COLORADO
COHFA
HEALTH
FACILITIES
AUTHORITY

Financial Statements
and
Independent Auditors' Report
September 30, 2016 and 2015

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COLORADO HEALTH FACILITIES AUTHORITY

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COLORADO HEALTH FACILITIES AUTHORITY

Management's Discussion and Analysis
For the Years Ended September 30, 2016 and 2015

The following discussion and analysis presents management's discussion of the financial position and results of operations of Colorado Health Facilities Authority (the "Authority") during the fiscal years ended September 30, 2016 and 2015. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This analysis should be read in conjunction with the Independent Auditors' Report, financial statements, and accompanying notes to the financial statements.

The Authority was created by the Colorado Legislature in 1977 as a financing vehicle to enable non-profit public and private health care institutions to access the tax-exempt capital market when financing or refinancing health care facilities. The Authority does not receive any state of Colorado ("State") funds and is not a State agency. Its operations are funded through annual fees charged to the organizations on whose behalf the Authority issues bonds and other debt obligations (together, "bonds").

The Authority's statute does not provide that the moral authority of the State can be pledged. To the contrary, it explicitly provides that any bonds issued by the Authority are not an indebtedness, a debt or a liability of the State, or any political subdivision of the State. All bond documents, bonds, and offering circulars pertaining to bonds issued by the Authority state that the bonds are not the obligations of the State or the Authority but are the financial obligations of the health care institutions.

As the Authority has no liability with respect to these bonds and has no beneficial interest in the related assets held by the trustees, the Authority excludes these bonds and related assets held by the trustees from its financial statements.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements that provide enhanced disclosure of some of the information in the financial statements.

The balance sheet presents information on all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement provides information about the nature and the amounts of investments in resources (assets) and the amounts due to the Authority's creditors (liabilities). It provides one way to measure the financial health of the Authority by providing the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Authority. This information should be considered along with other non-financial factors, such as the change in economic conditions.

All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses, and changes in net position. This statement measures operations over the year and can be used to determine whether the Authority has recovered all of its costs through its revenue sources.

Overview of the Basic Financial Statements (continued)

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash disbursements, and net changes in cash resulting from operating, investing, capital and related financing activities, and non-capital financing activities. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the period.

Condensed Financial Information

	September 30, 2016	September 30, 2015
Current assets	$ 689,493	$ 545,696
Capital assets, net	1,861	2,995
Non-current assets	7,300,478	7,159,690
Total assets	7,991,832	7,708,381
Deferred outflows of resources	201,889	79,109
Total assets and deferred outflows of resources	$ 8,193,721	$ 7,787,490
Current liabilities	$ 574,676	$ 467,020
Non-current liabilities	780,019	638,632
Total liabilities	1,354,695	1,105,652
Deferred inflows of resources	16,390	128
Net position		
Invested in capital assets	1,861	2,995
Indemnification trust	1,997,238	1,998,996
Unrestricted		
Designated - assets limited as to use	4,723,537	4,579,719
Undesignated	100,000	100,000
Total net position	6,822,636	6,681,710
Total liabilities, deferred inflows of resources, and net position	$ 8,193,721	$ 7,787,490

Condensed Financial Information (continued)

	For the Years Ended September 30, 2016	For the Years Ended September 30, 2015
Operating revenue		
Annual service fees	$ 1,580,173	$ 1,546,671
Less refunds	(497,512)	(404,520)
Net annual service fees	1,082,661	1,142,151
Initial fees	831,457	571,902
Total operating revenue	1,914,118	1,714,053
Operating expenses		
Direct costs of financings	825,895	659,787
General and administrative expenses	985,164	912,474
Total operating expenses	1,811,059	1,572,261
Non-operating revenue	37,867	38,645
Change in net position	140,926	180,437
Net position, beginning of year	6,681,710	6,501,273
Net position, end of year	$ 6,822,636	$ 6,681,710

Financial Analysis

Balance Sheets

Total assets of the Authority increased $283,451, or 3.7%, from $7,708,381 on September 30, 2015 to $7,991,832 on September 30, 2016, and total liabilities increased $249,043, or 22.5%, from $1,105,652 on September 30, 2015 to $1,354,695 on September 30, 2016. The increase in total assets is primarily due to an increase in cash and in investments reported as assets limited as to use, which resulted from cash flow generated from operations. The increase in total liabilities is primarily due to an increase in accounts payable as a result of a larger refund to borrowers and an increase in the Authority's net pension liability.

Deferred outflows of resources increased $122,780, or 155.2%, from $79,109 on September 30, 2015 to $201,889 on September 30, 2016, and deferred inflows of resources increased $16,262, or 12,705%, from $128 on September 30, 2015 to $16,390 on September 30, 2016. The increase in deferred outflows of resources and deferred inflows of resources is primarily due to the changes in actuarial assumptions and expectations embedded in accounting for the pension plan.

