per Taxpayer by Fiscal Year Incurred (Excluding Homestead Exemption)*

No FY 2017-18 Sales Tax Refund or Income Tax Rate Reduction

FY 2018-19 TABOR Refund per Taxpayer

	Individual Returns			Joint Returns		
Adjusted Gross Income Tier	Six-Tier Sales Tax	Income Tax Rate Cut	Total	Six-Tier Sales Tax	Income Tax Rate Cut	Total
Up to $40,000	$22	$0	$22	$44	$0	$44
$40,001 - $85,000	$30	$0	$30	$60	$0	$60
$85,001 - $133,000	$35	$0	$35	$70	$0	$70
$133,001 - $180,000	$38	$0	$38	$76	$0	$76
$180,001 - $225,000	$40	$0	$40	$80	$0	$80
$225,001 and Up	$69	$0	$69	$138	$0	$138
Average	$32	$0	$32	$64	$0	$64

FY 2019-20 TABOR Refund per Taxpayer

Adjusted Gross Income Tier			Individual Returns: Six-Tier Sales Tax	Individual Returns: Income Tax Rate Cut	Individual Returns: Total	Joint Returns: Six-Tier Sales Tax	Joint Returns: Income Tax Rate Cut	Joint Returns: Total
Up to		$42,000	$43	$0	$43	$86	$0	$86
$42,001	-	$89,000	$59	$0	$59	$118	$0	$118
$89,001	-	$138,000	$69	$0	$69	$138	$0	$138
$138,001	-	$187,000	$76	$0	$76	$152	$0	$152
$187,001	-	$234,000	$79	$0	$79	$158	$0	$158
$234,001		and Up	$135	$0	$135	$270	$0	$270
Average			$63	$0	$63	$126	$0	$126

FY 2020-21 TABOR Refund per Taxpayer

Adjusted Gross Income Tier			Individual Returns: Six-Tier Sales Tax	Individual Returns: Income Tax Rate Cut	Individual Returns: Total	Joint Returns: Six-Tier Sales Tax	Joint Returns: Income Tax Rate Cut	Joint Returns: Total
Up to		$43,000	$8	$9	$17	$16	$3	$19
$43,001	-	$91,000	$8	$59	$67	$16	$38	$54
$91,001	-	$141,000	$8	$132	$140	$16	$99	$115
$141,001	-	$192,000	$8	$194	$202	$16	$163	$179
$192,001	-	$240,000	$8	$242	$250	$16	$229	$245
$240,001		and Up	$8	$738	$746	$16	$700	$716
Average			$8	$45	$53	$16	$159	$175

*TABOR refunds are paid in the fiscal year following the fiscal year in which they are obligated.
*Averages weighted by number of taxpayers in each bracket.

Governor's Revenue Estimating Advisory Committee

The Governor's Office of State Planning and Budgeting would like to thank the following individuals that provided valuable feedback on key national and Colorado-specific economic indices included in this forecast. All of these individuals possess expertise in a number of economic and financial disciplines and were generous with their time and knowledge.

- Alison Felix – Vice President and Denver Branch Executive, Denver Branch – Federal Reserve Bank of Kansas City
- Elizabeth Garner – State Demographer, Colorado Department of Local Affairs
- Alexandra Hall –Director, Division of Labor Standards and Statistics, Colorado Department of Labor and Employment
- David Kelly – Chief Risk Officer, FirstBank
- Ronald New – Capital Markets Executive
- Jessica Ostermick – Director, Capital Markets, Industrial and Logistics, CBRE
- Paul Rochette – Senior Partner, Summit Economics
- Patricia Silverstein – President, Development Research Partners
- Richard Wobbekind – Associate Dean, Leeds School of Business; University of Colorado, Boulder

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Appendix – Reference Tables

Table 1. History and Forecast for Key Colorado Economic Variables
Calendar Year 2012-2020

Line No.		Actual						September 2018 Forecast		
		2012	2013	2014	2015	2016	2017	2018	2019	2020
	Income									
1	Personal Income (Billions) /A	$234.0	$246.6	$267.2	$282.7	$288.1	$303.7	$320.5	$337.2	$354.1
2	Change	6.4%	5.4%	8.3%	5.8%	1.9%	5.4%	5.6%	5.2%	5.0%
3	Wage and Salary Income (Billions) /A	$125.0	$129.6	$138.7	$146.6	$151.3	$159.9	$169.2	$178.0	$187.3
4	Change	5.4%	3.7%	7.0%	5.7%	3.2%	5.7%	5.8%	5.2%	5.2%
5	Per-Capita Income ($/person) /A	$45,120	$46,869	$50,021	$51,956	$52,097	$54,156	$56,365	$58,512	$60,675
6	Change	5.0%	3.9%	6.7%	3.9%	0.3%	4.0%	4.1%	3.8%	3.7%
	Population & Employment									
7	Population (Thousands)	5,186.3	5,262.6	5,342.3	5,440.4	5,530.1	5,607.2	5,686.8	5,763.0	5,835.5
8	Change	1.4%	1.5%	1.5%	1.8%	1.6%	1.4%	1.4%	1.3%	1.3%
9	Net Migration (Thousands)	38.7	45.3	47.7	69.1	59.6	47.6	53.0	50.0	47.0
10	Unemployment Rate	7.9%	6.9%	5.0%	3.9%	3.3%	2.8%	2.9%	3.0%	3.2%
11	Total Nonagricultural Employment (Thousands)	2,312.2	2,381.1	2,464.2	2,541.7	2,602.4	2,658.6	2,727.7	2,782.3	2,832.4
12	Change	2.4%	3.0%	3.5%	3.1%	2.4%	2.2%	2.6%	2.0%	1.8%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	23.3	27.5	28.7	31.9	39.0	41.9	48.3	49.3	51.2
14	Change	72.6%	18.1%	4.3%	11.1%	22.3%	7.5%	15.2%	2.1%	3.8%
15	Nonresidential Construction Value (Millions) /B	$3,695.3	$3,624.0	$4,350.9	$4,987.8	$5,972.4	$6,062.0	$6,551.3	$6,117.8	$6,088.1
16	Change	-5.8%	-1.9%	20.1%	14.6%	19.7%	1.5%	8.1%	-6.6%	-0.5%
	Prices & Sales Variables									
17	Retail Trade (Billions) /C /D	$80.2	$84.1	$90.5	$95.0	$99.1	$103.9	$108.9	$114.0	$118.9
18	Change	5.7%	4.8%	7.6%	4.9%	4.3%	4.8%	4.9%	4.6%	4.3%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100) /E	224.6	230.8	237.2	240.0	246.6	255.0	262.6	270.0	277.3
20	Change	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	3.0%	2.8%	2.7%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance. 2017 data represent OSPB estimates.

/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, and medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/C Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods/books/music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants). E-commerce retail trade and other sales by a retailer that does not have a state sales tax account are not included in these figures.

/ D 2016 and 2017 data are not final and represent OSPB's estimates.

/ E In 2018 the geography and data frequency of this series were revised. 2017 and prior years represent Denver-Boulder-Greeley regional prices.

Table 2. History and Forecast for Key National Economic Variables
Calendar Year 2012 – 2020

Line No.		Actual						September 2018 Forecast		
		2012	2013	2014	2015	2016	2017	2018	2019	2020
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$16,197.0	$16,495.4	$16,899.8	$17,386.7	$17,659.2	$18,050.7	$18,578.5	$19,061.5	$19,432.9
2	Change	2.2%	1.8%	2.5%	2.9%	1.6%	2.2%	2.9%	2.6%	1.9%
3	Personal Income (Billions) /B	$14,010.1	$14,181.1	$14,991.8	$15,719.5	$16,125.1	$16,830.9	$17,625.4	$18,436.2	$19,210.5
4	Change	5.1%	1.2%	5.7%	4.9%	2.6%	4.4%	4.7%	4.6%	4.2%
5	Per-Capita Income ($/person)	$44,619	$44,844	$47,052	$48,964	$49,860	$51,673	$53,732	$55,831	$57,815
6	Change	4.3%	0.5%	4.9%	4.1%	1.8%	3.6%	4.0%	3.9%	3.6%
7	Wage and Salary Income (Billions) /B	$6,928	$7,113.2	$7,473.2	$7,854.4	$8,080.7	$8,453.8	$8,884.9	$9,341.5	$9,780.5
8	Change	4.6%	2.7%	5.1%	5.1%	2.9%	3.2%	5.1%	5.1%	4.7%
	Population & Employment									
9	Population (Millions)	314.0	316.2	318.6	321.0	323.4	325.7	328.0	330.2	332.3
10	Change	0.8%	0.7%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%
11	Unemployment Rate	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	3.9%
12	Total Nonagricultural Employment (Millions)	134.2	136.4	139.0	141.8	144.4	146.6	149.0	151.1	152.6
13	Change	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.4%	1.0%
	Price Variables									
14	Consumer Price Index (1982-84=100)	229.6	233.0	236.7	237.0	240.0	245.1	251.2	257.3	262.9
15	Change	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.5%	2.4%	2.2%
16	Producer Price Index - All Commodities (1982=100)	202.2	203.4	205.3	190.4	185.4	193.5	202.8	207.0	207.5
17	Change	0.6%	0.6%	0.9%	-7.3%	-2.6%	4.4%	4.8%	2.1%	0.2%
	Other Key Indicators									
18	Corporate Profits (Billions)	$1,997.4	$2,010.7	$2,118.8	$2,057.3	$2,035.0	$2,099.3	$2,177.0	$2,246.6	$2,329.8
19	Change	10.4%	0.7%	5.4%	-2.9%	-1.1%	3.2%	3.7%	3.2%	3.7%
20	Housing Permits (Millions)	0.830	0.991	1.052	1.183	1.207	1.282	1.345	1.365	1.390
21	Change	32.9%	19.4%	6.2%	12.4%	2.0%	6.2%	4.9%	1.5%	1.8%
22	Retail Trade (Billions)	$4,826.4	$5,001.8	$5,215.7	$5,349.5	$5,514.9	$5,750.4	$6,053.8	$6,326.2	$6,547.6
23	Change	5.0%	3.6%	4.3%	2.6%	3.1%	4.3%	5.3%	4.5%	3.5%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts. Inflation-adjusted, in 2009 dollars.

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Table 3. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line		Preliminary		September 2018 Estimate by Fiscal Year					
No.	Category	FY 2017-18	% Chg	FY 2018-19	% Chg	FY 2019-20	% Chg	FY 2020-21	% Chg
	Excise Taxes:								
1	Sales	$3,093.6	9.5%	$3,348.0	8.2%	$3,527.1	5.3%	$3,694.8	4.8%
2	Use	$309.9	19.4%	$328.3	5.9%	$345.5	5.2%	$360.2	4.2%
3	Cigarette	$34.6	-5.5%	$32.8	-5.2%	$31.3	-4.5%	$30.1	-4.0%
4	Tobacco Products	$16.4	-22.7%	$23.8	45.2%	$24.7	3.8%	$25.7	4.1%
5	Liquor	$46.5	3.3%	$47.9	3.1%	$48.0	0.3%	$48.7	1.5%
6	**Total Excise**	**$3,501.0**	**9.8%**	**$3,780.9**	**8.0%**	**$3,976.7**	**5.2%**	**$4,159.6**	**4.6%**
	Income Taxes:								
7	Net Individual Income	$7,577.2	12.1%	$8,015.2	5.8%	$8,481.2	5.8%	$8,887.3	4.8%
8	Net Corporate Income	$781.9	53.5%	$885.5	13.2%	$977.0	10.3%	$1,059.7	8.5%
9	**Total Income**	**$8,359.1**	**15.0%**	**$8,900.7**	**6.5%**	**$9,458.2**	**6.3%**	**$9,947.0**	**5.2%**
10	*Less: State Education Fund Diversion*	*$617.0*	*14.3%*	*$658.6*	*6.8%*	*$698.7*	*6.1%*	*$746.0*	*6.8%*
11	**Total Income to General Fund**	**$7,742.1**	**15.0%**	**$8,242.0**	**6.5%**	**$8,759.6**	**6.3%**	**$9,201.0**	**5.0%**
	Other Revenue:								
12	Insurance	$303.6	4.5%	$317.0	4.4%	$330.9	4.4%	$344.0	4.0%
13	Interest Income	$19.5	32.4%	$14.2	-27.3%	$15.0	5.8%	$15.8	5.1%
14	Pari-Mutuel	$0.5	-10.7%	$0.5	-2.0%	$0.5	-2.0%	$0.5	-2.0%
15	Court Receipts	$4.4	7.6%	$4.5	2.3%	$4.6	2.2%	$4.6	0.0%
16	Other Income	$152.2	221.7%	$23.0	-84.9%	$24.1	4.7%	$25.2	4.6%
17	**Total Other**	**$480.2**	**34.4%**	**$359.2**	**-25.2%**	**$375.1**	**4.4%**	**$390.1**	**4.0%**
18	**GROSS GENERAL FUND**	**$11,723.2**	**14.1%**	**$12,382.1**	**5.6%**	**$13,111.3**	**5.9%**	**$13,750.6**	**4.9%**

Table 4. General Fund Overview /A /B
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2017-18	September 2018 Estimate by Fiscal Year FY 2018-19	FY 2019-20	FY 2020-21
Revenue					
1	**Beginning Reserve**	**$614.5**	**$1,273.8**	**$1,068.5**	**$895.5**
2	**Gross General Fund Revenue**	**$11,723.2**	**$12,382.1**	**$13,111.3**	**$13,750.6**
3	*Transfers to the General Fund*	$98.5	$19.2	$20.1	$21.1
4	**TOTAL GENERAL FUND AVAILABLE**	**$12,436.2**	**$13,675.1**	**$14,199.9**	**$14,667.2**
Expenditures					
5	**Appropriation Subject to Limit**	**$10,430.9**	**$11,217.7**	**$12,351.6**	**$12,888.9**
6	*Dollar Change (from prior year)*	$646.4	$786.8	$1,133.9	$537.3
7	*Percent Change (from prior year)*	6.6%	7.5%	10.1%	4.4%
8	**Spending Outside Limit**	**$752.7**	**$1,388.9**	**$952.9**	**$843.8**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$37.5	$260.5	$381.3	$489.4
10	*Rebates and Expenditures*	$290.6	$249.9	$144.9	$149.9
11	*Transfers for Capital Construction*	$112.1	$179.2	$60.0	$0.0
12	*Transfers for Transportation*	$79.0	$495.0	$200.0	$50.0
13	*Transfers to State Education Fund under SB 13-234*	$25.3	$25.0	$0.0	$0.0
14	*Transfers to Other Funds*	$208.2	$179.4	$166.7	$154.5
15	*Other Expenditures Exempt from General Fund Appropriations Limit*	$0.0	$0.0	$0.0	$0.0
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$11,183.7**	**$12,606.6**	**$13,304.5**	**$13,732.7**
17	*Percent Change (from prior year)*	7.3%	12.7%	5.5%	3.2%
18	Reversions and Accounting Adjustments	-$21.3	$0.0	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$1,273.8**	**$1,068.5**	**$895.5**	**$934.4**
20	*Year-End General Fund as a % of Appropriations*	12.2%	9.5%	7.25%	7.25%
21	*General Fund Statutory Reserve*	$674.9	$813.3	$895.5	$934.4
22	*Above/Below Statutory Reserve*	$598.9	$255.3	$0.0	$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 32 for information on the figures in this table.
/B Actual expenditures for FY 2019-20 and FY 2020-21 will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections shown are illustrative only.

