



September 15, 2016

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Millie Hamner
Chair
Colorado Joint Budget Committee

The Honorable Tim Neville
Chair
Colorado Senate Finance Committee

The Honorable Lois Court
Chair
Colorado House Finance Committee

Barbara Brohl
Executive Director
Colorado Department of Revenue

Dear Sirs and Mesdames:

This letter summarizes the results of our audit of the Taxpayer's Bill of Rights (TABOR) financial report as of June 30, 2016, as certified by the State Controller on September 1, 2016, and revised on September 15, 2016. Please find attached the September 1 and September 15 versions of the following: letters of certification from the State Controller, the *Preliminary Schedule of Computations Required Under Article X, Section 20 of the State Constitution as of June 30, 2016* [Unaudited]; and the *Comparison of Non-Exempt TABOR Revenues for the Fiscal Year Ended June 30, 2016* [Unaudited] (collectively referred to as the TABOR Financial Report). Our audit was conducted under the authority of Section 24-77-106.5, C.R.S., which requires the State Auditor to conduct an audit of the TABOR Financial Report and certification prepared by the State Controller and report the results no later than September 15.

Pursuant to Section 24-77-106.5, C.R.S., for each fiscal year, the State Controller shall prepare the TABOR Financial Report for the purpose of ascertaining the State's compliance with the constitutional provisions of TABOR. Based on the TABOR Financial Report, the State Controller is required to certify to the Governor, the General Assembly, and the Executive Director of the Department of Revenue no later than September 1st subsequent to the end of the previous fiscal year the following:



We Set the Standard for Good Government

- Amount of state revenues in excess of the limitation on state fiscal year spending (known as the TABOR Revenue Limit) imposed by Article X, Section 20(7)(a) of the Colorado Constitution.
- Amount of state revenues in excess of such limitation the State is authorized to retain and spend pursuant to voter approval of Section 24-77-103.6 C.R.S. (Referendum C).

OBJECTIVES. We followed generally accepted government auditing standards when conducting our audit. The objectives of our audit were to determine (1) whether the Office of the State Controller complied with applicable laws, rules, and regulations related to Section 24-77-101 through 107, C.R.S., in preparing the TABOR Financial Report and the certification required by Section 24-77-106.5 C.R.S, and (2) whether the TABOR Financial Report and the certification were prepared in accordance with Section 24-77-101 through 107, C.R.S.

CONCLUSION. Based on the results of our audit, we determined that the TABOR Financial Report as certified by the Office of the State Controller as of September 1, 2016, agreed to the State's underlying accounting records for Fiscal Year 2016, that were contained in the State's accounting system as of August 31, 2016. Except as noted below, we noted no exceptions related to the preparation and certification of the TABOR Financial Report in accordance with applicable laws, rules, and regulations related to Section 24-77-101 through 107, C.R.S.

We identified the following potential issues related to the reliability of amounts contained in the TABOR Financial Reports as certified on September 1 and 15:

- Subsequent to the State Controller's certification of TABOR Revenue dated September 1, 2016, accounting entries have been processed by the Office of the State Controller that affect TABOR revenues and the Adjusted Limit. A portion of these adjustments are reflected in the State Controller's revised TABOR Financial Report as of September 15, 2016. The remaining adjustments, totaling \$9.7 million, have not been reflected in either the September 1 or September 15, 2016, TABOR Financial Report.
- Although Section 24-30-204(3) C.R.S. requires that the official books of the State be closed no later than 35 days after the end of the June 30 fiscal year, or by August 4, the Office of the State Controller did not close the Fiscal Year 2016 books until August 26, 2016, or 22 days after the statutory deadline. As a result of the late close and the required additional timeframe for reports to be available, departments did not have sufficient time to perform

final reviews and reconciliations of Fiscal Year 2016 revenue activity and balances and report any required adjustments to the Office of the State Controller prior to the statutorily-required September 1 certification date. Based on our analysis, we identified 5 departments as of the date of this letter that are still in the process of reviewing their Fiscal Year 2016 revenue activity, which could result in additional adjustments to Fiscal Year 2016 TABOR revenue.

AUDIT REPORT. Our full performance audit report will be presented to the Legislative Audit Committee in December 2016.