Financial Analysis (continued)

Balance Sheets (continued)

The net position of the Authority at September 30, 2016 and 2015 was $6,822,636 and $6,681,710, respectively. Of the $6,822,636, approximately $2,000,000 is set aside in an irrevocable indemnification trust. An additional $4,723,537 has been designated by the Board of Directors (the "Board") to satisfy certain obligations of the Authority, described as follows. Pursuant to its statute, the Authority issues bonds with a maximum maturity of 40 years. The Authority has the responsibility of monitoring compliance with certain covenants in the financing documents and the ongoing financial and operating performance of its borrowers in accordance with such documents. The Authority is also involved in the remarketing of bonds, tax audits of bonds, workouts of bonds, and other post-issuance matters affecting its bonds. In the event the Authority is precluded from issuing bonds due to legislative changes or otherwise issues bonds less frequently than in the past and, therefore, experiences a decrease in revenues generated by such bond issues, the Authority needs to maintain sufficient reserves to provide for administrative costs over the next 40 years. These costs cover such items as personnel, office rent, insurance expenses, and legal and other outside consultants' fees, in addition to the Authority's share of PERA's pension shortfall. Net position of $100,000 is undesignated.

Statements of Revenue, Expenses, and Changes in Net Position

Operating Activities

The Authority's operations consist of issuing bonds and loaning the proceeds thereof to health care and senior housing providers. The Authority also hosts educational seminars for the providers and sponsors and participates in various State associations, comprised of hospitals and long-term care facilities, as well as in national organizations comprised of entities involved in tax-exempt health care finance.

The Authority charges financing and administrative fees for its services as discussed herein and further in Note 1 to the accompanying financial statements.

The total operating revenue for the year ended September 30, 2016 was $1,914,118, an increase of $200,065, or 11.7%, from the prior year. The initial fees are designed to cover the Authority's costs in issuing the bonds of the borrowing health care facilities and are paid by the borrowers at their closings. These fees are based on a percentage of the issuance amount and the type of issuance. The initial fees increased $259,555, or 45.4%, in 2016 when compared to 2015. This is primarily due to the increase in the total bond issuance amount of $1,241,965,000 in 2016 versus $715,151,250 in 2015. The annual fees cover the operating expenses of the Authority, since it receives no funding from the State. The gross annual service fees increased $33,502, or 2.2%, in 2016 when compared to 2015, due to a higher total amount of outstanding bonds. Overall, there was a decrease in net annual service fee revenue due to a larger refund to borrowers in 2016.

Financial Analysis (continued)

Statements of Revenue, Expenses, and Changes in Net Position (continued)

Operating Activities (continued)

Total operating expenses increased $238,798, or 15.2%, for the year ended September 30, 2016 when compared to the same period in 2015. This is due primarily to a increase in financing costs incurred by the Authority as a result of the increase in financings. Other general and administrative expenses increased $72,690, or 8.0%, primarily due to increased salary, office, professional services, and public information/business development expenses.

Non-Operating Activities

The only non-operating revenue shown on the Authority's financial statements is investment income earned on the investments held as part of the Authority's operating fund and trust. These investments are both Board-designated as well as unrestricted money. Investment income decreased $778 from the prior year due to a net decrease in the fair value of investments.

Debt Administration

For the year ended September 30, 2016, the Authority issued $1,241,965,000 in bonds in 10 bond issues. In fiscal year 2015, the Authority issued $715,151,250 in 10 bond issues.

Budget Analysis

The Authority had budgeted a surplus of $312,024 for fiscal year 2016 before taking into account the refund to borrowers of a portion of their previously paid annual fees. The actual surplus was $638,438. After a refund to borrowers of $497,512, the remaining surplus was $140,926.

	For the Years Ended September 30,		
	2016 (Actual)	2016 (Budgeted)	2015 (Actual)
Revenue	$ 1,951,985	$ 1,803,809	$ 1,752,698
Expenses	1,811,059	1,491,785	1,572,261
Revenue over expenses	$ 140,926	$ 312,024	$ 180,437

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Colorado Health Facilities Authority
Denver, Colorado

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Colorado Health Facilities Authority (the "Authority") as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

To the Board of Directors
Colorado Health Facilities Authority

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Health Facilities Authority as of September 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years 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 management's discussion and analysis on pages 1-5 and pension information on pages 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of bonds outstanding is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements; accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Authority's internal control over financial reporting and compliance.

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December 15, 2016
Denver, Colorado

COLORADO HEALTH FACILITIES AUTHORITY

Balance Sheets

	September 30, 2016		September 30, 2015
Assets			
Current assets			
Cash	$	235,469	$ 128,072
Accounts receivable		379,657	353,271
Prepaid financing expenses		29,793	21,000
Other current assets		44,574	43,353
Total current assets		689,493	545,696
Long-term investments		579,703	580,975
Capital assets, net of accumulated depreciation of $137,218 (2016) and $136,084 (2015)		1,861	2,995
Assets limited as to use		4,723,537	4,579,719
Indemnification trust		1,997,238	1,998,996
Total assets		7,991,832	7,708,381
Deferred Outflows of Resources			
Deferred amortization related to pension plan		201,889	79,109
Total deferred outflows of resources		201,889	79,109
Total assets and deferred outflows of resources	$	8,193,721	$ 7,787,490
Liabilities			
Current liabilities			
Accounts payable	$	562,071	$ 454,161
Accrued liabilities		12,605	12,859
Total current liabilities		574,676	467,020
Non-current liabilities			
Net pension liability		780,019	638,632
Total liabilities		1,354,695	1,105,652
Deferred Inflows of Resources			
Deferred amortization related to pension plan		16,390	128
Total deferred inflows of resources		16,390	128
Total liabilities and deferred inflows of resources		1,371,085	1,105,780
Commitments			
Net Position			
Invested in capital assets		1,861	2,995
Indemnification trust		1,997,238	1,998,996
Unrestricted			
Designated - assets limited as to use		4,723,537	4,579,719
Undesignated		100,000	100,000
Total net position		6,822,636	6,681,710
Total liabilities, deferred inflows of resources, and net position	$	8,193,721	$ 7,787,490

See notes to financial statements.