Table 5. General Fund and State Education Fund Overview /A
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2017-18	September 2018 Estimate by Fiscal Year		
			FY 2018-19	FY 2019-20	FY 2020-21
Revenue					
1	**Beginning Reserves**	**$716.6**	**$1,484.0**	**$1,196.7**	**$1,000.5**
2	*State Education Fund*	$102.2	$210.2	$128.1	$105.0
3	*General Fund*	$614.5	$1,273.8	$1,068.5	$895.5
4	**Gross State Education Fund Revenue**	**$648.7**	**$690.5**	**$705.7**	**$753.5**
5	**Gross General Fund Revenue /B**	**$11,821.7**	**$12,401.4**	**$13,131.4**	**$13,771.7**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$13,187.1**	**$14,575.8**	**$15,033.7**	**$15,525.7**
Expenditures					
7	General Fund Expenditures /C /D	$11,183.7	$12,606.6	$13,304.5	$13,732.7
8	State Education Fund Expenditures /D	$540.7	$772.6	$728.8	$752.0
9	**TOTAL OBLIGATIONS**	**$11,724.4**	**$13,379.2**	**$14,033.2**	**$14,484.7**
10	*Percent Change (from prior year)*	4.7%	14.1%	4.9%	3.2%
11	*Reversions and Accounting Adjustments*	-$21.3	$0.0	$0.0	$0.0
Reserves					
12	**Year-End Balance**	**$1,484.0**	**$1,196.7**	**$1,000.5**	**$1,041.0**
13	State Education Fund	$210.2	$128.1	$105.0	$106.5
14	General Fund	$1,273.8	$1,068.5	$895.5	$934.4
15	*General Fund Above/Below Statutory Reserve*	$598.9	$255.3	$0.0	$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 32 for information on the figures in this table.
/B This amount includes transfers to the General Fund shown in line 3 of Table 4.
/C General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 5 in Table 4 as well as all spending outside the limit shown in line 8 in Table 4.
/D Actual expenditures for FY 2019-20 and FY 2020-21 will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections shown are illustrative only.

Table 6. Cash Fund Revenue Subject to TABOR Forecast by Major Category
(Dollar amounts in Millions)

Category	Preliminary FY 2017-18	September 2018 Estimate by Fiscal Year FY 2018-19	FY 2019-20	FY 2020-21
Transportation-Related /A	**$1,274.8**	**$1,314.4**	**$1,347.5**	**$1,378.2**
Change	4.4%	3.1%	2.5%	2.3%
Limited Gaming Fund /B	**$106.8**	**$110.1**	**$113.5**	**$116.3**
Change	3.0%	3.1%	3.0%	2.5%
Capital Construction - Interest	**$4.7**	**$6.1**	**$5.6**	**$5.1**
Change	-0.5%	31.3%	-8.2%	-8.9%
Regulatory Agencies	**$80.5**	**$77.3**	**$80.0**	**$82.1**
Change	6.5%	-4.0%	3.6%	2.6%
Insurance-Related	**$17.8**	**$19.0**	**$17.6**	**$16.6**
Change	72.5%	6.6%	-7.0%	-5.7%
Severance Tax	**$142.6**	**$183.5**	**$138.6**	**$162.9**
Change	632.2%	28.6%	-24.5%	17.5%
Other Miscellaneous Cash Funds	**$674.8**	**$710.2**	**$746.7**	**$774.6**
Change	4.4%	5.2%	5.1%	3.7%
TOTAL CASH FUND REVENUE	***$2,302.0***	***$2,420.6***	***$2,449.6***	***$2,535.9***
Change	-15.9%	5.2%	1.2%	3.5%

/A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in House Bill 09-1272.

Table 7. TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2017-18	September 2018 Estimate by Fiscal Year FY 2018-19	FY 2019-20	FY 2020-21
	TABOR Revenues:				
1	General Fund /A	$11,416.6	$12,199.9	$12,923.6	$13,560.1
	Percent Change from Prior Year	12.4%	6.9%	5.9%	4.9%
2	Cash Funds /A	$2,302.0	$2,420.6	$2,449.6	$2,535.9
	Percent Change from Prior Year	-15.9%	5.2%	1.2%	3.5%
3	**Total TABOR Revenues**	**$13,718.6**	**$14,620.6**	**$15,373.2**	**$16,096.0**
	Percent Change from Prior Year	6.4%	6.6%	5.1%	4.7%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.7%	1.4%	1.4%	1.3%
5	Previous calendar year inflation	2.8%	3.4%	3.0%	2.8%
6	**Allowable TABOR Growth Rate**	4.5%	4.8%	4.4%	4.1%
7	TABOR Limit /B	$11,220.7	$11,759.3	$12,276.8	$12,780.1
8	General Fund Exempt Revenue Under Ref. C /C	$2,481.6	$2,600.7	$2,715.2	$2,826.5
9	**Revenue Cap Under Ref. C /B, /D**	**$13,702.4**	**$14,360.1**	**$14,991.9**	**$15,606.6**
10	***Amount Above/Below Cap***	**$16.2**	**$260.5**	**$381.3**	**$489.4**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$37.5**	**$260.5**	**$381.3**	**$489.4**
12	TABOR Reserve Requirement	$411.1	$430.8	$449.8	$468.2

/A Amounts differ from the General Fund and Cash Fund revenue reported in Table 3 and Table 6 due to accounting adjustments and because some General Fund revenue is exempt from TABOR.

/B The TABOR limit and Referendum C cap are adjusted to account for changes in the enterprise status of various state entities.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenue" or the "Revenue Cap under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period. SB 17-267 reduced the Referendum C cap by $200 million in FY 2017-18. The lower cap then grows by inflation and population growth in subsequent years.

/E These adjustments are the result of: (a) changes that were made to State accounting records for years in which TABOR refunds occurred that resulted in changes in required refunds to taxpayers, and (b) the refund to taxpayers in previous years was different than the actual amount required. Such adjustments are held by the State until a future year in which a TABOR refund occurs when they adjust the total refund amount distributed to taxpayers.

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APPENDIX G

PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND

Introduction

The Act creates the Public School Capital Construction Assistance Board and the Public School Capital Construction Assistance Fund. In accordance with the Act, the Assistance Fund is funded from revenues received by the State from (i) a portion of rental income and royalties derived from State public school lands, (ii) a portion of State lottery proceeds, (iii) amounts paid by Participating K-12 Institutions for which capital projects are financed through the Program, (iv) excise tax revenue from marijuana sales and (v) State appropriations described in the following paragraph.

Under the Act, the State Treasurer may enter into lease purchase agreements (the "Leases") for which the State may decide annually to appropriate rent from the Assistance Fund. The General Assembly is also authorized to appropriate or transfer moneys to the Assistance Fund from any legally available source, including the State General Fund, if the amount in the Assistance Fund is insufficient to pay the full amount of the payments due to be made under the Leases. See "APPENDIX E – THE STATE GENERAL FUND."

The decision of the State to appropriate funds to pay its obligations under the Leases or make up any shortfall in the Assistance Fund may be impacted by the amount and stability of revenues allocated to the Assistance Fund under the Act. Amounts deposited in the Assistance Fund are also available for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects. As of June 30, 2017, approximately $385.6 million was on deposit in the Assistance Fund, and as of June 30, 2018, approximately $392.7 million was on deposit in the Assistance Fund. In 2013, the Act was amended to require that the Assistance Board ensure that effective June 30, 2013, and each June 30 thereafter, the balance of the Assistance Fund, not including the amounts credited to the charter school facilities assistance account within the Assistance Fund, is at least equal to the total amount of payments to be made by the State during the next Fiscal Year under the terms of any lease purchase agreement entered into pursuant to the Act less the amount of any Matching Moneys (as described below under "Matching Moneys") and federal moneys (such as the Federal Direct Payments) to be received for the purpose of making the payments. The revenue sources for the Assistance Fund are further described below.

Rental Income and Royalties

The Territory of Colorado was established in 1861 pursuant to an enabling act (the "Enabling Act"). In the Enabling Act, the federal government declared that certain land previously owned by the federal government was to be granted in trust to the State for the support of the State's public schools (the "Public School Lands"). On the date it was admitted to the United States, the State held roughly 3.7 million acres of Public School Lands. As of July 2018, the Colorado State Land Board of Commissioners (the "State Land Board") reported that the State held approximately 2.8 million surface acres and approximately 4.0 million mineral acres in trust as Public School Lands.

The Act provides that for each Fiscal Year there is to be deposited in the Assistance Fund the greater of (i) 35% of the gross amount of "Public School Lands Income" received during the Fiscal Year or (ii) $40 million. However, if the State Treasurer determines during any Fiscal Year that the use of interest or income earned on the deposit and investment of moneys in the Public School Fund to make lease payments under a Lease will prevent the interest component of the lease payments from qualifying for exemption from federal income taxation and provides written notice to the JBC of such determination, for the portion of the Fiscal Year beginning on the date the written notice is provided to the JBC and for each subsequent Fiscal Year unless and until the State Treasurer makes a new determination during any Fiscal Year that the use of interest or income earned on the deposit and investment of moneys in the Public School Fund to make lease payments under a Lease will not prevent the interest component of the lease payments from qualifying for exemption from federal income taxation and provides written notice to the JBC of such determination, for the portion of the Fiscal Year beginning on the date the written notice is provided to the JBC, the amount to be deposited in the Assistance Fund is to be the greater of (i) 50% of the gross amount of Public School Lands Income other than interest or income earned on the deposit and investment of moneys in the Public School Fund received during the Fiscal Year or (ii) $40 million. Public School Lands Income is defined under the Act to include: (i) the sale of timber on Public School Lands, and rentals or lease payments for the use and occupation of Public School Lands, and rentals or lease payments for sand, gravel, clay, stone, coal, oil, natural gas, geothermal resources, gold, silver or other minerals on Public School Lands ("Rental Income"); and (ii) royalties and other payments for the extraction of any natural resource on Public School Lands ("Royalties"). Proceeds from the sale of Public School Lands are not part of Public School Lands Income, but such proceeds may be used by the State to purchase additional income-producing Public School Lands.

Rental Income and Royalties
(Unaudited)

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Rental Income[1,2]	$ 20,581,503	$ 25,869,879	$ 30,333,850	$ 25,561,599	$ 29,339,033
Royalties[1]	151,253,876	163,634,733	105,830,542	92,795,261	100,450,450
Total[3]	$171,835,379	$189,504,612	$136,164,392	$118,356,860	$129,789,483

[1] Includes interest earned on these revenues before they are distributed.

[2] Also includes timber sales.

[3] See also the table under "Assistance Fund Details" in this Appendix. The variance for the entries in such table for "Rent and Royalties from State Land Board" and the amounts shown above is attributable to the fact that the State Land Board records the numbers above on an accrual basis while the Colorado Department of Education records the entries in the Assistance Fund on a cash basis.

Source: State Land Board.

Revenues from Rental Income and Royalties are primarily derived from non-renewable resources. In addition to the prices of such resources, the sustainability and consistency of such revenues annually is dependent upon the management of such resources by the State Land Board, including adequate diversification of properties and the timely reinvestment of Public School Lands Income in additional income-producing property.

The increase in annual revenue growth between Fiscal Years 2013-14 and 2014-15 was almost entirely due to the shale oil (Niobrara) boom. The State Land Board experience historically high oil and natural gas lease auction bonuses, over 20% increase in oil and natural gas production on State trust land, and high Colorado oil and natural gas prices ($100 per barrel oil and $4 per thousand cubic feet natural gas).

Negative pressures have impacted the revenue generated from Public School Lands in recent years. The prices of oil and natural gas in Colorado were approximately $50 per barrel (70% to 80% of the price of West Texas Intermediate crude) and approximately $2.92 per thousand cubic feet, respectively, based on the end of day commodity futures price quotes on the New York Mercantile Exchange (NYMEX) on June 26, 2018. Oil and natural gas production has declined due to reduced new well starts and production volume that drops off significantly as wells age (production from horizontal wells declines by around 85% after the first year). Producers have not been as optimistic about developing new capacity as they were a few years ago, causing bonus payments to also decline. Though the State Land Board controls neither the price nor the demand for the commodity, the agency anticipates this trend to continue.

In the next year, the State Land Board expects oil and natural gas lease bonus revenue will further decline from $15.3 million to $1.3 million, oil royalty revenues will increase from $56 million to $60 million as a result of strengthening prices and natural gas royalty revenues will decline from $24 million to $18 million. The volatility of extractive markets underscores the agency's strategic efforts to diversify its revenue streams. In fact, the agency's decline in revenues from extractive resources was partially offset by the continued steady increase in recurring revenue streams, such as commercial real estate, renewable energy leasing and agriculture grazing leases. Additionally, the interest generated from the Public School Permanent Fund has also experienced a steady increase. The corpus of the Public School Permanent Fund, a cash endowment fund that is managed by the State Treasurer's office, reached $1.0 billion, or nearly double the 2007 corpus. The corpus of the Public School Permanent Fund is inviolable, while the interest generated by the Fund is used to support K-12 education annually. The agency forecasts continued growth in both recurring revenue streams and the Public School Permanent Fund over the next few years.

Revenues of the State Land Board's School Trust, which benefit K-12 public schools both through allocations in the State's annual budget for public education and deposits to the Assistance Fund are projected to be slightly weaker for Fiscal Year 2018-19 than they were for Fiscal Year 2017-18. The State Land Board anticipates additional decline in Fiscal Year 2019-20 despite increases in non-oil and gas (*i.e.*, recurring) School Trust revenue.