Sincerely,

A handwritten signature in black ink, appearing to read "Dianne E. Ray". The signature is fluid and cursive, with the first name "Dianne" being more prominent and the last name "Ray" following in a similar style.

Dianne E. Ray, CPA
State Auditor

Enc.



COLORADO
Office of the State Controller
Department of Personnel
& Administration

1525 Sherman St.
Denver, CO 80203

September 1, 2016

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Bill Cadman
President of the Senate
Colorado General Assembly

The Honorable Dickey Lee Hullinghorst
Speaker of the House
Colorado General Assembly

Barbara Brohl
Executive Director
Colorado Department of Revenue

Dear Ladies and Gentlemen:

Pursuant to Section 24-77-106.5(1)(b) C.R.S., I hereby certify that for Fiscal Year 2015-16, the unaudited State revenues subject to Article X, Section 20 (TABOR) of the State Constitution as of August 31, 2016 are \$12,904,019,740. Revenues are less than the Excess State Revenues Cap (ESRC) by \$26,683,161, and no refund of State revenues is required in Fiscal Year 2016-17 related to Fiscal Year 2015-16 revenues subject to TABOR. Please see the attached Preliminary Schedule of Computations Required Under Article X, Section 20.

Additionally, the Comparison of Nonexempt TABOR Revenues is attached, comparing general and program nonexempt TABOR revenues for Fiscal Year 2015-16 to Fiscal Year 2014-15. Total revenues not exempt from TABOR were more than the previous fiscal year by 3.0 percent. The \$12,904,019,740 nonexempt revenue is adjusted by:

- A decrease of \$16,914,050 for the requalification of Adams State University as a TABOR Enterprise in Fiscal Year 2015-16, and
- An increase of \$43,492,579 of newly qualified revenues recorded by Fort Lewis College and Western State Colorado University, when they disqualified as TABOR Enterprises in Fiscal Year 2015-16.

The growth rate of the nonexempt TABOR revenues is 3.0% for Fiscal Year 2015-16, which is less than the allowable TABOR growth rate of 4.4% for this fiscal year. As a result, the Amount (Over) Under the Adjusted ESRC limit decreased from \$169,740,274 over the limit in Fiscal Year 2014-15 to \$26,683,161 under the limit in Fiscal Year 2015-16.



The nonexempt TABOR revenues Fiscal Year Spending (FYS) limit, which, prior to Referendum C, was the trigger used for refunding to the taxpayers, is required to be reported. For Fiscal Year 2015-16, the State revenues subject to TABOR are over the FYS limit by \$2,462,302,868.

The amounts reported in the attached schedules are based on unaudited account balances, and therefore are subject to change. The State Auditor is required by statute to report on the audit of these amounts by September 15, 2016.

If there are questions concerning the information provided please feel free to contact me.

Sincerely yours,



Lynne Winchell, MBA
Colorado Deputy State Controller

cc: June Taylor, Personnel & Administration
Henry Sobanet, OSPB



**STATE OF COLORADO
PRELIMINARY SCHEDULE OF COMPUTATIONS REQUIRED
UNDER ARTICLE X, SECTION 20 -- UNAUDITED
AS OF JUNE 30, 2016**

Certification Date: September 1, 2016

	FISCAL YEAR 2014-15	FISCAL YEAR 2015-16
COMPUTATION OF NONEXEMPT REVENUES		
Total State Expenditures	\$ 40,414,297,024	\$ 42,566,878,019
Less: Exempt Activity	28,176,543,655	29,471,766,759
Nonexempt District Expenditures	12,237,753,369	13,095,111,260
District Reserve/Fund Balance Increase (Decrease)	293,018,847	(191,091,520)
Total Nonexempt District Revenues	\$ 12,530,772,216	\$ 12,904,019,740
COMPUTATION OF DISTRICT FUND BALANCE CHANGES		
Beginning District Fund Balance	\$ 6,844,181,851	\$ 6,789,791,186
Qualifications, Disqualifications and Other Adjustments	(54,390,665)	(99,811,541)
Ending District Fund Balance	\$ 6,789,791,186	\$ 6,689,979,645