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Position

	For the Years Ended September 30, 2016	2015
Operating revenue		
Annual service fees	$ 1,580,173	$ 1,546,671
Less refunds	(497,512)	(404,520)
Net annual service fees	1,082,661	1,142,151
Initial fees	831,457	571,902
Total operating revenue	1,914,118	1,714,053
Operating expenses		
Direct costs of financings		
Financial consulting	565,310	450,429
Legal costs through closing	211,425	170,975
Post-closing legal costs	26,711	15,886
Incomplete financings costs	232	662
Multi-state fee expense	19,909	19,959
Other	2,308	1,876
Total direct costs of financings	825,895	659,787
General and administrative expenses		
Salaries and related	594,942	570,591
Office rent and expenses	150,807	137,269
Professional services	129,509	111,816
Legislative relations	43,260	43,051
Public information/business development	27,661	10,783
Council dues and meetings	18,767	16,011
Meetings	18,084	20,819
Depreciation	1,134	1,134
Trust expenses	1,000	1,000
Total general and administrative expenses	985,164	912,474
Total operating expenses	1,811,059	1,572,261
Operating income	103,059	141,792
Non-operating revenue		
Interest and dividend income	38,679	25,162
Net (decrease) increase in fair value of investments	(812)	13,483
Change in net position	140,926	180,437
Net position - beginning of year	6,681,710	6,501,273
Net position - end of year	$ 6,822,636	$ 6,681,710

See notes to financial statements.

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Cash Flows

	For the Years Ended September 30, 2016	2015
Cash flows from operating activities		
Cash receipts from customers	$ 1,887,732	$ 1,704,075
Cash payments to other suppliers of goods or services	(1,117,087)	(1,016,739)
Cash payments to employees for services	(560,327)	(558,310)
Net cash provided by operating activities	210,318	129,026
Cash flows from investing activities		
Proceeds from sales of investments	2,450,000	3,475,000
Purchase of investments	(2,596,539)	(3,599,095)
Interest and dividend income	38,679	25,162
Proceeds (purchases) from investments - indemnification trust	4,939	(382)
Net cash used in investing activities	(102,921)	(99,315)
Net increase in cash	107,397	29,711
Cash - beginning of year	128,072	98,361
Cash - end of year	$ 235,469	$ 128,072
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 103,059	$ 141,792
Adjustments to reconcile change in operating income to net cash provided by operating activities		
Depreciation	1,134	1,134
Changes in assets and liabilities		
Accounts receivable	(26,386)	(9,978)
Prepaid financing expenses	(8,793)	(19,108)
Other current assets	(1,221)	(1,801)
Accounts payable	107,910	4,706
Accrued liabilities	(254)	(2,509)
Net pension liability and pension related deferred inflows and outflows of resources	34,869	14,790
	107,259	(12,766)
Net cash provided by operating activities	$ 210,318	$ 129,026

Supplemental disclosure of non-cash activity:

Net (decrease) increase in fair value of investments for the years ended September 30, 2016 and 2015 was $(812) and $13,483, respectively.

See notes to financial statements.

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Organization

Colorado Health Facilities Authority (the "Authority") is an independent public body and political subdivision created, effective July 1, 1977, by an Act of the General Assembly of the state of Colorado. Although the Authority is not considered a component unit of the state of Colorado, the Authority is considered a related party to the state of Colorado.

The purpose of the Authority is to provide access to tax-exempt capital markets for non-profit public and private health care institutions and senior housing facilities in order to refund or refinance outstanding indebtedness and to finance additional facilities and other capital expenditures.

While the Authority issues tax-exempt revenue bonds and enters into leases on behalf of the borrowing institutions, the Authority is not liable with respect to the bonds or lease payments outstanding. The balances included in the accompanying financial statements represent the financial position of the Authority and do not include balances related to the bonds issued or leases financed.

Component Unit

In 2003, the Authority's Board of Directors (the "Board") approved the creation of the Colorado Health Facilities Authority Trust (the "Trust"). Since the Trust's governing body is the same as the Authority's, the Trust is reported as a blended component unit.

Basis of Accounting

The Authority is accounted for as a single-column business-type activity. The accompanying financial statements have been prepared on the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America.

Cash

For the purpose of the statements of cash flows, cash includes cash and investments with a maturity of three months or less when purchased.

Accounts Receivable

Accounts receivable arise in the normal course of business related to the annual fees charged to borrowers. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance, which is tracked by the Authority on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. As of September 30, 2016 and 2015, no allowance was considered necessary.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value. Interest, dividends, and realized and unrealized gains and losses are included in non-operating income and expenses when incurred. It is the Authority's intention to hold the investment portfolio on a long-term basis, although the underlying investments may have a short-term maturity. Therefore, all investments are reported as non-current assets in the accompanying balance sheets.