State Lottery Proceeds

Article XXVII of the State Constitution (the "Lottery Amendment") created the Great Outdoors Colorado Program which allocates the "Net Proceeds" of State-supervised lottery games to various purposes. Net Proceeds are defined as all proceeds from all programs including Lotto and every other State-supervised lottery game operated under the authority of the Lottery Amendment less the cost of prizes and expenses of the State Lottery Division and other operational expenses of the State lottery. The Lottery Amendment currently requires that in every quarter of the State's Fiscal Year, an amount equal to 50% of the Net Proceeds exceeding $53.1 million (as adjusted each year since Fiscal Year 2007-08 for changes from the 1992 Consumer Price Index-Denver) is to be deposited to the Assistance Fund (the "BEST Lottery Share").

The BEST Lottery Share deposits to the Assistance Fund in each of the last five Fiscal Years are set forth in the following table. The cost of randomly-awarded prizes and the operational expenses of the State lottery vary significantly from year to year, so the amount of Net Proceeds available for BEST Lottery Share deposits has been and may remain volatile. There is no certainty that the BEST Lottery Share will exceed or meet current levels. See also "Assistance Fund Details" hereafter in this Appendix.

BEST Lottery Share[1]

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
BEST Lottery Share	$8,644,124	$4,735,342	$1,997,456	$8,070,499	$2,273,562	$4,117,403

[1] Amounts reflected above were generated in the prior Fiscal Years, received in the Fiscal Year as shown and deposited in the Assistance Fund.

Source: Colorado Department of Education.

Marijuana Excise Tax Revenues

On November 6, 2012, Colorado voters approved an initiated State constitutional measure known as Amendment 64 which provides for the legalization of marijuana use for persons 21 years of age or older and the taxation and regulation of marijuana in a manner similar to alcohol. Amendment 64 directs the General Assembly to enact an excise tax upon certain marijuana transactions prior to January 1, 2017, at a rate to be determined by the General Assembly, but not to exceed 15%. Amendment 64 requires the first $40 million in revenues received annually from such excise tax to be credited to the Assistance Fund. Proposition AA, a legislatively referred State statute approved by the State's electorate on November 5, 2013, imposes an excise tax of 15% on the first sale or transfer of retail marijuana by a medical marijuana cultivation facility. The excise tax became effective on January 1, 2014, and can be subsequently established at a rate lower than 15% by the General Assembly and the Governor. See also "Assistance Fund Details" hereafter in this Appendix. HB 18-1070 increased the amount of revenues received annually from such excise tax credited to the Assistance Fund for Fiscal Year 2018-19 and thereafter to the greater of 90% or the first $40 million of such revenues. The Act also provides that the State Treasurer is to credit 12.5% of such excise tax revenues credited annually to the Assistance Fund to the Charter School Facilities Assistance Account within the Assistance Fund.

Marijuana Excise Tax Revenues

	Fiscal Year 2013-14	**Fiscal Year 2014-15**	**Fiscal Year 2015-16**	**Fiscal Year 2016-17**	**Fiscal Year 2017-18**
Marijuana Excise Tax	$3,012,860	$23,949,565	$40,000,000	$40,000,000	$40,000,000

Source: Colorado Department of Education.

Additional Marijuana Revenues in Fiscal Year 2015-16

An additional one-time transfer of $40 million was made to the Assistance Fund in Fiscal Year 2015-16 related to Proposition BB. The passage of Proposition BB by the voters in November 2015 allowed the State to retain tax revenues on retail marijuana sales that would otherwise be subject to refund under TABOR. See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights – *Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA*" in the body of this Official Statement. Proposition BB specifically authorized $40 million of the retained tax revenues to be allocated to the Assistance Fund. See also "Assistance Fund Details" hereafter in this Appendix.

Matching Moneys

The Act defines "Matching Moneys" as moneys required to be paid to the State or used directly to pay a portion of the costs of a public school capital construction project by a Participating K-12 Institution as a condition of an award of financial assistance to the Participating K-12 Institution under the Program. The Assistance Board determines which percentage, if any, of the total financing for the Participating K-12 Institution's Project will constitute the required Matching Moneys for such Participating K-12 Institution. The percentage varies depending on the Participating K-12 Institution. The obligations of a Participating K-12 Institution to pay Matching Moneys to the State may be evidenced by (a) cash delivered at the time the related Certificates are delivered, (b) an obligation to pay base rent under the related Sublease subject to annual appropriation by the Participating K-12 Institution, (c) bonds issued by the Participating K-12 Institution and delivered to the State ("Matching Moneys Bonds"), (d) an obligation to pay cash installments under the related Sublease or Participation Agreement, subject to annual appropriation by the Participating K-12 Institution ("Matching Moneys Installment Payments") or (e) other types of obligations permitted by the Act and approved by the Assistance Board. At or prior to the execution and delivery of the Series 2018N Certificates, $7,911,972.32 Matching Moneys related to the Series 2018N Certificates will be credited to the Assistance Fund in the form of cash. Additional Matching Moneys obligations relating to the Series 2018N Certificates are payable to the Assistance Fund in the future as Matching Moneys Bonds and Matching Money Installment Payments in the aggregate principal amounts of $89,806,628.56 and $6,729,407.22, respectively, plus an estimated $41,038,644.71 and $3,075,115.46, respectively, in interest. See "PLAN OF FINANCING – Series 2018N Projects and Series 2018N

Participating K-12 Institutions." Under the Subleases, if the Costs of a Sublessee's Project are less than the amount of the moneys that may be withdrawn from the Sublessee's Project Account and the Assistance Fund (a "cost savings"), a portion of such cost savings, as determined by the State Treasurer, may, upon the consent of the Assistance Board, be shared with the Sublessee through the return of a portion of any cash payment of Matching Moneys or forgiveness of a portion of the base rent that would otherwise be payable under the applicable Sublease or of the principal, premium, if any, and interest that would otherwise be due on the Sublessee's Matching Moneys Bonds or Matching Moneys Installment Payments that would otherwise be payable under the Sublease, as applicable.

After the execution and delivery of the Series 2018N Certificates, an aggregate principal amount of approximately $320,162,404 in future Matching Moneys Bonds relating to all Certificates will be outstanding. The related Participating K-12 Institutions with outstanding Matching Moneys Bonds have obtained voter approval for such Matching Moneys Bonds, and therefore the payment of the related Matching Moneys is not subject to annual appropriation by the Participating K-12 Institutions. The Matching Moneys Bonds constitute general obligations of the related Participating K-12 Institution, and all of the taxable property within the boundaries of such Participating K-12 Institution is subject to the levy of an ad valorem tax to pay the principal of, premium, if any, and interest on the related Matching Moneys Bonds without limitation as to rate and in an amount sufficient to pay the Matching Moneys Bonds when due. Based upon the opinion of bond counsel for the relevant Participating K-12 Institutions, the Matching Moneys Bonds may bear a supplemental coupon as part of fully funding the related Matching Money requirement if permissible under the ballot approved by voters.

Unless a Participating K-12 Institution that has Matching Moneys Bonds constituting general obligation bonds opts not to participate, Section 22-41-110, C.R.S. (the "Bond Payment Act"), is applicable to such Matching Moneys Bonds. Each of the Participating K-12 Institutions that has Matching Moneys Bonds constituting general obligation bonds has notified the State of its participation under the Bond Payment Act. Under the Bond Payment Act, if the paying agent with respect to a particular Matching Moneys Bond has not received a payment on the Matching Moneys Bond on the business day immediately prior to the date on which such payment is due, the paying agent is required to notify the State Treasurer and the Participating K-12 Institution that issued the Matching Moneys Bond. The State Treasurer is then required to contact the Participating K-12 Institution to determine whether the Participating K-12 Institution will make the payment by the date on which it is due. If the Participating K-12 Institution indicates to the State Treasurer that it will not make the payment on the Matching Moneys Bond by the date on which it is due, the State Treasurer is required to forward to the paying agent, in immediately available funds from any legally available funds of the State, the amount necessary to make the payment of the principal of and interest on the Matching Moneys Bond.

If the State Treasurer makes a payment on a Matching Moneys Bond under the Bond Payment Act, the State Treasurer is required to withhold such amount from the next succeeding payment to that school district of the State's share of the school district's required funding under Colorado's Public School Finance Act of 1994 and from property tax and specific ownership revenues collected by the county treasurer on behalf of the school district (except property taxes levied for the payment of bonds) on each occasion on which the State Treasurer makes a payment on a bond on behalf of a school district. While the withholding of such funding and property and specific ownership tax payments by the State is limited to 12 monthly payments, the Bond Payment Act does not correspondingly limit the State's contingent obligation to pay the Matching Moneys Bonds.

If the State Treasurer is required to make a payment on a Matching Moneys Bond, the State Department of Education is required to initiate an audit of the school district to determine the reason for the nonpayment of the Matching Moneys Bond and to assist the school district, if necessary, in developing and implementing measures to assure that future payments will be made when due.

The State has covenanted that it will not repeal, revoke, rescind, modify or amend the Bond Payment Act so as to limit or impair the rights and remedies granted under the Bond Payment Act. However, the Bond Payment Act provides that it is not to be deemed or construed to require the State to continue the payment of State assistance to any school district or to limit or prohibit the State from repealing, amending or modifying any law relating to the amount of State assistance to school districts or the manner of payment or the timing thereof. The Bond Payment Act further provides that it is not to be deemed or construed to create a debt of the State with respect to any Matching Moneys Bond within the meaning of any State constitutional provision or to create any liability except as specifically provided in the Bond Payment Act.

The Act currently provides that the maximum total of annual lease payments payable by the State under the Leases during any Fiscal Year under the terms of all outstanding Leases is $100 million for Fiscal Years 2018-19 and thereafter. The State Treasurer may enter into Leases for which the aggregate annual lease payments of principal or interest for any Fiscal Year exceed one-half of the maximum total amount of annual lease payments only if the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund and any interest or income derived from the deposit and investment of the Matching Moneys is at least equal to the annual lease payments of principal and interest payable by the State during any Fiscal Year that exceed one-half of such maximum total amount. Aggregate Rent in connection with the Leases to be effect following the execution and delivery of the Series 2018N Certificates is not expected to reach 50% of the maximum amount stated above.

Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2018N Certificates. Once Matching Moneys payable in installments are deposited in the Assistance Fund, such amounts, together with other amounts on deposit therein, are available to be appropriated by the State to pay the Series 2018N Certificates or for other purposes, including defraying the cost of Projects.

In addition to funding Rent, amounts in the Assistance Fund are used for a variety of purposes including emergency grants, grants, operating expenses and other uses permitted by the Act.

Assistance Fund Details

The following table shows unaudited financial information relating to the Assistance Fund for the prior five Fiscal Years.

Assistance Fund Details[1]

	As of June 30, 2013	As of June 30, 2014	As of June 30, 2015	As of June 30, 2016	As of June 30, 2017	As of June 30, 2018
Assets[2]	$181,873,307	$211,715,915	$273,726,751	$367,185,353	$387,805,807	$403,088,998
Liabilities[3]	28,890,437	35,004,455	29,676,042	12,499,932	2,209,304	10,329,056
Fund Balance	152,982,870	176,711,460	244,050,709	354,685,421	385,596,503	392,759,942
Restrictions and Encumbrances[4]	(113,974,260)	(105,026,016)	(75,357,636)	(96,722,176)	(68,505,539)	151,593,529
Available Fund Balance[5]	39,008,610	71,685,444	168,693,073	257,963,245	317,090,964	236,358,471
	Fiscal Year 2012-2013	**Fiscal Year 2013-2014**	**Fiscal Year 2014-2015**	**Fiscal Year 2015-2016**	**Fiscal Year 2016-2017**	**Fiscal Year 2017-2018**
Revenue:						
Transfers In for Grants and Construction Payments[6]	$167,118,207	$161,449,895	$174,722,392	$70,299,333	$ --	$8,807,361
Rents and Royalties from the State Land Board	61,662,736	85,914,869	92,505,484	65,802,073	58,501,081	69,227,578
Lottery	8,644,124	4,735,342	1,997,456	8,070,499	2,273,562	4,117,403
Marijuana Excise Tax	--	3,012,860	23,949,565	40,000,000	40,000,000	40,000,000
Marijuana Sales Tax (Proposition BB)	--	--	--	40,000,000	--	--
Matching Moneys	10,313,129	14,869,683	16,790,544	16,394,960	16,395,130	17,356,738
Interest	1,661,848	1,714,872	2,032,658	2,646,015	4,099,368	6,343,427
Total Revenue	249,400,044	271,697,521	311,998,099	243,212,880	121,269,148	145,852,507
Expenditures:						
Grants	21,352,147	26,505,999	29,149,157	23,034,064	42,992,299	57,727,190
Construction Payments[6]	167,172,154	172,741,463	160,252,638	53,441,158	--	13,700,329
Base Rent Payments	34,268,889	47,886,054	54,484,817	54,418,487	45,873,514	65,652,050
Administration and Other	860,833	835,505	772,238	1,684,461	1,492,245	1,609,499
Total Expenditures	223,654,023	247,969,021	244,658,850	132,578,170	90,358,058	138,689,068
Change in Fund Balance	$25,746,021	$23,728,590	$67,339,249	$110,634,710	$30,911,082	$7,163,439

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[1] This presentation is unaudited because the Assistance Fund is not statutorily authorized to publish audited financial statements. It has been prepared from the Assistance Fund's accounting records which are subject to audit as part of the State's Comprehensive Annual Financial Report audit.

[2] Primarily reflects cash and year-end accrued receivables. No Certificate proceeds are reported in this balance.

[3] Primarily reflects Matching Moneys on deposit from Participating K-12 Institutions and year-end accrued construction payments payable. Does not include Base Rent payments on the Certificates.

[4] Primarily reflects payment obligations for approved project costs that are not financed with proceeds of the Certificates.

[5] This available fund balance includes designations of cash on hand. The designation of cash on hand consists of statutory requirements for BEST emergency funds, debt obligation payments, direct deposits held, and anticipated cash distributions for the following Fiscal Year.

[6] Includes Trustee payments directly to construction contractors from Certificate proceeds. The Certificate-related portion of these line items is equal and offsetting and has no effect on the Available Fund Balance of the Assistance Fund. The amounts are required to be recorded in the State's official book of record by the Assistance Fund in order to support the recording of capital assets subleased by the State Treasurer to Participating K-12 Institutions. Those capital assets collateralized the State's liability recorded pursuant to entering into the Leases with the Trustee.

Source: Colorado Department of Education.

State Appropriation or Transfer from Legally Available Sources

If the amount of moneys in the Assistance Fund that is available to pay lease payments under the Leases will be insufficient to cover the full amount of the lease payments required by the Leases, the Act provides that the General Assembly may appropriate or transfer from any legally available source to the Assistance Fund sufficient moneys to make the lease payments. ***However, the General Assembly is not obligated to appropriate or transfer moneys for such purpose and the decision whether or not to appropriate any such amount for such purpose will be in the General Assembly's sole discretion.*** See "APPENDIX E – THE STATE GENERAL FUND."