	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
COMPUTATION OF SPENDING LIMITATIONS		
Fiscal Year 2014-15 Limit	\$ 9,976,945,707	\$ 12,361,031,942
Qualification of Enterprises	(16,914,050)	(16,914,050)
Other Adjustments	(46,702)	(46,702)
Fiscal Year 2014-15 Adjusted Limit	\$ 9,959,984,955	\$ 12,344,071,190
Allowable TABOR Growth Rate	4.4%	4.4%
Fiscal Year 2015-16 Unadjusted Limit	\$ 10,398,224,293	\$ 12,887,210,322
Disqualification of Enterprises	43,492,579	43,492,579
Fiscal Year 2015-16 Adjusted Limit	\$ 10,441,716,872	\$ 12,930,702,901
Less: Fiscal Year 2015-16 Nonexempt District Revenues	(12,904,019,740)	(12,904,019,740)
Amount (Over)Under Fiscal Year 2015-16 Adjusted Limit	\$ (2,462,302,868)	\$ 26,683,161
Under(Over) Statement of Prior Years' Refunds Carried Forward to Next Refund Year		\$ 45,257,634
FY 2015-16 Retention of Revenues in Excess of the Limit (not refundable) C.R.S. 24-77-103.6(1)(b)		\$ 2,462,302,868

STATE OF COLORADO
OFFICE OF THE STATE CONTROLLER
COMPARISON OF NONEXEMPT TABOR REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Fiscal Year 2015-16	Fiscal Year 2014-15	Increase (Decrease)	Percent Change
GENERAL REVENUES				
Individual Income Tax, Net	\$ 6,009,321,330	\$ 5,829,650,793	\$ 179,670,537	3.1%
Sales and Use Tax, Net	2,826,501,589	2,837,452,888	(10,951,299)	-0.4%
Corporate Income Tax, Net	606,441,176	635,114,790	(28,673,614)	-4.5%
Insurance Taxes	277,452,466	256,662,582	20,789,884	8.1%
Tobacco Products Tax, Net	58,310,466	55,681,549	2,628,917	4.7%
Alcoholic Beverages Tax, Net	43,563,728	41,479,003	2,084,725	5.0%
Fiduciary Income Tax, Net	40,481,628	58,384,780	(17,903,152)	-30.7%
Interest and Investment Income	12,247,469	7,713,221	4,534,248	58.8%
Court and Other Fines	9,635,176	6,466,697	3,168,479	49.0%
Business Licenses and Permits	7,794,948	5,198,179	2,596,769	50.0%
Miscellaneous Revenue	1,424,718	2,084,932	(660,214)	-31.7%
Gaming and Other Taxes	573,330	669,155	(95,825)	-14.3%
General Government Service Fees	436,561	304,363	132,198	43.4%
Other General Revenue	40,001	60,314	(20,313)	-33.7%
Severance Tax, Net	-	16,226,732	(16,226,732)	-100.0%
TOTAL GENERAL REVENUES	9,894,224,586	9,753,149,978	141,074,608	1.4%
PROGRAM REVENUE				
Health Service Fees	877,781,268	597,926,458	279,854,810	46.8%
Fuel and Transportation Taxes, Net	611,582,083	601,514,776	10,067,307	1.7%
Motor Vehicle Registrations	255,992,618	250,417,149	5,575,469	2.2%
Miscellaneous Revenue	178,558,174	45,383,023	133,175,151	293.4%
Court and Other Fines	174,498,360	166,890,612	7,607,748	4.6%
Business Licenses and Permits	166,926,712	155,808,015	11,118,697	7.1%
Other Charges For Services	147,684,875	147,995,864	(310,989)	-0.2%
Gaming and Other Taxes	101,887,325	98,862,345	3,024,980	3.1%
General Government Service Fees	56,327,494	60,122,937	(3,795,443)	-6.3%
Rents and Royalties	53,779,416	48,129,695	5,649,721	11.7%
Public Safety Service Fees	46,672,427	35,361,469	11,310,958	32.0%
Interest and Investment Income	45,274,379	48,905,973	(3,631,594)	-7.4%
Sales and Use Tax, Net	45,222,821	50,740,590	(5,517,769)	-10.9%
Educational Fees	44,812,190	45,758,464	(946,274)	-2.1%
Local Governments and Authorities	43,177,160	29,730,406	13,446,754	45.2%
Driver's Licenses	38,235,424	33,773,790	4,461,634	13.2%
Nonbusiness Licenses and Permits	34,903,177	34,660,937	242,240	0.7%
Employment Taxes	30,767,812	29,380,594	1,387,218	4.7%
Certifications and Inspections	20,141,368	19,821,410	319,958	1.6%
Insurance Taxes	12,725,255	18,162,254	(5,436,999)	-29.9%
Severance Taxes	11,772,706	272,991,579	(261,218,873)	-95.7%
Higher Education Auxiliary Sales and Services	6,066,215	6,867,366	(801,151)	-11.7%
Other Program Revenue	5,005,895	4,995,061	10,834	0.2%
TOTAL PROGRAM REVENUES	3,009,795,154	2,804,200,767	205,594,387	7.3%
Requalification of Adams State University as a TABOR Enterprise	-	16,914,050	(16,914,050)	
Disqualification of Fort Lewis College and Western State Colorado University as TABOR Enterprises		(43,492,579)	43,492,579	
TOTAL CASH-FUNDED REVENUE	3,009,795,154	2,777,622,238	232,172,916	8.4%
TOTAL NONEXEMPT REVENUE	\$ 12,904,019,740	\$ 12,530,772,216	\$ 373,247,524	3.0%