Capital Assets

Capital assets are recorded at cost when purchased and are depreciated on a straight-line basis over estimated useful lives of five years.

Assets Limited as to Use

Assets limited as to use represent investments that the Board has designated as reserves to provide for future working capital, operating, and capital expenditure needs of the Authority. These funds may be expended only upon specific action by the Board.

Net Position and Related Reserves

The Authority's net position is classified as follows:

Invested in capital assets - consists of capital assets net of accumulated depreciation.

Indemnification trust - consists of Trust assets.

Unrestricted - consists of the remaining net position that is available for unrestricted use.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Net Position and Related Reserves (continued)

Designated Assets Limited as to Use

The Board maintains a policy on the accumulation and maintenance of reserves whereby it determined that it was necessary to designate all reserves over $100,000 to the maintenance of operations and obligations for the next 40 years, ending at the final maturity date of the bonds it has issued. Pursuant to its statute, the Authority issues bonds with a maximum maturity of 40 years. The Authority has the responsibility of monitoring compliance with certain covenants in the financing documents and the ongoing financial and operating performance of its borrowers in accordance with such documents. The Authority is also involved in the remarketing of bonds, tax audits of bonds, workouts of bonds, and other post-issuance matters affecting its bonds. In the event the Authority is precluded from issuing bonds due to legislative changes or otherwise issues bonds less frequently than in the past and, therefore, experiences a decrease in revenues generated by such bond issues, the Authority needs to maintain sufficient reserves to provide for administrative costs over the next 40 years. These costs cover such items as personnel, office rent, insurance expenses, and legal and other outside consultants' fees, in addition to the Authority's share of PERA's pension shortfall. This designated reserve of $4,723,537 and $4,579,719 at September 30, 2016 and 2015, respectively, is maintained in cash and investments, classified as assets limited as to use in the accompanying balance sheets, and is to be updated annually by the Board.

Indemnification Trust

The Trust assets and interest accrued thereon of $1,997,238 and $1,998,996 as of September 30, 2016 and 2015, respectively, are currently maintained in U.S. Treasury bills and a Federated Treasury Obligation Fund and are classified as the indemnification trust in the accompanying balance sheets.

Revenue and Expenses

The Authority's statements of revenue, expenses, and changes in net position distinguish between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated with arranging financings and includes annual service fees and initial fees. Non-exchange income includes investment income and miscellaneous income and is reported as non-operating. Operating expenses are all expenses incurred to provide financing as well as the administrative expenses of the Authority.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Revenue and Expenses (continued)

The Authority charges two types of fees to the borrowers, an initial fee and an annual service fee. A portion of the initial fee may be collected prior to the issuance of bonds. In the event that bonds are not issued, any fees collected in excess of legal and other expenses incurred related to the issuance are refundable to the potential borrower. Thus, initial fees are recorded as revenue collected in advance and recognized as revenue when the related expenses are incurred, with any excess recognized when the bonds are issued. If legal and other expenses incurred exceed fees collected prior to bond issuance, such expenses are deferred and recorded as expense when the bonds are issued. Annual service fees are payable quarterly in arrears based on the bond anniversary date for issuances of borrowers with bonds outstanding of $100,000,000 or less on a cumulative basis and based on the Authority's fiscal year-end for issuances of borrowers with bonds outstanding of more than $100,000,000 on a cumulative basis. During the years ended September 30, 2016 and 2015, the Authority determined to refund $497,512 and $404,520, respectively, of its annual fees to the borrowers.

Risk Management

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures and purchased insurance. Commercial general liability, medical, property losses, workers' compensation, and public officials' liability are all managed through purchased insurance. In addition, the Board entered into an agreement to create a Trust to pay or reimburse, upon satisfaction of certain requirements, any indemnification claims of past, present, or future directors, officers, and employees of the Authority. The Trust is currently funded in the amount of approximately $2,000,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; disclosures of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Pension Plan

The Authority accounts for its pension plan under Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. These statements revise and establish new financial reporting requirements for most governmental entities that provide their employees with pension benefits. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Division Trust Fund, a cost-sharing multiple-employer defined benefit pension plan (the "Plan"), and additions to/deductions from the Plan's fiduciary net position have been determined on the same bases as they are reported by the Public Employees' Retirement Association of Colorado ("PERA"). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Recently Issued Accounting Pronouncements

During the year ended September 30, 2016, the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurement. Upon adoption, management reviewed the assets and liabilities of the Authority, established the unit of account for the assets and liabilities subject to fair value recognition and disclosure, and determined the fair value hierarchy that each unit of account should be classified under. As a result of the adoption, there were no changes in the measurement of assets or liabilities previously held by the Authority. GASB Statement No. 72 is retroactively applied to both fiscal years presented.

Subsequent Events

The Authority has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance.

Note 2 - Deposits and Investments

Colorado statutes require that the Authority use eligible public depositories for all cash deposits as defined by the Public Deposit Protection Act ("PDPA"). Under the PDPA, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the FDIC.

Eligible collateral, as defined by the PDPA, primarily includes obligations of, or guarantees by, the U.S. government, the state of Colorado, or any political subdivision thereof, and obligations evidenced by notes secured by first-lien mortgages or deeds of trust on real property.