Future Changes in Laws

Various State laws, including the Act, apply to the priority and allocation of Public School Lands Income, availability of funds for appropriation by the State and other operations of the State. There is no assurance that there will not be any change in interpretation of, or addition to the applicable laws, provisions and regulations which would have a material effect, directly or indirectly, on the affairs of the State or amounts deposited in the Assistance Fund.

* * *

APPENDIX H

LEASED PROPERTY RELATING TO THE PRIOR CERTIFICATES[1]

The following table describes the Leased Property subject to the Leases between the Trustee and the respective Participating K-12 Institutions relating to the Certificates to be outstanding upon the execution and delivery of the Series 2018N Certificates.

Participating K-12 Institutions	Description of Leased Property	Land
Series 2009A Certificates		
Alamosa School District No. Re-11J	Two elementary schools (144,688 sq. ft. w/ 72 classrooms)[2]	26.6-acre parcel of undeveloped land valued at $226,000
Sangre de Cristo School District Re-22J	One K-12 school (81,000 sq. ft. w/ 24 classrooms)[2]	40-acre parcel of agricultural land valued at $32,667
Sargent Re-33J	One junior/senior high school (62,463 sq. ft. w/ 18 classrooms)[2,3]	1.2-acre parcel valued at $6,656
Series 2010B-C Certificates *(The Series 2010C Certificates have been paid in full, and the Series 2010B Certificates were refunded and defeased by the Series 2018L Certificates)*		
Alta Vista Charter School, Inc.	Addition to K-8 school[2] (18,000 sq. ft. plus renovations)	7.4-acre parcel valued at $37,634
Colorado School for the Deaf and Blind	Historical building renovation[2] (6,000 sq. ft. addition w/7 classrooms)	0.6-acre parcel valued at $55,756
Delta County Joint School District 50	Existing elementary school[2]	10.5-acre parcel valued at $60,000
Douglas County School District, Re1	Existing administrative building[2]	2.1-acre parcel valued at $283,484
El Paso County School District No. 8	Existing activity center building[2]	4.1-acre parcel valued at $78,000
Miami Yoder School District JT-60	Phase II of new PK-12 school (64,974 sq. ft.)[2]	2-acre parcel valued at $1,300
Park County School District Re-2	New PK-12 campus (125,000 sq. ft. w/ 40 classrooms)[2]	9.8-acre parcel valued at $657,416
San Juan County School District No. 1	Renovate historical K-12 school (21,500 sq. ft. bldg. and 10,000 sq. ft. gym)[2]	1.1-acre parcel valued at $1,108,600
Swink School District No. 33	Elementary school classroom addition (5,800 sq. ft. w/ 6 classrooms)[2]	0.3-acre parcel valued at $230
Series 2010D-F Certificates *(The Series 2010F Certificates have been paid in full, and the Series 2010E Certificates were refunded and defeased by the Series 2018M Certificates)*		
Akron School District No. R-1	PK-12 school (108,700 sq. ft. w/ 32 classrooms)[2]	5.14-acre parcel of land valued at $125,300
Center Joint Consolidated School District No. 26	K-12 school (105,000 sq. ft. w/ 60 classrooms)[2]	14.3-acre parcel of land valued at $39,341
Holly School District RE-3	PK-12 school (73,631 sq. ft. w/ 42 classrooms)[2]	23.0-acre parcel of land valued at $51,354
Lake George Charter School	PK-6 school (21,000 sq. ft. w/ 12 classrooms)[2]	10.0-acre parcel of land valued at $100,000
Mapleton School District	Partial campus improvements (404,250 sq. ft. w/ 121 classrooms affected)[2]	34.8-acre parcel of land valued at $695,000
Monte Vista Consolidated School District No. 8	High school and elementary school (128,531 sq. ft. w/ 56 classrooms)[2]	8.8-acre parcel of land valued at $504,733
North Routt Community Charter School	K-8 school (12,241 sq. ft. w/ 6 classrooms)[2,3]	8.0-acre parcel of land valued at $60,000[3]

Participating K-12 Institutions	Description of Leased Property	Land
Salida School District R-32-J	High school (98,190 sq. ft. w/22 classrooms)[2]	14.5-acre parcel of land valued at $453,370
Vista Charter School	Grades 6-8 school (16,835 sq. ft. w/ 9 classrooms)[2]	2.3-acre parcel of land valued at $595,0
Series 2011G Certificates *(The Series 2011G Certificates were refunded and defeased by the Series 2017K Certificates)*		
Big Sandy School District	New PK-12 school (83,412 sq. ft. w/ 34 classrooms)[2]	33.9-acre parcel of land valued at $55,000
Eagle County Charter Academy	K-8 school (45,000 sq. ft. w/ 26 classrooms)[2]	6.001-acre parcel of land valued at $304,550
Ellicott School District	Middle school (74,466 sq. ft. w/ 27 classrooms)[2]	8.61-acre parcel of land valued at $10,5
Englewood School District	High school (97,800 sq. ft. w/ 30 classrooms)[2]	12.68-acre parcel of land valued at $1,601,788
Horizons School	K-8 charter school addition (37,725 sq. ft. w/ 10 classrooms)[2,3]	1.045-acre parcel of land valued at $133,266
Idalia School District	PK-12 gym[2,3]	1.91-acre parcel of land valued at $291
Ignacio School District	Cafeteria, stage and kitchen addition[2]	0.484-acre parcel of land valued at $21,054
Prairie School District	PK-12 school (57,764 sq. ft. w/ 20 classrooms)[2,3]	24.394-acre parcel of land valued at $2,486
Sanford School District	Bus barn and building[2]	2.685-acre parcel of land valued at $2,658
Series 2012H Certificates		
Elbert School District No. 200	PK-12 school 73,869 sq. ft. w/ 25 classrooms[2]	10.1-acre parcel of land valued at $46,739
Genoa-Hugo School District No. C-113	South wing of PK-12 school 37,902 sq. ft.[2]	8.66-acre parcel of land valued at $6,381
Greeley School District No. 6	Middle school 103,267 sq. ft. w/ 36 classrooms[2]	20.0-acre parcel of land valued at $3,386
Hi-Plains School District No. R-23	PK-12 school 51, 268 sq. ft. w/ 20 classrooms[2]	40-acre parcel of land valued at $34,000
Lake County School District No. R-1	High school addition 38,000 sq. ft. w/ 15 classrooms[2,4]	2.09-acre parcel of land valued at $21,326
Montezuma-Cortez School District No. RE1	High school 162,500 sq. ft. w/ 25 classrooms[2]	35.47-acre parcel of land valued at $600,000
Otis School District No. R-3	PK-12 school 67,764 sq. ft. w/ 21 classrooms[2]	13.45-acre parcel of land valued at $62,852
Platte Valley School District No. RE3	Gym and weight room 19,273 sq. ft.[2]	0.98-acre parcel of land valued at $2,421
Sheridan School District No. 2	Early childhood center[2,3] 129,927 sq. ft. w/ 49 classrooms	14.045-acre parcel of land valued at $1,774,220
Series 2013I Certificates		
Creede School District	K-12 school replacement 37,277 sq. ft. w/ 15 classrooms[2]	15.01-acre parcel of land valued at $300,000
Haxtun School District RE-2J	K-12 renovation and addition 86,753 sq. ft. w/ 23 classrooms[2]	7.91-acre parcel of land valued at $1,091
Kim Reorganized School District No. 88	Renovation and addition to PK-12 school 31,987 sq. ft. w/ 11 classrooms[2]	2.14-acre parcel of land valued at $47,308
Limon School District No. RE 4J	New PK-12 school and gym renovation 118,000 sq. ft. w/ 40 classrooms[2]	7.06-acre parcel of land valued at $7,345

Participating K-12 Institutions	**Description of Leased Property**	Land
Moffat School District No. 2 in the County of Saguache and State of Colorado	PK-12 school replacement 49,644 sq. ft. w/ 21 classrooms[2]	4.47-acre parcel of land valued at $2,473
South Conejos School District No. RE-10	PK-12 school replacement 63,583 sq. ft. w/ 19 classrooms[2]	22.89-acre parcel of land valued at $8,275
2015 Supplemental Indenture[5]		
Morgan County School District Re-3	New middle school[2]	11.89 acres valued at $58,682
Series 2017J Certificates		
Brush School District RE-2J	Middle school replacement and high school renovation and maintenance building 171,211 sq. ft. w/ 56 classrooms	41.14-acre parcel of land valued at $440,270
Del Norte School District C-7	New K-12 school 110,000 sq. ft. w/ 45 classrooms	43.13-acre parcel of land valued at $14,495
Mancos School District RE-6	K-12 school renovations and Gym 152,000 sq. ft. w/ 6 classrooms	6.21-acre parcel of land valued at $37,570
Mountain Valley School District RE-1	New PK-12 school 59,206 sq. ft. w/ 25 classrooms	10.51-acre parcel of land valued at $38,825

Series 2017K Certificates *(See Series 2011G Certificates above)*

Series 2018L Certificates *(See Series 2010B-C Certificates above)*

Series 2018M Certificates *(See Series 2010D-F Certificates above)*

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[1] The Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in "Substitution of Leased Property" under "SECURITY AND SOURCE OF PAYMENT." In some cases, the Leased Property is comprised of existing facilities which were not wholly or partially financed with the proceeds of the Certificates.

[2] These Projects have been cleared for occupancy and are currently in operation. Remaining Projects in this table have not been cleared for occupancy and are being funded from amounts remaining in the related Project Accounts and, in some cases, Matching Moneys that may be withdrawn from the Assistance Fund to pay Project costs.

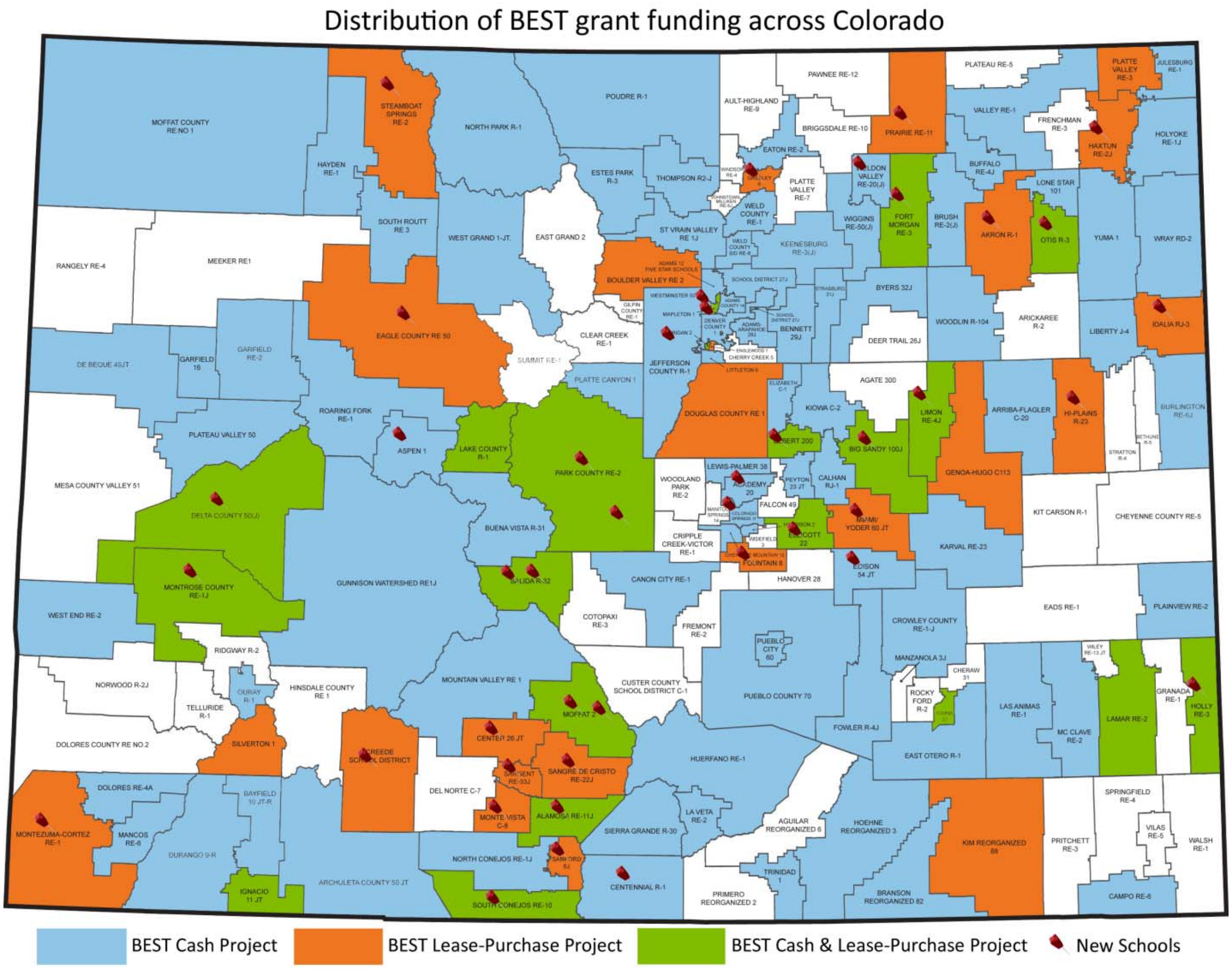
[3] Restricted by deed to educational purposes. Accordingly, the ability of the Trustee to lease such Leased Property to third parties upon the occurrence of an Event of Nonappropriation or an Event of Default and subsequent vacating of such property will be limited to lessee's desiring to use the property for educational purposes. See "CERTAIN RISK FACTORS – Effect of a Nonrenewal of a Lease."

[4] Upon the failure of the Rocky Mountain Deaf School to satisfy certain contractual obligations, the State Board reallocated funds originally designated to such school to the Lake County School District to fund another qualified project.

[5] The 2015 Supplemental Indenture funded one Project using unexpended State Expense Funds from several Series of Certificates.

Source: Colorado Department of Education.

The following map shows the geographic distribution of the BEST projects[1] in the State.



[1] Does not reflect the 2018-19 grant cycle, including the Series 2018N Projects.

APPENDIX I

CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information was prepared and provided by Development Research Partners, Inc., to give prospective investors general information concerning selected economic and demographic conditions existing in Colorado as of the dates indicated. The statistics have been obtained from the referenced sources and represent the most current information available as of June 2018 from the sources indicated; however, since certain information is released with a significant time lag, the information in some cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. The following information is not to be relied upon as a representation or guarantee of the State or any officer or employee of or advisor to the State. See also "APPENDIX E – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX F – OSPB SEPTEMBER 2018 REVENUE FORECAST."