Note 2 - Deposits and Investments (continued)

The Authority's deposits and investments include the following:

	September 30, 2016		
	Deposits	Investments	Total
Cash	$ 235,469	$ -	$ 235,469
Investments	-	579,703	579,703
Assets limited as to use	-	4,723,537	4,723,537
Indemnification trust	-	1,997,238	1,997,238
Total deposits and investments	$ 235,469	$ 7,300,478	$ 7,535,947

	September 30, 2015		
	Deposits	Investments	Total
Cash	$ 128,072	$ -	$ 128,072
Investments	-	580,975	580,975
Assets limited as to use	-	4,579,719	4,579,719
Indemnification trust	-	1,998,996	1,998,996
Total deposits and investments	$ 128,072	$ 7,159,690	$ 7,287,762

The bank balances on deposit were $302,963 and $158,664 at September 30, 2016 and 2015, respectively.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure - an Amendment of GASB Statement No. 3*, establishes and modifies disclosure requirements related to interest risk, custodial credit risk, concentration of credit risk, and foreign currency risk. The Authority's investment portfolio is not exposed to foreign currency risk.

As of September 30, 2016 and 2015, the Authority had the following investments:

	September 30,			
	2016		2015	
Investment Type	Fair Value	Weighted Average Maturity in Years	Fair Value	Weighted Average Maturity in Years
U.S. Treasury obligations	$ 2,394,547	0.66	$ 4,247,446	0.55
Federated Treasury Obligation Fund	2,503	N/A	2,114	N/A
U.S. government agency securities	4,903,428	1.40	2,910,130	0.97
	$ 7,300,478		$ 7,159,690	
Portfolio weighted average maturity		1.16		0.72

Note 2 - Deposits and Investments (continued)

Interest Rate Risk - In accordance with its investment policy, the Authority manages credit risk by investing surplus funds, in accordance with Colorado State statutes, at the maximum interest rates available for maturities coincident with the need for those funds. The Authority manages its exposure to declines in fair values by purchasing investments with different maturities, not to exceed 10 years.

Credit Risk - The Authority adheres to an investment policy of purchasing investments restricted to direct U.S. Treasury obligations, U.S. agency obligations, obligations issued by any state or any of its political subdivisions, repurchase agreements secured by U.S. Treasury or U.S. agency obligations, and qualified certificates of deposit or time deposits that are insured by the FDIC. The Authority's investments in U.S. Treasury obligations were rated A-1+ by Standard & Poor's and P-1 by Moody's. The Authority's investment in the Federated Treasury Obligation Fund was rated A-1+ by Standard & Poor's and P-1 by Moody's. The Authority's U.S. government agency securities were rated A-1+ to AA+ by Standard & Poor's and P-1 to Aa1 by Moody's.

Note 3 - Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. As a basis for considering market participant assumptions in fair value measurements, the Authority utilizes the U.S. GAAP fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The inputs used to measure fair value are classified within the following fair value hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Authority's own assumptions.

Note 3 - Fair Value (continued)

As of September 30, 2016, the Authority held the following investment, by level, within the fair value hierarchy:

Description	Level 1	Level 2	Level 3	Total
U.S Treasury obligations	$ 2,394,547	$ -	$ -	$ 2,394,547
U.S. government agency securities	-	4,903,428	-	4,903,428
Money market fund	2,503	-	-	2,503
Total	$ 2,397,050	$ 4,903,428	$ -	$ 7,300,478

As of September 30, 2015, the the Authority held the following investment, by level, within the fair value hierarchy:

Description	Level 1	Level 2	Level 3	Total
U.S Treasury obligations	$ 4,247,446	$ -	$ -	$ 4,247,446
U.S. government mortgage-backed securities	-	2,910,130	-	2,910,130
Money market fund	2,114	-	-	2,114
Total	$ 4,249,560	$ 2,910,130	$ -	$ 7,159,690

U.S. Treasury bills and the money market fund classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for the securities. U.S. government agency securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing model.

There were no changes to the valuation methodologies used for the years ended September 30, 2016 and 2015.

Note 4 - Capital Assets

Capital assets consist of the following at September 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Furniture and fixtures	$ 139,079	$ -	$ -	$ 139,079
Less accumulated depreciation				
Furniture and fixtures	(136,084)	(1,134)	-	(137,218)
Total capital assets being depreciated	$ 2,995	$ (1,134)	$ -	$ 1,861

Note 4 - Capital Assets (continued)

Capital assets consist of the following at September 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Furniture and fixtures	$ 139,079	$ -	$ -	$ 139,079
Less accumulated depreciation				
Furniture and fixtures	(134,950)	(1,134)	-	(136,084)
Total capital assets being depreciated	$ 4,129	$ (1,134)	$ -	$ 2,995

Note 5 - Budget Policies

The Authority prepares a non-appropriated operating budget annually. This budget is adopted by the Board, which reviews actual results as compared to the budget on a quarterly basis. The budget is prepared on the accrual basis of accounting.

Note 6 - Lease Commitments

The Authority maintains a lease for office space through July 31, 2021. Rental expense of $88,093 and $81,226 was charged to operations for the years ended September 30, 2016 and 2015, respectively. The future minimum rental commitment under the lease agreement is as follows:

For the Years Ending September 30,	
2017	$ 85,229
2018	87,785
2019	90,418
2020	93,140
2021	79,535
	$ 436,107

Note 7 - Pension Plan

Plan Description - The Authority employees are provided with pensions through the Local Government Division Trust Fund, a cost-sharing multiple-employer defined benefit pension plan (the "Plan") administered by PERA. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same bases as they are reported by PERA. Title 24, Article 51, Part 4 of the Colorado Revised Statutes ("CRS") grants the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available financial report that can be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Benefits Provided - The Plan provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. Retirement benefits are based upon a defined or fixed multiplier, age, years of credited services, and Highest Average Salary ("HAS"). For most employees, HAS is one-twelfth of the average of the highest annual salaries that are associated with three periods of twelve consecutive months under PERA-covered employment. The basic retirement benefit equals *2.5% x HAS x Years of Service*. Employees with 25 years of continuous service are eligible to retire at age 50. Employees are eligible for service-related disability benefits with five or more years of service. Disability benefits are divided into a two-tier disability program consisting of a short-term disability program and a disability retirement benefit. At benefit commencement, the member can choose from different payment options, some of which can continue after the retiree's death to a named beneficiary, and for which the benefit amount is appropriately adjusted.

Contributions - Plan members and the Authority are required to contribute to the Plan at a rate set by Colorado statute. The contribution requirements are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8%, and for the Authority it is 10% of covered salary. A portion of the Authority's contribution, 1.02% for the years ended September 30, 2016 and 2015, is allocated for the Health Care Trust Fund. The Authority is also required to pay an amortization equalization disbursement of 2.2% of the total payroll for the calendar years 2016 and 2015 and a supplemental amortization equalization of 1.5% of total payroll for the calendar years 2016 and 2015. The total contribution rate to the pension plan was 12.68% for the calendar years 2016 and 2015. The Authority's employer contributions to PERA for the years ended September 30, 2016 and 2015 were $56,325 and $54,683, respectively, equal to its required contributions for the year.

At September 30, 2016 and 2015 the Authority reported a liability of $780,019 and $638,632, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined as of December 31, 2015 using standard roll-forward techniques on an actuarial valuation as of December 31, 2014. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. At December 31, 2015, the Authority's proportion was 0.0708%, which was a decrease of 0.0004% from its proportion measured as of December 31, 2014.

Note 7 - Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ending September 30, 2016 and 2015, the Authority recognized pension expense of $91,193 and $69,473.

The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources are as follows:

	September 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,852	$ 27
Changes of assumptions	-	14,287
Net difference between projected and actual earnings on pension plan investments	150,161	-
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	3,633	2,076
The Authority contributions subsequent to the measurement date	42,243	-
Total	$ 201,889	$ 16,390

	September 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 128
Net difference between projected and actual earnings on pension plan investments	34,633	-
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	3,463	-
The Authority contributions subsequent to the measurement date	41,013	-
Total	$ 79,109	$ 128

Note 7 - Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date of $42,243 will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. 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 Ending September 30,		
2017	$	34,273
2018		38,231
2019		39,705
2020		31,046
Total	$	143,255

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.80%
Salary increases	3.90% - 10.85%, average, including inflation
Long-term investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years.

The Plan's total pension liability was determined by actuarial valuations as of December 31, 2014, and accepted actuarial procedures were applied to roll forward the pension liability to December 31, 2015. The actuarial assumptions used in the December 31, 2014 valuations were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011.

Note 7 - Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation. The target 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	Long-Term Expected Real Rate of Return
U.S. equity - large-cap	26.76 %	5.00 %
Core fixed income	24.05	0.98 %
Non-U.S. equity - developed	22.06	5.29 %
Real estate	7.00	5.09 %
Private equity	7.00	7.15 %
Non-U.S. equity - emerging	6.24	6.76 %
U.S. equity - small-cap	4.40	5.19 %
High yield	1.53	2.64 %
Long duration government/credit	0.53	1.57 %
Emerging market bonds	0.43	3.04 %
Total	100 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions from the local governments will be made at equal to the fixed statutory rates specified in law, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 7 - Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Authority's proportionate share of the net pension liability	$ 1,195,849	$ 780,019	$ 435,130

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA Plan financial report.

Note 8 - Defeased Bond Issues

A number of the Authority's bond issues have been defeased with the proceeds of the Authority refunding bonds or escrow deposits made by the borrower institutions. In these instances, cash, U.S. government obligations, or other securities permitted by the bond indentures are deposited with a trustee in an irrevocable escrow account to be used solely to retire the bonds being refunded at a future date. This escrow deposit must be sufficient in amount to pay maturing principal, interest, and applicable call premiums on the advance refunded bonds when due. The escrowed assets are pledged solely to the bondholders of the refunded issues. The lien and secured interests of the bond trustee and the Authority created by the bond indenture and loan agreement governing the advance refunded bond issue are defeased or released at the time the escrow deposit is made. As such, defeased bond issues are not considered to be outstanding as of September 30, 2016 and 2015, as applicable, in the schedule of bonds outstanding and the balance disclosed in Note 10.