Development Research Partners, Inc., has consented to the inclusion of such information in this Official Statement. Neither the State nor the Underwriters assumes responsibility for the accuracy, completeness or fairness of such information. The information in this Appendix has been included in this Official Statement in reliance upon the authority of Development Research Partners, Inc., as experts in the preparation of economic and demographic analyses. Potential investors should read this Appendix in its entirety for information with respect to the economic and demographic status of the State.

Overview

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open and largely devoted to agriculture. The Front Range lies along the eastern base of the Rocky Mountains and contains most of the State's metropolitan areas. The western half of the State – which includes the Rocky Mountains and the Western Slope – includes many acres of national park and forest land and significant reserves of minerals, natural gas and other resources.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley and Pueblo. Denver, the State's capital, is the economic center of the State and the Rocky Mountain region. About 56% of the State's population and 62% of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communication, financial activities and professional and business services. The aerospace, bioscience and energy industries are also key contributors to economic growth in the Denver/Boulder metropolitan area and the State as a whole.

The State's economic performance depends heavily on economic performance at the national level. See also "APPENDIX E – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts" and "APPENDIX F – OSPB SEPTEMBER 2018 REVENUE FORECAST."

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Population and Age Distribution

The following table provides population figures for Colorado and the United States for the past 10 years.

Population Estimates (as of July 1)

	Colorado		United States	
	Population (millions)	% Change	Population (millions)	% Change
2007	4.8	1.7%	301.2	1.0%
2008	4.9	1.7%	304.0	0.9%
2009	5.0	1.5%	306.7	0.9%
2010	5.1	1.5%	309.3	0.9%
2011	5.1	1.4%	311.6	0.7%
2012	5.2	1.4%	314.0	0.8%
2013	5.3	1.5%	316.2	0.7%
2014	5.4	1.6%	318.6	0.8%
2015	5.4	1.8%	321.0	0.8%
2016	5.5	1.7%	323.4	0.7%
2017	5.6	1.7%	325.7	0.7%

Note: Figures for 2007 through 2016 are estimates. The U.S. 2017 count is an estimate, and the 2017 count for Colorado is a forecast.

Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

The following table provides the age distribution for the most recent year available for the State's population and the population nationwide.

Age Distribution, July 1

	Colorado, 2017		United States, 2016	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.27	22.5%	73.64	22.8%
18 to 24	0.55	9.8%	30.84	9.5%
25 to 44	1.60	28.5%	85.15	26.4%
45 to 64	1.43	25.4%	84.25	26.1%
65+	0.78	13.8%	49.24	15.2%
Total	5.63	100.0%	323.13	100.0%
Median Age	37.2		37.9	

Note: Totals may not add due to rounding. The U.S. 2016 count is an estimate, and the Colorado 2017 count is a forecast.

Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

Income

The following table provides annual per capita personal income figures for Colorado, the Rocky Mountain Region, and the United States.

Per Capita Personal Income in Current Dollars[1]

	Colorado		Rocky Mountain Region[2]		United States	
	Income	% Change	Income	% Change	Income	% Change
2012	$45,120		$41,119		$44,283	
2013	$46,869	3.9%	$42,196	2.6%	$44,489	0.5%
2014	$50,021	6.7%	$44,564	5.6%	$46,486	4.5%
2015	$51,956	3.9%	$46,392	4.1%	$48,429	4.2%
2016	$52,097	0.3%	$46,848	1.0%	$49,204	1.6%
2017	$53,504	2.7%	$48,017	2.5%	$50,392	2.4%

1 Per capita personal income is total personal income divided by the July 1 population estimate.

2 The Rocky Mountain Region includes Colorado, Idaho, Montana, Utah, and Wyoming.

Source: U.S. Bureau of Economic Analysis.

Employment

The following table provides labor force, total employment, and unemployment statistics for the State.

Civilian Labor Force, Total Employment, and Unemployment Rates, Not Seasonally Adjusted

	Colorado Civilian Labor Force (thousands)	% Change	Colorado Total Employment (thousands)[1]	% Change	Annual Average Unemployment Rate: Colorado	Annual Average Unemployment Rate: United States
2013	2,767.2		2,577.6		6.9%	7.4%
2014	2,799.5	1.2%	2,659.5	3.2%	5.0%	6.2%
2015	2,824.8	0.9%	2,715.1	2.1%	3.9%	5.3%
2016	2,893.3	2.4%	2,798.9	3.1%	3.3%	4.9%
2017	2,992.3	3.4%	2,907.5	3.9%	2.8%	4.4%
Year-to-date averages through March:						
2017	2,937.6		2,848.3		3.0%	4.9%
2018	3,045.1	3.7%	2,947.6	3.5%	3.2%	4.3%

1 Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.

Sources: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics; Labor Force Statistics from the Current Population Survey.

The following table shows Colorado employment by industry for the past five years. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

Average Annual Number of Employees by Industry

						Most Recent Quarter		
Industry	**2013**	**2014**	**2015**	**2016**	**2017**	**2017Q3**	**2017Q4**	**% Change**
Private Sector								
Agriculture, Forestry, Fishing, and Hunting	14,348	14,935	15,624	16,469	17,598	19,162	17,572	-8.3%
Mining	30,433	33,847	30,565	23,573	25,578	26,343	26,944	2.3%
Utilities	7,832	8,140	8,202	8,239	8,079	8,049	8,016	-0.4%
Construction	127,597	142,140	148,638	155,139	163,452	168,299	168,289	0.0%
Manufacturing	132,691	136,216	140,831	142,381	144,064	144,980	144,637	-0.2%
Wholesale Trade	96,636	99,825	103,253	104,882	106,726	107,358	107,720	0.3%
Retail Trade	249,235	254,942	263,104	269,032	270,783	271,337	277,278	2.2%
Transportation and Warehousing	62,398	65,180	67,287	68,327	72,554	71,646	76,376	6.6%
Information	69,817	70,001	70,599	71,730	71,643	71,405	72,568	1.6%
Finance and Insurance	103,136	103,623	106,344	108,970	111,293	111,370	111,961	0.5%
Real Estate and Rental and Leasing	42,849	44,497	46,944	48,707	50,566	51,154	51,518	0.7%
Professional and Technical Services	188,984	196,684	204,586	210,093	215,783	216,314	219,747	1.6%
Management of Companies and Enterprises	34,591	35,406	36,488	36,833	39,018	39,247	39,255	0.0%
Administrative and Waste Services	148,745	154,121	157,385	158,535	158,041	163,652	159,320	-2.6%
Educational Services	31,997	32,965	33,847	34,992	35,375	34,710	35,952	3.6%
Health Care and Social Assistance	250,654	261,428	275,183	287,168	291,299	289,716	296,398	2.3%
Arts, Entertainment, and Recreation	47,166	48,978	50,707	52,625	55,407	57,068	52,882	-7.3%
Accommodation and Food Services	242,100	251,052	261,704	270,673	277,613	286,320	276,537	-3.4%
Other Services	69,554	72,443	75,157	78,231	82,201	85,244	80,641	-5.4%
Unclassified	1,388	2,783	1,478	759	180	259	203	-21.6%
Government	383,637	388,566	396,853	405,690	412,002	406,866	416,398	2.3%
Total*	**2,335,786**	**2,417,769**	**2,494,777**	**2,553,045**	**2,609,255**	**2,630,501**	**2,640,213**	**0.4%**

* Industry employment levels may not add to total due to rounding.

Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2018. No independent investigation has been made, and no representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the state. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the State that are not included in the table.

Estimated Largest Private Sector Employers in Colorado

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	27,600
The Kroger Co. (King Soopers/City Market)	Supermarkets	21,600
UCHealth	Healthcare, Research	21,400
Centura Health	Healthcare	15,700
HealthONE Corporation	Healthcare	12,000
Lockheed Martin Corporation	Aerospace & Defense Related Systems	9,000
Comcast	Telecommunications	8,800
SCL Health System	Healthcare	8,700
CenturyLink	Telecommunications	8,300
Home Depot	Building Materials Retailer	8,000
Kaiser Permanente	Health Maintenance Organization	7,100
Children's Hospital Colorado	Healthcare	6,800
Target Corporation	General Merchandise	6,600
Vail Resorts	Leisure & Hospitality	6,400
Safeway Inc.	Supermarkets	6,200
United Airlines	Airline	6,100
Wells Fargo	Banking/Financial Services	6,000
United Parcel Service	Delivery Services	5,400
Amazon[2]	Warehousing & Distribution Services	5,300
Banner Health	Healthcare	5,000
JBS Swift & Company	Beef Processing/Corporate Office	4,600
FedEx Corp.	Transportation, E-commerce	4,300
Charles Schwab	Financial Services	4,200
Oracle	Software & Network Computer Systems	4,200
University of Denver	Private University	4,100
DISH Network	Satellite TV & Equipment	4,100
Walgreen Company	General Merchandise	4,100

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1 Includes both full- and part-time employees.

2 Includes Amazon Robotics and Fulfillment Center planned opening in Thornton in August 2018 with 1,500 employees.

Source: Compiled by Development Research Partners from various sources, May 2018.

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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 2018.

Estimated Largest Public Sector Employers in Colorado

Employer	Estimated Employees[1]
State of Colorado	52,500
Federal Government (except USPS)	43,600
University of Colorado System	22,100
Denver Public Schools	14,000
City & County of Denver	13,800
Jefferson County Public Schools	11,400
U.S. Postal Service	9,900
Douglas County School District RE-1	8,400
Cherry Creek School District No 5	8,000
Colorado State University	7,500
Denver Health	7,000
Aurora Public Schools	6,000
Adams 12 Five Star Schools	4,700
Boulder Valley School District RE-2	4,300
Poudre School District R-1	4,100
St. Vrain Valley School District RE-1J	3,900
Colorado Springs School District 11	3,900
City of Aurora	3,500
Academy Schools District No 20	3,500
Jefferson County	3,300
Regional Transportation District (RTD)	2,900
Mesa County Valley School District 51	2,900
El Paso County	2,700
Greeley 6 School District	2,600
Arapahoe County	2,500

[1] Includes both full- and part-time employees.

Source: Compiled by Development Research Partners from various sources, May 2018.

Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes.

Colorado Sales and Use Tax Net Collections
Fiscal Years 2013 to 2017

	Sales Tax		Consumer Use Tax		Retailer Use Tax	
	Amount (thousands)	% Change	Amount (thousands)	% Change	Amount (thousands)	% Change
2013	$2,187,244		$110,166		$119,321	
2014	$2,371,992	8.4%	$116,268	5.5%	$125,209	4.9%
2015	$2,561,913	8.0%	$123,175	5.9%	$132,685	6.0%
2016	$2,596,355	1.3%	$111,227	-9.7%	$132,591	-0.1%
2017	$2,719,778	4.8%	$109,037	-2.0%	$149,567	12.8%

Source: Colorado Department of Revenue.

The following table provides retail sales totals by industry for the State for the most recent five years and year-to-date available. Retail sales data is only available through February 2016 as the Colorado Department of Revenue is currently experiencing a system problem that prevents the Retail Sales Reports from being produced. The Department is working to resolve the issue as soon as possible.

Colorado Retail Sales by Industry (millions) and Percentage Change from Prior Year

											Year-to-date totals through February		
Industry	**2011**	**% Change**	**2012**	**% Change**	**2013**	**% Change**	**2014**	**% Change**	**2015**	**% Change**	**2015**	**2016**	**% Change**
Agriculture/Forestry/Fishing	411.7	22.4%	406.2	-1.3%	387.0	-4.7%	440.5	13.8%	500.6	13.6%	27.7	25.5	-8.0%
Mining	3,111.7	22.9%	3,815.6	22.6%	4,611.8	20.9%	5,573.0	20.8%	3,743.4	-32.8%	709.9	348.8	-50.9%
Utilities	7,353.2	-29.1%	7,332.9	-0.3%	7,635.7	4.1%	7,929.0	3.8%	7,612.1	-4.0%	1,453.1	1,340.5	-7.8%
Construction	2,829.3	2.6%	3,396.0	20.0%	3,531.5	4.0%	4,170.5	18.1%	4,685.8	12.4%	530.4	525.2	-1.0%
Manufacturing	15,909.3	52.6%	18,192.1	14.3%	18,747.5	3.1%	19,782.9	5.5%	15,864.8	-19.8%	2,204.8	1,807.1	-18.0%
Wholesale Trade	13,084.9	5.3%	14,012.4	7.1%	15,041.3	7.3%	15,158.8	0.8%	14,427.2	-4.8%	1,725.4	1,769.3	2.5%
Retail Trade													
Motor Vehicle and Auto Parts	12,986.8	15.0%	14,435.4	11.2%	15,667.7	8.5%	17,449.0	11.4%	18,995.4	8.9%	2,696.1	2,739.5	1.6%
Furniture and Furnishings	2,049.0	7.8%	2,265.5	10.6%	2,461.8	8.7%	2,653.3	7.8%	2,868.8	8.1%	396.6	436.5	10.1%
Electronics and Appliances	2,224.2	5.0%	2,077.8	-6.6%	1,998.6	-3.8%	2,258.5	13.0%	2,387.6	5.7%	323.1	326.8	1.1%
Building Materials/Nurseries	4,515.0	2.9%	4,824.6	6.9%	5,298.3	9.8%	5,926.0	11.8%	6,373.2	7.5%	776.8	824.8	6.2%
Food/Beverage Stores	14,433.2	8.0%	15,298.5	6.0%	15,729.9	2.8%	15,964.5	1.5%	16,619.2	4.1%	2,878.8	2,441.1	-15.2%
Health and Personal Care	2,712.1	7.2%	2,886.9	6.4%	3,166.1	9.7%	3,730.3	17.8%	4,384.1	17.5%	576.8	665.4	15.4%
Gas Stations	5,778.1	23.1%	6,011.1	4.0%	5,869.2	-2.4%	5,702.2	-2.8%	4,815.3	-15.6%	609.0	570.6	-6.3%
Clothing and Accessories	3,337.4	7.0%	3,510.2	5.2%	3,559.2	1.4%	3,735.3	4.9%	3,810.6	2.0%	493.3	491.9	-0.3%
Sporting/Hobby/Books/Music	2,680.6	7.8%	2,674.0	-0.2%	2,767.7	3.5%	2,920.2	5.5%	3,009.1	3.0%	430.0	472.7	9.9%
General Merchandise/Warehous	11,722.3	5.7%	12,185.7	4.0%	12,408.3	1.8%	12,850.3	3.6%	13,073.8	1.7%	1,840.2	1,859.4	1.0%
Misc Store Retailers	2,938.6	20.0%	3,147.8	7.1%	3,752.3	19.2%	4,760.9	26.9%	5,256.5	10.4%	730.3	660.8	-9.5%
Non-Store Retailers	1,550.2	-33.7%	1,456.0	-6.1%	1,584.7	8.8%	1,697.1	7.1%	1,742.1	2.7%	247.9	234.5	-5.4%
Total Retail Trade	**66,927.7**	**5.6%**	**70,773.7**	**5.7%**	**74,263.5**	**4.9%**	**79,647.7**	7.3%	**83,335.5**	4.6%	**11,999.1**	**11,724.0**	**-2.3%**
Transportation/Warehouse	593.1	12.1%	710.2	19.8%	828.4	16.6%	978.3	18.1%	931.3	-4.8%	103.5	119.5	15.4%
Information	6,321.8	-8.2%	6,242.2	-1.3%	5,789.3	-7.3%	5,449.8	-5.9%	5,413.0	-0.7%	806.2	758.7	-5.9%
Finance/Insurance	3,085.9	-3.8%	3,130.7	1.5%	2,493.2	-20.4%	1,689.9	-32.2%	2,668.7	57.9%	166.1	390.6	135.1%
Real Estate/Rental/Lease	3,154.3	8.2%	3,240.7	2.7%	3,561.7	9.9%	4,172.9	17.2%	4,389.0	5.2%	700.1	702.8	0.4%
Professional/Scientific/Technical	6,768.8	3.3%	6,818.2	0.7%	7,474.7	9.6%	6,966.6	-6.8%	6,929.3	-0.5%	784.0	705.7	-10.0%
Admin/Support/Waste/Remediatio	1,882.7	3.3%	1,866.1	-0.9%	2,044.5	9.6%	2,070.8	1.3%	2,245.9	8.5%	234.7	247.9	5.6%
Education	487.1	1.5%	490.8	0.8%	478.1	-2.6%	481.6	0.7%	490.5	1.9%	62.6	60.8	-2.9%
Health Care/Social Assistance	6,222.6	3.7%	6,318.5	1.5%	6,827.2	8.1%	7,240.1	6.0%	6,896.1	-4.8%	1,099.5	902.8	-17.9%
Arts/Entertainment/Recreation	987.2	3.3%	1,036.6	5.0%	1,104.4	6.5%	1,169.9	5.9%	1,337.8	14.4%	184.4	206.2	11.8%
Accommodation	3,014.9	10.9%	3,199.2	6.1%	3,375.6	5.5%	3,747.8	11.0%	4,043.4	7.9%	629.9	653.3	3.7%
Food/Drinking Services	8,876.4	6.5%	9,474.1	6.7%	9,976.8	5.3%	10,858.9	8.8%	11,615.6	7.0%	1,785.0	1,902.3	6.6%
Other Services	3,763.6	5.5%	3,867.8	2.8%	4,359.0	12.7%	4,926.4	13.0%	5,441.9	10.5%	699.6	726.7	3.9%
Government	268.2	2.2%	244.5	-8.8%	252.6	3.3%	254.8	0.8%	273.4	7.3%	38.4	39.6	3.0%
Total All Industries	**155,054.2**	**8.0%**	**164,568.4**	**6.1%**	**172,784.0**	**5.0%**	**182,710.0**	5.7%	**182,845.3**	0.1%	**25,944.3**	**24,957.1**	**-3.8%**

Source: Colorado Department of Revenue.

Tourism

The following table provides visitor counts for the State's national parks and major recreation areas, Denver area convention attendance figures, and visitor counts for Colorado ski areas.

Colorado Tourism Statistics

	National Parks Visits[1]		Conventions[2]						Skier Visits[3]	
			Conventions		*Delegates*		*Spending*			
	Number (millions)	% Change	Number	% Change	Number (thousands)	% Change	Amount (millions)	% Change	Number (millions)	% Change
2013	5.39		84		265.7		$529.3		11.45	
2014	6.03	11.8%	76	-9.5%	289.3	8.9%	$576.3	8.9%	12.60	10.1%
2015	7.08	17.3%	73	-3.9%	236.8	-18.1%	$546.6	-5.2%	12.54	-0.5%
2016	7.46	5.4%	66	-9.6%	242.7	2.5%	$543.4	-0.6%	13.39	6.8%
2017	7.61	2.0%	84	27.3%	235.6	-2.9%	$518.6	-4.6%	13.12	-2.0%

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1 Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.

2 Includes only those conventions booked by VISIT DENVER and held at the Colorado Convention Center.

3 Count of skier visits for the season ending in the referenced year.

Sources: National Parks Service; VISIT DENVER, The Convention and Visitor's Bureau; Colorado Ski Country USA; Vail Resorts, Inc.

Residential Housing Starts

The following table provides a five-year history of the State's residential building permit issuance.

New Privately Owned Housing Units Authorized in Colorado

	1 Unit	2 Units	3 & 4 Units	5+ Units	Total Building Permits	% Change
2013	15,772	408	148	11,189	27,517	18.1%
2014	17,104	532	146	10,916	28,698	4.3%
2015	20,025	334	287	11,225	31,871	11.1%
2016	21,577	556	242	16,599	38,974	22.3%
2017	24,338	344	415	15,576	40,673	4.4%
Year-to-date totals through April:						
2017	7,462	112	66	5,641	13,281	
2018	10,011	52	131	6,330	16,524	
% change	*34.2%*	*-53.6%*	*98.5%*	*12.2%*	*24.4%*	

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Source: U.S. Census Bureau.

Residential Foreclosures

The following table provides a five-year history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

Foreclosure Filings and Sales in Colorado

	Foreclosure Filings[1]	% Change	Foreclosure Sales at Auction	% Change
2013	15,333	-46.3%	9,318	-41.4%
2014	11,235	-26.7%	6,003	-35.6%
2015	8,241	-26.6%	4,209	-29.9%
2016	7,666	-7.0%	3,128	-25.7%
2017	6,680	-12.9%	2,100	-32.9%

[1] Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.

Source: Colorado Division of Housing.

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APPENDIX J

STATE PENSION SYSTEM

The information included in this Appendix is based on information compiled and presented in the Public Employees' Retirement Association ("PERA") Comprehensive Annual Financial Report for the Plan Year ended December 31, 2017 (the "PERA 2017 CAFR"). The PERA 2017 CAFR was prepared by PERA staff employees and the firm of Cavanaugh Macdonald Consulting, LLC, PERA's independent actuary, and audited by CliftonLarsonAllen LLP, PERA's independent public accounting firm. The valuations and other assessments of PERA constitute forward-looking information as described in "PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements" at the beginning of this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuations and assessments may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations and assessments. The PERA 2017 CAFR is not incorporated in this Official Statement by reference or otherwise, and the State makes no representations regarding the accuracy of the information in the PERA 2017 CAFR.

The information in the State's Fiscal Year 2016-17 CAFR regarding PERA is derived from the PERA Comprehensive Annual Financial Report for the Plan Year ended December 31, 2016, while the information in this Official Statement regarding PERA is derived from the PERA 2017 CAFR. PERA implemented GASB Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" ("GASB 67"), beginning with the PERA Comprehensive Annual Financial Report for the Plan Year ended December 31, 2014 (the "PERA 2014 CAFR"), as discussed in "Implementation by PERA of GASB 67" below. See also "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68" in this Appendix.

General Description

Overview. The State of Colorado, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created PERA, which administers cost-sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (generally for State employees) (the "State Division"), the School Division Trust Fund (for employees of school districts), the Local Government Division Trust Fund (for employees of numerous municipalities and other local governmental entities), the Judicial Division Trust Fund (for judges in the State) and the Denver Public Schools Division (for employees of DPS). The defined benefit plan for the State Division is referred to herein as the "State Division Plan."

As described in more detail under the caption "Funding of the State Division Plan" below, the State Division Plan is funded with payments made by the State and by each employee, the amounts of which are determined and established by statute. Benefits provided through the State Division Plan are paid from the State Division Trust Fund. State employees hired after 2005 may, in lieu of participating in the State Division Plan, elect to participate in a defined contribution plan (the "State Division DC Plan") which is also administered by PERA. However, the majority of State employees participate in the State Division Plan. The State has no obligation to make contributions or fund benefits in Divisions other than the State Division and Judicial Division of PERA. See Notes 1 and 8 to the financial statements in the PERA 2017 CAFR for a discussion of the membership in the State Division Plan and the State Division DC Plan, respectively. See also Management's Discussion and Analysis and Notes 6, 7 and 8 to the financial statements in the State's

Fiscal Year 2016-17 CAFR appended to this Official Statement for a description of the State Division Plan and the State Division DC Plan.

Because the majority of State employees participate in the State Division Plan and not in the State Division DC Plan, and the number of judges employed by the State that participate in the Judicial Division is relatively small in comparison to the number of other State employees, the disclosure in "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – Pension and Post-Employment Benefits" in the body of this Official Statement and in this Appendix relates only to the State Division Plan.

The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

PERA. PERA is a legal entity created by statute in 1931 that is separate from the State as further described in Article 51 of Title 24, C.R.S. (the "PERA Act"). Management of PERA is vested in a 16-member Board of Trustees (the "PERA Board"). PERA has fiduciary responsibility for several separate divisions, including the State Division, the School Division, the Local Government Division, the Judicial Division and the Denver Public Schools Division. The State represents the majority, but not all, of the State Division employers and employees. Each Division operates as a separate legal trust. PERA also operates two cost-sharing, multiple-employer post-employment benefit plans through the Health Care Trust Fund and the Denver Public Schools Health Care Trust Fund that provide health care premium subsidies to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. PERA's financial statements, which include all of its Divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at (800) 759-7372 or by visiting http://www.copera.org. *The reference to PERA's website is included herein for informational purposes only, and information available on such website or in PERA's financial statements, or any other information provided by PERA, is not incorporated in this Official Statement by reference or otherwise, nor does the State make any representations regarding the accuracy of any such information.*

Basic Provisions of the State Division Plan

Members of the State Division Plan who meet minimum age and service requirements are eligible to receive a monthly retirement benefit based on their employment and earnings history with the State. Calculation of retirement benefits, and eligibility requirements, differ depending on the employee's original hire date. In response to funding challenges, the General Assembly has enacted changes to State Division Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 6, 7 and 8 to the financial statements in the State's Fiscal Year 2016-17 CAFR appended to this Official Statement, the PERA 2017 CAFR and the PERA Act for a discussion of eligibility requirements and the various tiers of benefits under the State Division Plan. See also the Statistical Section of the PERA 2017 CAFR for various statistics regarding members, retirees, survivors and benefit payments for the State Division Plan.

Implementation by PERA of GASB 67

In 2012, GASB issued Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" ("GASB 67"), which establishes new standards for financial reporting and note disclosure by defined benefit pension plans administered through qualified trusts, and note disclosure requirements for defined contribution pension plans administered through qualified trusts. GASB 67 is effective for accounting periods beginning after June 15, 2013, and, accordingly, PERA implemented GASB 67 beginning with the PERA 2014 CAFR.

The objective of GASB 67 as stated therein is to improve financial reporting by state and local governmental pension plans. The requirements of GASB 67 are intended to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information. A related statement, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," applies to governmental employers as reflected in the State's Fiscal Year 2014-15 CAFR appended to this Official Statement. See "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68" below.

GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. Implementation of GASB 67 requires the preparation of two actuarial valuations, one for funding purposes and one for accounting and financial disclosure purposes. The purpose of the funding valuation is to guide the PERA Board's actions necessary to ensure the long-term sustainability of PERA's trust funds. The funding valuation aids this action by allowing PERA to assess the sufficiency of the current statutory contribution rates and analyze the sufficiency of future contributions to meet current and future benefit obligations. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability across U.S. pension plans complying with this new reporting standard. To accomplish this, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed unfunded actuarial accrued liability[1], or "UAAL." Net pension liability is to be measured as the total pension liability[2] of the plan less the amount of the plan's fiduciary net position[3].

Another major change in the new standard is the rate used to discount projected benefit payments. The new standard states the long-term expected rate of return on the investments of the plan should be applied only to available plan assets that are expected to be invested using a strategy to achieve that return. If there comes a point in the projections when plan fiduciary net position and contributions related to active and inactive employees are no longer projected to be greater than or equal to projected benefit payments related to those employees and administrative expenses (crossover point), then from that point forward the plan will be required to discount the projected benefit payments after the crossover point using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

GASB 67 also enhances the standards for footnote disclosure and required supplementary information for pension plans, including, among other things, disclosing the plan's net pension liability, ratio of fiduciary net position to total pension liability and actuarial methods and assumptions.

Actuarial Valuations

Many of the measures used to determine and evaluate the financial condition and funding status of the State Division Plan are based on actuarial valuations. An actuarial valuation is the determination, as of the actuarial valuation date, of the service cost, total pension liability and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice

[1] Actuarial accrued liability ("AAL") is the excess of the present value of a pension fund's total of future benefits (payable to the plan participants) and fund administration expenses over the present value of the future normal cost of those benefits. Unfunded actuarial accrued liability is the difference between the AAL and the valuation assets of the fund.

[2] Total pension liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of plan member service in conformity with the requirements of GASB 67. For purposes of application to the requirements of GASB 67, AAL is the equivalent of total pension liability.

[3] Fiduciary net position equals assets plus deferred outflows of resources and less liabilities and deferred inflows of resources at the end of the plan's reporting period.

unless otherwise specified by GASB. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial valuations for each of PERA's defined benefit plans, including the State Division Plan, were prepared by PERA's actuaries as of December 31, 2017, based on a set of actuarial methods and assumptions that by State law are the responsibility of the PERA Board. The valuations for the State Division Plan examine the assets of the Plan compared to actuarial liabilities, compare past and future trends and determine the net pension liability of the Plan. The actuarial valuation for funding purposes applies an asset valuation method that recognizes a four-year smoothed market value of assets for purposes of determining the UAAL, while the actuarial valuation for accounting and financial reporting purposes applies the fair value of assets (determined in conformity with GASB standards) to determine the net pension liability. See the Actuarial Section of the PERA 2017 CAFR for a discussion of other actuarial methods and assumptions used in the actuarial valuations of the State Division Plan.

The PERA 2017 CAFR states that the PERA Board studies all economic and demographic actuarial assumptions at least every five years and approves changes to those assumptions. Recently, the PERA Board has reviewed the economic assumptions on a more frequent basis. The PERA Board last completed an experience study in 2016, and the next experience study is planned in 2020.