Note 9 - Defaults

Certain bond issues may be declared to be in default from time to time. While the Authority is not responsible for the repayment of the bonds, it can incur costs to assist in the resolution of the defaults. The Authority has been informed by the bond trustee that the Colorado Senior Residences' Series 2012 bonds have payment and covenant defaults. The bondholders of a majority of the aggregate principal amount of bonds outstanding have agreed to forebear exercising remedies under the bond indenture until June 30, 2018.

Note 10 - Bond Issues (Unaudited)

As of September 30, 2016 and 2015, the Authority issued the bond issues as shown in the schedule of bonds outstanding. The total amount of bonds outstanding at September 30, 2016 and 2015 was $6,869,805,211 and $6,290,359,137, respectively.

SUPPLEMENTARY INFORMATION

COLORADO HEALTH FACILITIES AUTHORITY

Schedule I - Schedule of Bonds Outstanding (Unaudited)

Bond Issue	Amount Outstanding as of September 30, 2016	2015
Adventist Health System/Sunbelt Obligated Group, Series 2010	$ 20,500,000	$ 21,500,000
Adventist Health System/Sunbelt Obligated Group, Series 2014	75,000,000	75,000,000
Adventist Health System/Sunbelt Obligated Group, Series 2016	376,000,000	-
Allosource Project, Series 2010	15,646,000	16,595,000
Allosource Project, Series 2015	9,097,115	9,200,000
American Baptist, Series 2007	33,530,000	34,265,000
American Baptist Homes, Series 2009	26,585,000	26,965,000
American Baptist Homes, Series 2013	48,565,000	48,565,000
American Baptist Homes, Series 2016	6,835,000	-
Arapahoe House, Series 2004A & B	2,830,000	3,135,000
Augustana Elk Run Assisted Living Project, Series 2013	875,000	875,000
Bethesda Living Centers, Series 2014	41,805,592	42,673,139
Bethesda Living Centers, Series 2016	19,721,991	-
Boulder Community Hospital Project, Series 2000	47,620,000	49,440,000
Boulder Community Hospital Project, Series 2010 A & B	75,140,000	80,750,000
Boulder Community Hospital Project, Series 2012	28,360,000	28,920,000
Boulder Community Hospital Project, Series 2014	30,000,000	30,000,000
Brent Eley Center, Series 2012	1,886,889	1,977,560
Catholic Health Initiatives, Series 2004	54,200,000	54,200,000
Catholic Health Initiatives, Series 2006	268,015,000	520,635,000
Catholic Health Initiatives, Series 2008	52,990,000	55,000,000
Catholic Health Initiatives, Series 2008D	194,050,000	206,240,000
Catholic Health Initiatives, Series 2009	518,085,000	536,855,000
Catholic Health Initiatives, Series 2011A & C	465,670,000	481,970,000
Catholic Health Initiatives, Series 2013A	254,765,000	254,765,000
Catholic Health Initiatives, Series 2013B	100,000,000	100,000,000
Catholic Health Initiatives, Series 2015	182,100,000	185,100,000
Children's Hospital Colorado, Series 2013	309,995,000	310,205,000
Children's Hospital Colorado, Series 2016	242,995,000	-
Christian Living Campus, Series 2006	57,620,000	58,800,000
Christian Living Communities - Clermont Park, Series 2011A & B	24,445,000	24,445,000
Christian Living Communities, Series 2012	45,140,000	46,535,000
Colorado Senior Residences - Casey's Pond, Series 2012	44,705,000	44,705,000
Composite Issue, Revenue Bonds, Series 1998A-H	130,000	180,000
Covenant Retirement Communities, Inc., Series 2012A, B, & C	141,360,000	144,475,000
Covenant Retirement Communities, Inc., Series 2013	29,545,000	39,545,000
Covenant Retirement Communities, Inc., Series 2015 A	110,760,000	112,805,000
Covenant Retirement Communities, Inc., Series 2015 B	20,515,000	22,340,000
Craig Hospital, Series 2012	35,665,000	36,330,000
Denver Options dba Rocky Mountain Human Services, Series 2012	9,361,987	9,862,251
Devereux Foundation, Series 2012	4,974,857	5,697,193
Eaton Senior Residences Project, Series 2014	6,775,000	7,034,000
Evangelical Lutheran Good Samaritan Society Project, Series 2005	31,655,000	33,230,000

(Continued on the following page)

COLORADO HEALTH FACILITIES AUTHORITY

Schedule I - Schedule of Bonds Outstanding (Unaudited)

(Continued from the previous page)