No assurance can be given that any of the assumptions underlying the actuarial valuations of the State Division Plan will reflect the actual results experienced by the Plan. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of Plan assets, the net pension liability of the Plan and other valuation and performance measures determined on the basis of such actuarial valuations.

Funding of the State Division Plan

Statutorily Required Contributions. The State Division Plan is funded with payments made by the State and by each eligible employee as provided in the PERA Act. The State's contributions to the Plan are based on percentages of employee wages and are set by statute. These contribution percentages are referred to herein as the statutorily required contribution, or "SRC," of the State. The baseline SRC that is made by the State for most State employees currently is 10.15% of the employee's salary. The State has consistently contributed the full amount of the SRC to the State Division Plan. See Note 6 and the Required Supplementary Information to the State's Fiscal Year 2016-17 CAFR appended to this Official Statement for a summary of the SRC percentages payable, and percentage amount of the SRC paid, by the State for the last three Fiscal Years, as well as total PERA plan contributions made by the State for each of the past ten Fiscal Years.

As required by statute, State employees contribute 8.0% (except for State Troopers and Colorado Bureau of Investigation officers, who contribute 10%) of their wages to the State Division Plan, although per SB 10-001, for Fiscal Years 2010-11 and 2011-12 the employee contribution percentage was increased to 10.5% of the employee's wages. The 2.5% increase in contribution percentage by employees offset a 2.5% reduction in the State contribution for those Fiscal Years. The employee contribution rates reverted to pre-Fiscal Year 2010-11 levels effective July 1, 2012, and the State returned to paying the 10.15% SRC.

The General Assembly enacted legislation in 2004, 2006 and 2010 to gradually increase employer contributions to the State Division Plan by authorizing the Amortization Equalization Disbursement, or "AED," and the Supplemental Amortization Equalization Disbursement, or "SAED," in order to shorten the amount of time over which the unfunded liability of the Plan is amortized. Both the AED and the SAED are paid by the

State as contributions to the State Division Plan as a percentage of employee wages, but the SAED payment comes from moneys that would otherwise have been used to provide market-based salary increases to employees. The AED applicable to the State Division Plan was effective as of January 1, 2006, and was initially payable at the rate of 0.5% of total covered payroll, with annual increases in the contribution rate through 2017. The AED rate applicable to the State Division Plan was 4.2% in 2015, 4.6% in 2016 and is 5.0% in 2017. The SAED applicable to the State Division Plan was effective as of January 1, 2008, and was also initially payable at the rate of 0.5% of total covered payroll, with annual increases in the contribution rate through 2017. The SAED rate applicable to the State Division Plan was 4.0% in 2015, 4.5% in 2016 and is 5.0% in 2017. The total SRC applicable to the State Division Plan currently is 20.15% of employee wages. However, SB 18-200 makes further changes to employer and employee contributions as discussed in "Funding Status of the State Division Plan" hereafter in this section. See also Note 6 to the State's Fiscal Year 2016-17 CAFR appended to this Official Statement and Note 4 to the financial statements in the PERA 2017 CAFR for a further discussion of the AED and SAED.

Changes to the statutorily required contributions to the State Division Plan by the State and its employees, or to other provisions of the Plan, could be made by the General Assembly through future legislative action, which changes could impact the SRC, the funding status and/or the financial condition of the Plan as described herein. The State cannot predict if or when any such legislative changes might be enacted or the impact that any such changes, if enacted, might have on the State Division Plan or the State's funding obligations with respect to the Plan.

SB 18-200 provides for automatic adjustments to employee and employer contribution rates within certain statutory parameters so as to stay within the legislation's 30-year funding goal. Previously, such adjustments required action by the General Assembly. See "Funding Status of the State Division Plan" below.

While PERA has a pension funding policy as discussed in "*Change in PERA Funding Policy*" hereafter, the State does not have a formal or established policy or procedure for managing its pension liability. PERA annually provides a briefing to State officials and members of the General Assembly as to the status of the State Division Plan and occasionally may pursue legislation pertaining to changes in contribution and/or benefit provisions in furtherance of PERA's funding policy. Legislative proposals to modify the contributions, benefits, eligibility and other provisions of the State Division Plan also are introduced in the General Assembly from time to time independent of a request therefor from PERA.

The SRC is paid from the State General Fund as well as from certain federal funds and State cash funds and is typically paid from the same funding source as the employee's salary and other benefits. Although the rate of the SRC is set by statute, payment of the SRC nevertheless is subject to annual appropriation through the State budgeting process as described in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations" in the body of this Official Statement.

Actuarially Determined Contribution. As a result of the shift in financial disclosure requirements under GASB 67 from a funding-based approach to an accounting-based approach, the historical disclosure and use of the annual required contribution[1], or "ARC," as a funding benchmark by PERA is no longer required. Rather, this philosophical shift necessitates the development and use of a plan-specific actuarially determined contribution ("ADC") benchmark against which to gauge the adequacy of the SRC for the State

[1] Prior to 2014, PERA used the annual required contribution, or ARC, as a funding benchmark against which to gauge the adequacy of the SRC for the State Division Plan. The ARC is the actuarially determined amount that would be required if the State were to fund each year's normal cost (*i.e.*, the present value of the benefits that the State Division Plan projects to become payable in the future that are attributable to a valuation year's payroll) in the State Division Plan plus an annual amortization of the UAAL assuming that the UAAL will be fully funded over a maximum 30-year period. The difference between the ARC and the SRC constitutes either a contribution deficiency or excess contributions. For historical information regarding the ARC, see PERA's Comprehensive Annual Financial Report for calendar year 2013.

Division Plan. The ADC represents the amount needed to fund benefits over time, and constitutes a target or recommended employer contribution for the reporting period determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted. An ADC deficiency arises when actual employer contributions are less than the ADC, and interest accrues on the ADC deficiency at the plan's expected long-term rate of return. See "*Historical ADC and State Contributions*" below.

Change in PERA Funding Policy. In response to the new GASB 67 standards, the PERA Board adopted a revised pension funding policy in March 2015 with regard to its trust funds to update and replace the prior funding policy dated November 2007. The purpose of the revised funding policy, as stated in the PERA 2017 CAFR, is to: (i) define the overall funding benchmarks of PERA's defined benefit pension trust funds; (ii) assess the adequacy of the contribution rates which are set by the General Assembly by comparing these rates to an ADC rate; and (iii) define the annual actuarial metrics that will assist the PERA Board in assessing the sustainability of the plan. The results of these three items are intended to guide the PERA Board when considering whether to pursue or support proposed legislation pertaining to changes in plan contribution and/or benefit provisions. See "*Statutorily Required Contributions*" above.

Historical ADC and State Contributions. The following table sets forth for each of the years 2008-2017 (i) the ADC for the State Division Plan, (ii) the annual contribution deficiency and (iii) the actual contribution as a percentage of covered employee payroll. The State annually contributes the full amount of the SRC to the State Division Plan; however, these amounts have been less than the applicable ARC or ADC. During this period the State has not made any contributions to the State Division Plan in excess of the SRC.

The ADC rates, as a percentage of pensionable payroll, used to determine the ADC amounts in Table 1 below are calculated as of December 31 two years prior to the end of the year in which the ADC amounts are reported. The following actuarial methods and assumptions (from the December 31, 2016, actuarial valuation) were used to determine contribution rates reported in the table for the year ended December 31, 2017: (i) the actuarial cost method is based on the entry age of participants; (ii) the Plan's UAAL is amortized as a level percent of payroll, on a closed, layered basis over a 30-year period; (iii) for valuation purposes the actuarial value of assets is based on gains and losses smoothed in over a four-year period as permitted by GASB standards; (iv) price inflation is assumed to be 2.80%; (v) real wage growth is assumed to be 1.10%; (vi) salary increases (including assumed wage inflation of 3.90%) are projected to range from 3.90% to 10.85%; (vii) the long-term investment rate of return (net of pension plan investment expense, including price inflation) is assumed to be 7.50%; and (viii) cost of living adjustments for pre-2007 hires are assumed to be 2.00% per year and cost of living adjustments for post-2006 hires are assumed to be financed by the Annual Increase Reserve described in footnote 2 to the table. Other assumptions include, without limitation, future retiree participation and contribution rates and mortality rates. For further information, see Note 3 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2017 CAFR.

Table 1
Employer Contributions
State Division
(Dollar Amounts in Thousands)

Calendar Year	ADC Rate[1]	Covered Employee Payroll	Annual Increase Reserve Contribution[2]	ADC Contribution[3]	Contributions in Relation to the ADC	Annual Contribution Deficiency	Actual Contribution as a Percentage of Covered Employee Payroll
2017	22.71%	$2,774,207	$14,355	$644,377	$563,977	$ 80,400	20.33%
2016	22.31	2,710,651	12,838	617,584	521,804	95,780	19.25
2015	22.35	2,641,867	11,400	601,857	484,005	117,852	18.32
2014	20.45	2,564,670	9,984	534,459	444,372	90,087	17.33
2013	20.01	2,474,965	--	495,241	393,218	102,023	15.89
2012	16.52	2,384,934	--	393,991	328,055	65,936	13.76
2011	13.63	2,393,791	--	326,274	277,122	49,152	11.58
2010	18.93	2,392,080	--	452,821	282,640	170,181	11.82
2009	17.91	2,384,137	--	426,999	293,234	133,765	12.30
2008	18.45	2,371,639	--	437,567	267,533	170,034	11.28

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[1] See the discussion preceding this table regarding the actuarial methods and assumptions used in determining the ADC rates.

[2] The Annual Increase Reserve, or "AIR," was established in 2007 and is used to provide post-retirement benefit increases for members hired on or after January 1, 2007. The AIR is financed by an allocation from employer statutory contributions made on behalf of such members equal to 100% of pensionable payroll and through an allocation of purchase of service dollars. For further information see the PERA 2017 CAFR.

[3] The ADC contribution equals the sum of (i) the ADC rate times the covered employee payroll, plus (ii) the AIR.

Source: PERA 2017 CAFR.

The Management's Discussion and Analysis in the PERA 2017 CAFR states that, using the funding policy approved by the PERA Board in March 2015 and the 2016 actuarial funding valuation based on an assumed 7.25% investment rate of return and discount rate, the 2018 ADC for the State Division Fund needed to meet the layered, 30-year closed amortization period will be 26.30%, and that using such funding policy and the 2017 actuarial funding valuation based on an assumed 7.25% investment rate of return and discount rate, the 2019 ADC for the State Division Fund needed to meet the layered, 30-year closed amortization period will be 23.28%.

For historical information regarding employer contributions based on the ARC, see Note 6 to the State's Fiscal Year 2016-17 CAFR appended to this Official Statement.

Funding Status of the State Division Plan

The State Division Plan currently is significantly underfunded. As discussed in "Funding of the State Division Plan – *Statutorily Required Contributions*" above, the AED and SAED were implemented in 2006 and 2008, respectively, and other changes were made to the Plan design by SB 10-001 and SB 18-200, all in an effort to improve the funding status of the State Division Plan. In addition, investment returns on Plan assets have recently decreased following the negative effects of the global economic downturn that began in 2008. The actuarial assumptions as to the investment rate of return on Plan assets and the discount rate on actuarially accrued liabilities were lowered by the PERA Board from 8.50% to 8.00% in 2009, from 8.00% to 7.50% at the end of 2013 and from 7.50% to 7.25% as of December 31, 2017, and other economic assumptions, including the amortization period, have been changed over this period as well, to reflect actual results and new estimates about the future. Notwithstanding these changes, the PERA reported that at December 31, 2016, the State Division Plan had a UAAL of approximately $11,644 billion and a funded ratio (*i.e.*, the actuarial value of Plan assets divided by the AAL) of only 54.6%, which UAAL would have amortized over a 65-year period based on contribution rates as of the date of calculation.

In order to address the funding status of PERA's defined benefit plans, including the State Division Plan, during the 2018 legislative session the General Assembly enacted, and on June 4, 2018, the Governor signed, SB 18-200, which made changes to the defined benefit plans administered by PERA with the goal of eliminating the UAAL of such plans, and thereby reach a 100% funded ratio for each of such plans, within the next 30 years. Among other things, SB 18-200 phases-in a 2% increase in contribution rates for most employees, suspends the cost of living adjustment for retires through 2019, changes the definition of salary and highest average salary, reduces maximum annual cost of living adjustments, adjusts employee and employer contribution rates, funds unfunded PERA liability from political subdivisions terminating its affiliation with PERA and provides for a direct annual allocation of $225 million (actual dollars) from the State's General Fund to PERA beginning with the State's Fiscal Year 2018-19. SB 18-200 also includes a provision that automatically adjusts employee and employer contribution rates, annual cost of living increases and the State's annual direct contribution to PERA within certain statutory parameters so as to stay within the 30-year funding goal. Previously, such adjustments required action by the General Assembly. For further information regarding SB 18-200, see the PERA 2017 CAFR.

The PERA 2017 CAFR reports that, taking into account changes made by SB 18-200, at December 31, 2017, the actuarial value of assets of the State Division Plan was approximately $14.256 billion and the AAL of the Plan was approximately $24.782 billion, resulting in a UAAL of approximately $10.526 billion and a funded ratio of 57.5%. This UAAL would amortize over a 33-year period.[1]

The actuarial value of assets of the State Division Plan is determined by using an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a four-year period to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in assets of the State Division Plan as a result of economic and market conditions is not reflected in the funded ratio. Based on the market value of assets of the State Division Plan, and taking into account the changes made by SB 18-200, the PERA 2017 CAFR reports that at December 31, 2017, the UAAL of the Plan was approximately $9.677 billion and the funded ratio was 61.0%.

For further information, see Management's Discussion and Analysis in the State's Fiscal Year 2016-17 CAFR appended to this Official Statement, as well as Management's Discussion and Analysis, Notes 10 and 12 to the financial statements, Note 2 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2017 CAFR.

Table 2 below sets forth for each of the years 2008-2017 the UAAL, the funded ratio and related information for the State Division Plan based on the actuarial value of Plan assets, and Table 3 below sets forth such information based on the market value of Plan assets.

The total pension liability for the State Division Plan was determined by actuarial valuations as of December 31, 2016, and accepted actuarial procedures were applied to roll forward the total pension liability to December 31, 2017. When calculating the AAL of the State Division Plan in Tables 2 and 3 below, the following actuarial methods, assumptions and inputs, among others, were used: (i) price inflation is assumed to be 2.40%; (ii) real wage growth is assumed to be 1.10%; (iii) payroll increases (including assumed wage inflation of 3.50%) are projected to range from 3.50% to 9.17%; (iv) the long-term investment rate of return (net of pension plan investment expense, including price inflation) and discount

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

rate are assumed to be 7.25%; and (v) cost of living adjustments for pre-2007 hires are assumed to be 2.00% per year compounded annually, and cost of living adjustments for post-2006 hires are assumed to be financed by the AIR. Other assumptions include, without limitation, future retiree participation and contribution rates and mortality rates. For further information, see Note 10 to the financial statements and the Actuarial Section in the PERA 2017 CAFR.