Bond Issue	Amount Outstanding as of September 30, 2016	2015
Evangelical Lutheran Good Samaritan Society Project, Series 2006	22,505,000	26,385,000
Evangelical Lutheran Good Samaritan Society Project, Series 2007	23,830,000	23,830,000
Evangelical Lutheran Good Samaritan Society Project, Series 2011	54,255,000	55,750,000
Evangelical Lutheran Good Samaritan Society Project, Series 2012	167,760,000	168,250,000
Evangelical Lutheran Good Samaritan Society Project, Series 2013	63,675,000	63,675,000
Evangelical Lutheran Good Samaritan Society Project, Series 2015	204,145,000	204,290,000
Frasier Meadows Manor Inc. Project, Series 1999	8,380,000	9,835,000
Frasier Meadows Manor Inc. Project, Series 2008	30,000,000	30,000,000
Freedom Service Dogs, Series 2015	2,267,282	2,330,017
Golden West Manor, Series 2005	7,054,374	7,272,584
Golden West Manor, Series 2006	5,950,000	6,095,000
Goodwill Industries of Denver, Series 2013	6,555,000	6,780,000
Kentucky Circle Village, Series 2005	3,702,558	3,791,068
Longmont United Hospital Project, Series 2006	24,115,000	63,160,000
Longmont United Hospital Project, Series 2013	14,120,000	15,680,000
Mental Health Center of Denver, Series 2014	23,310,000	23,570,000
National Jewish Medical and Research Center Project, Series 2005	10,300,000	10,700,000
National Jewish Medical and Research Center Project, Series 2012	21,075,000	22,640,000
North Colorado Medical Center Inc. Project, Series 2003	-	78,910,000
North Colorado Medical Center Inc. Project, Series 2012	46,090,000	49,715,000
North Colorado Medical Center Inc. Project, Series 2013	62,826,794	69,139,530
North Colorado Medical Center Inc. Project, Series 2016	114,580,000	-
Parkview Medical Center, Series 2007	23,090,000	24,175,000
Parkview Medical Center, Series 2012	26,460,000	27,440,000
Parkview Medical Center, Series 2014	9,860,000	10,855,000
Parkview Medical Center, Series 2015	41,925,000	42,415,000
Parkview Medical Center, Series 2016	70,590,000	-
Peak Vista Community Health Centers, Series 2012	7,713,028	8,091,963
Peak Vista Community Health Centers, Series 2013	7,715,517	8,053,903
Plan De Salud del Valle, Series 2010	13,245,000	13,800,000
Poudre Valley Health Care, Inc., Series 2005	215,000,000	215,000,000
Rocky Mountain Youth Clinic, Series 2010	1,124,023	1,165,672
Sisters of Charity of Leavenworth Health System, Series 2003A	-	25,650,000
Sisters of Charity of Leavenworth Health System, Series 2010	515,980,000	530,005,000
Sisters of Charity of Leavenworth Health System, Series 2011	57,515,000	58,620,000
Sisters of Charity of Leavenworth Health System, Series 2013A	300,000,000	300,000,000
Sisters of Charity of Leavenworth Health System, Series 2014	-	81,745,000
Sisters of Charity of Leavenworth Health System, Series 2016	221,970,000	-
Sunnyrest Villa Project, Series 2004	-	1,917,120
Sunny Vista, Series 2010	-	14,625,933
Sunny Vista, Series 2015	44,185,000	-

(Continued on the following page)

COLORADO HEALTH FACILITIES AUTHORITY

Schedule I - Schedule of Bonds Outstanding (Unaudited)

(Continued from the previous page)

Bond Issue	Amount Outstanding as of September 30, 2016	2015
Total Longterm Care, Series 2010	-	26,325,000
Total Longterm Care, Series 2011	-	6,670,000
Vail Valley Medical Center, Series 2012	15,117,204	15,117,204
Vail Valley Medical Center, Series 2015	100,000,000	-
Valley View Hospital, Series 2006	-	1,340,000
Valley View Hospital, Series 2007	45,000,000	45,000,000
Valley View Hospital, Series 2008	51,145,000	51,145,000
Valley View Hospital, Series 2014	18,220,000	19,330,000
Valley View Hospital, Series 2015	45,000,000	-
Volunteers of America Care Facilities Obligated Group Projects, Series 2007	26,335,000	27,020,000
Yampa Valley, Series 2007	30,605,000	32,240,000
	$ 6,869,805,211	$ 6,290,359,137

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Colorado Health Facilities Authority
Denver, Colorado

We have audited, in accordance with the 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, the financial statements of Colorado Health Facilities Authority (the "Authority") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Colorado Health Facilities Authority

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EKS+H LLLP

EKS&H LLLP

December 15, 2016
Denver, Colorado

COLORADO HEALTH FACILITIES AUTHORITY

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Local Government Division Trust Pension Plan

	December 31, 2015	December 31, 2014
Authority's proportion of the net pension liability	0.07081 %	0.07125 %
Authority's proportionate share of the net pension liability	$ 780,019	$ 638,632
Authority's covered-employee payroll	$ 402,141	$ 390,426
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	193.97 %	163.57 %
Plan fiduciary net position as a percentage of the total pension liability	76.87 %	80.72 %

Note: The amounts presented for each fiscal year were determined as of December 31.

COLORADO HEALTH FACILITIES AUTHORITY

Required Supplementary Information
Schedule of the Authority's Contributions
Local Government Division Trust Pension Plan

	September 30, 2016	September 30, 2015
Contractually required contribution	$ 56,325	$ 54,683
Contributions in relation to the contractually required contributions	(56,325)	(54,683)
Contribution deficiency (excess)	$ -	$ -
Authority's covered-employee payroll	$ 416,129	$ 399,145
Contributions as a percentage of covered-employee payroll	13.54 %	13.70 %

Note to Required Supplementary Information

There were no changes to benefit terms, changes in the size or composition of the population covered by benefit terms, or the use of different assumptions, which would affect trends significantly in the amounts reported for the Plan during the years ended September 30, 2016 and 2015.