Table 2
Historical Funding Progress of State Division Plan
Actuarial Value of Plan Assets
(Dollar Amounts in Thousands)

Valuation Date (December 31)	Actuarial Value of Plan Assets[1]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as Percentage of Employer Payroll
2017	$14,256,410	$24,782,085	$10,525,675	57.5%	$2,774,207	379.4%
2016	14,026,332	25,669,916	11,643,584	54.6	2,710,651	429.5
2015	13,882,820	24,085,671	10,202,851	57.6	2,641,867	386.2
2014	13,523,488	23,408,321	9,884,833	57.8	2,564,670	385.4
2013	13,129,460	22,843,725	9,714,265	57.5	2,474,965	392.5
2012	12,538,675	21,191,495	8,652,820	59.2	2,384,934	362.8
2011	12,010,045	20,826,543	8,816,498	57.7	2,393,791	368.3
2010	12,791,946	20,356,176	7,564,230	62.8	2,392,080	316.2
2009	13,382,736	19,977,217	6,594,481	67.0	2,384,137	276.6
2008	13,914,371	20,498,668	6,584,297	67.9	2,371,369	277.7

[1] The actuarial value of Plan assets is based on gains and losses smoothed in over a four-year period as permitted by GASB standards.

Source: PERA 2017 CAFR.

Table 3
Historical Funding Progress of State Division Plan
Market Value of Plan Assets
(Dollar Amounts in Thousands)

Valuation Date (December 31)	Market Value of Plan Assets[1]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as Percentage of Employer Payroll
2017	$15,105,378	$24,782,085	$ 9,676,707	61.0%	$2,774,207	348.8%
2016	13,538,772	25,669,916	12,131,144	52.7	2,710,651	447.5
2015	13,391,398	24,085,671	10,694,273	55.6	2,641,867	404.8
2014	13,956,630	23,408,321	9,451,691	59.6	2,564,670	368.5
2013	13,935,754	22,843,725	8,907,971	61.0	2,474,965	359.9
2012	12,766,459	21,191,495	8,425,036	60.2	2,384,934	353.3
2011	12,001,770	20,826,543	8,824,773	57.6	2,393,791	368.7
2010	12,487,105	20,356,176	7,869,071	61.3	2,392,080	329.0
2009	11,611,758	19,977,217	8,365,459	58.1	2,384,137	350.9
2008	10,508,301	20,498,668	9,990,367	51.3	2,371,369	421.3

[1] The market value of Plan assets is the fair value of the assets determined in conformity with GASB standards. See the Investment Section of the PERA 2017 CAFR.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2008 through 2017.

Since contribution rates to the State Division Plan are fixed by statute, unless changes are made to such rates or changes are made to Plan provisions to reduce benefit payments, improvements in the funding status of the State Division Plan are expected to come primarily from increases in investment returns on Plan assets or changes in the actuarial assumptions used to determine the value of Plan assets and the AAL. Changes to contribution rates or other Plan provisions, or the use of alternative Plan funding strategies, would require legislative action by the General Assembly, of which there can be no assurance.

Fiduciary Net Position of the State Division Plan

The Statement of Fiduciary Net Position of the State Division Plan as of December 31, 2017, is included in PERA's basic financial statements set forth in the Financial Section of the PERA 2017 CAFR. The following table sets forth for each of the years 2008-2017 the changes in fiduciary net position of the State Division Plan.

Table 4
Changes in Fiduciary Net Position
State Division
(Cash Basis; Dollar Amounts in Thousands)

	For the Year Ended December 31									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
ADDITIONS										
Employer contributions	$ 563,977	$ 521,804	$ 484,005	$ 444,372	$ 401,658	$ 335,073	$ 283,222	$ 287,624	$ 297,240	$ 270,353
Member contributions	228,978	223,005	217,980	211,610	202,799	227,058	258,678	223,240	194,168	191,481
Purchased service	27,442	24,528	26,946	22,446	22,241	16,358	11,277	12,496	8,830	13,315
Net investment income (loss)	2,391,683	947,981	210,337	780,762	1,931,658	1,511,244	232,669	1,553,142	1,742,571	(3,745,843)
Other	15,860	8,708	5,023	3,289	4,869	150	331	1	3	7
Total additions	3,227,940	1,726,026	944,291	1,462,479	2,563,225	2,089,883	786,177	2,076,503	2,242,812	(3,270,687)
DEDUCTIONS										
Benefit payments	1,554,290	1,483,828	1,417,862	1,352,293	1,295,780	1,231,922	1,174,707	1,122,435	1,071,725	999,279
Refunds	58,696	60,137	63,567	61,152	68,735	69,221	70,090	68,844	58,416	56,716
Disability insurance premiums	2,035	2,106	2,088	2,309	2,229	1,570	1,685	1,661	2,004	1,794
Administrative expenses	11,745	11,271	10,779	10,067	9,780	8,568	8,685	8,942	8,729	8,639
Other	3,652	3,040	3,406	3,171	3,593	3,911	(4,546)	(726)	(1,519)	6,613
Total deductions	1,630,418	1,560,382	1,497,702	1,428,992	1,380,117	1,315,192	1,250,621	1,201,156	1,139,355	1,073,041
Change in fiduciary net position	1,597,522	165,644	(553,411)	33,487	1,183,108	774,691	(464,444)	875,347	1,103,457	(4,343,728)
Fiduciary net position held at beginning of year	13,626,180	13,460,536	14,013,947	13,980,460	12,797,352	12,022,661	12,487,105	11,611,758	10,508,301	14,852,029
Fiduciary net position held at end of year	$15,223,702	$13,626,180	$13,460,536	$14,013,947	$13,980,460	$12,797,352	$12,022,661	$12,487,105	$11,611,758	$10,508,301

Source: PERA 2017 CAFR.

Net Pension Liability of the State Division Plan

As noted above, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed UAAL, and also requires disclosing the plan's net pension liability and ratio of fiduciary net position to total pension liability. The schedule of net pension liability presents multi-year trend information about whether the fiduciary net position is increasing or decreasing over time relative to total pension liability.

The following table sets forth for the years 2013-2017 (the only years for which information is available) the net pension liability and related information regarding the State Division Plan. The required supplemental information in the PERA 2017 CAFR includes a schedule showing the sources of the changes in net pension liability for 2014-2017 (information for 2013 is not available). See also "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68" hereafter.

Table 5
Net Pension Liability
State Division[1]
(Dollar Amounts in Thousands)

	For the Year Ended December 31				
	2017[2]	**2016**	**2015**	**2014**	**2013**
Total pension liability[3]	$35,241,684	$31,994,311	$23,991,569	$23,420,461	$22,888,431
Plan fiduciary net position	15,223,702	13,626,180	13,460,536	14,013,947	13,980,460
Net pension liability	$20,017,982[4]	$18,368,131	$10,531,033	$ 9,406,514	$ 8,907,971
Net pension liability as a percentage of total pension liability	43.20%	42.59%	56.11%	59.84%	61.08%
Covered employee payroll	$ 2,774,207	$ 2,710,651	$ 2,641,867	$ 2,564,670	$ 2,474,965
Net pension liability as a percentage of covered employee payroll	721.57%	677.63%	398.62%	366.77%	359.92%

1 Information for years prior to 2013 is not available.

2 Government accounting standards require that pension liabilities for financial reporting purposes be measured using the plan provisions in effect at the pension plan's year-end. Therefore, unlike the tables in "Funding Status of the State Division Plan" above, the changes made by SB 18-200 are not reflected in this table.

3 The total pension liability for the State Division was determined by actuarial valuations as of December 31, 2016, and accepted actuarial procedures were applied to roll-forward the total pension liability to December 31, 2017. The actuarial valuations as of December 31, 2016, used the key actuarial methods, assumptions or other inputs discussed in "Funding Status of the State Division Plan" above, except that the fair value of assets, rather than a four-year smoothed market value of assets, was used to determine the net pension liability.

4 The pro forma estimated net pension liability of the State Division as of December 31, 2017, using plan provisions required by SB 18-200 was $9,492,389 utilizing a discount rate of 7.25%.

Source: PERA 2017 CAFR.

Investment of State Division Plan Assets

State law authorizes the investment of PERA's funds by the PERA Board, subject to the following limitations:

- The aggregate amount of investment trust shares, corporate stocks, corporate bonds and convertible debentures cannot exceed 65% of the book value of the fund.
- Neither common nor preferred stock of a single corporation can exceed 5% of the book value of the fund.
- The fund cannot acquire more than 12% of the outstanding stocks or bonds of a single corporation.

See Note 5 to the financial statements and the Investment Section of the PERA 2017 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68 and GASB 75

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68") is a GASB pronouncement that is related to GASB 67 and applicable to governmental entities, such as the State, that provide their employees with pension benefits. GASB 68 is effective for fiscal years beginning after June 15, 2014, and accordingly has been implemented beginning with the State's Fiscal Year 2014-15 CAFR. GASB 68 revises and establishes new financial reporting requirements for governmental entities, and, among other things, requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division had a UAAL of approximately $9.714 billion as of December 31, 2013, $9.884 billion as of December 31, 2014, $10.203 billion as of December 31, 2015, $11.644 billion as of December 31, 2016, and $10.526 billion as of December 31, 2017.

The State reported a liability in the State's Fiscal Year 2016-17 CAFR of approximately $17.779 billion at June 30, 2017, for its proportionate share of the net pension liability, consisting of approximately $17.540 billion for the State Division and approximately $0.239 billion for the Judicial Division, compared to a reported liability in the State's Fiscal Year 2015-16 CAFR of approximately $10.252 billion at June 30, 2016, for its proportionate share of the net pension liability, consisting of approximately $10.079 billion for the State Division and approximately $0.173 billion for the Judicial Division. The amounts presented for each Division were determined as of the calendar year-end that occurred within the Fiscal Year. See also Note 6 to the State's Fiscal Year 2016-17 CAFR appended to this Official Statement for a description of the methodology utilized to determine these amounts.

There is a difference between the net pension liability for the State reported by PERA and the State in their respective financial statements. The difference results from PERA's inclusion of employers in the State Division and the Judicial Division which are not included in the State's financial statement reporting entity. The PERA Board has statutory authority to assign employers to the State Division and Judicial Division that are not part of the State's financial statement reporting entity as defined by GASB Statement No. 14, as amended by GASB Statements No. 39 and 61. Examples of these employers in the State Division include Pinnacol Insurance, Fire and Police Pension Association and District Attorneys. Denver County Courts is the only Judicial Division employer that is not part of the State's financial statement reporting entity. The State includes in its financial statements a percentage of the net pension liability reported by PERA in its financial statements for each Division to determine the State's proportionate share in accordance with requirements of GASB 68. Additional information concerning the State's reporting entity can found in Note 1 to the State's Fiscal Year 2016-17 CAFR appended to this Official Statement, and additional information concerning the proportionate share calculation can be found in Note 6 to the State's Fiscal Year 2016-17 CAFR.

The State's proportionate share of the net pension liability at the end of calendar years 2014 through 2017 in accordance with requirements of GASB 68 is set forth in the following table.

Table 6
State's (Primary Government's) Proportionate Share of the Net Pension Liability[1]
(Amounts in Thousands)

	Calendar Year 2017		Calendar Year 2016		Calendar Year 2015		Calendar Year 2014	
	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division
State's proportion of the net pension liability (asset)	95.49%	94.17%	95.71%	93.98%	95.85%	93.60%	95.86%	93.44%
State's proportionate Share of Net Pension liability (asset)	$17,539,728	$239,423	$10,079,252	$172,828	$9,015,773	$129,500	$8,539,181	$102,756
State's covered-employee payroll	$ 2,751,094	$ 46,320	$ 2,687,152	$ 44,159	$2,586,800	$ 40,114	$2,570,286	$ 37,203
State's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	637.55%	516.89%	375.09%	391.38%	348.53%	322.83%	332.23%	276.20%
Plan fiduciary net position as a percentage of the total pension liability	42.59%	53.19%	56.11%	60.17%	59.84%	66.88%	61.08%	71.26%

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[1] The amounts presented for each Fiscal Year were determined as of the calendar year-end that occurred within the Fiscal Year and were calculated as described in Note 6 to the Financial Statements and Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2016-17 CAFR appended to this Official Statement.

Source: State Fiscal Year 2016-17 CAFR.

A 10-year history of the State's contribution to PERA for the State and Judicial Divisions is also included in Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2016-17 CAFR appended to this Official Statement. See also "Overall Financial Position and Results of Operations" in the Management's Discussion and Analysis, the introduction to Notes 1, 6, 7 and 8 to the Financial Statements in the State's Fiscal Year 2016-17 CAFR.

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

Effect of Pension Liability on the Series 2018N Certificates

For a discussion of the State's current pension liability, see the Management's Discussion and Analysis in the Financial Section of the State's Fiscal Year 2016-17 CAFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions." No assurances can be given that the assumptions underlying any current or future plans of the State to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement, including in this Appendix. The General Assembly and Governor are ultimately responsible for passing any legislation which would make material changes to PERA retirement plans. No assurance can be given that any legislative changes aimed at decreasing the State's pension liability will be enacted. The State's current pension liability or any increase in the State's pension liability may have a material adverse effect on the State's ability to fully pay its obligations, including the Series 2018A Certificates.

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APPENDIX K

DTC BOOK-ENTRY SYSTEM

The information in this Appendix concerning DTC and DTC's book entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the State takes no responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

None of the Trustee, the State or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the registered owners of the Series 2018N 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 2018N Certificates, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2018N Certificates or (v) any other related matter.

DTC will act as securities depository for the Series 2018N Certificates. The Series 2018N 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 2018N 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 2018N Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018N 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 2018N 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 2018N Certificates except in the event that use of the book-entry system for the Series 2018N Certificates is discontinued.

To facilitate subsequent transfers, all Series 2018N 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 2018N Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018N Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018N 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 2018N Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018N Certificates, such as redemptions, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2018N Certificates may wish to ascertain that the nominee holding the Series 2018N 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 2018N 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 2018N Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2018N 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 2018N 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 2018N 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 2018N Certificate certificates are required to be printed and delivered to the appropriate registered owners of the Series 2018N 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 2018N Certificates. In that event, Series 2018N Certificate certificates will be printed and delivered to DTC.

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