COLORADO

Office of the State Controller

Department of Personnel
& Administration

1525 Sherman St.
Denver, CO 80203

September 15, 2016

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Bill Cadman
President of the Senate
Colorado General Assembly

The Honorable Dickey Lee Hullinghorst
Speaker of the House
Colorado General Assembly

Barbara Brohl
Executive Director
Colorado Department of Revenue

Dear Ladies and Gentlemen:

This letter revises the previous TABOR revenue certification letter dated September 1, 2016. Since September 1, the Department of Public Safety identified \$23,209,446 of TABOR exempt revenue in Fiscal Year 2015-16, and \$28,571,834 of TABOR exempt revenue from Fiscal Years 2013-15 that had previously been recorded as nonexempt in those respective fiscal years. Other prior year adjustments included an increase in nonexempt revenue of \$346,219 from the Department of Natural Resources and an increase of \$12,232 in the base adjustment for prior year revenues from disqualified enterprises. The net result of these changes were to reduce total nonexempt revenue and the TABOR refund liability, and to increase the amount of TABOR revenue under the Excess State Revenues Cap, from the amounts certified previously.

Therefore, pursuant to Section 24-77-106.5(1)(b) C.R.S., I hereby re-certify that for Fiscal Year 2015-16, the unaudited State revenues subject to Article X, Section 20 (TABOR) of the State Constitution as of August 31, 2016 are \$12,880,810,294. Revenues are less than the Excess State Revenues Cap (ESRC) by \$49,905,378, and no refund of State revenues is required in Fiscal Year 2016-17 related to Fiscal Year 2015-16 revenues subject to TABOR. Please see the attached Preliminary Schedule of Computations Required Under Article X, Section 20.

Additionally, the Comparison of Nonexempt TABOR Revenues is attached, comparing general and program nonexempt TABOR revenues for Fiscal Year 2015-16 to Fiscal Year 2014-15. Total revenues not exempt from TABOR were more than the previous fiscal year by 2.8 percent. Fiscal Year 2014-15 nonexempt revenue is adjusted by:

- A decrease of \$16,914,050 for the requalification of Adams State University as a TABOR Enterprise in Fiscal Year 2015-16,



- An increase of \$43,492,579 of newly qualified revenues recorded by Fort Lewis College and Western State Colorado University, when they disqualified as TABOR Enterprises in Fiscal Year 2015-16, and
- A decrease of \$28,225,615 for revenue originally recognized as nonexempt from TABOR that should have been recognized as exempt, primarily due to reclassification of revenues at the Department of Public Safety.

The growth rate of the nonexempt TABOR revenues is 2.8% for Fiscal Year 2015-16, which is less than the allowable TABOR growth rate of 4.4% for this fiscal year. As a result, the Amount (Over) Under the Adjusted ESRC limit decreased from \$169,740,274 over the limit in Fiscal Year 2014-15 to \$49,905,378 under the limit in Fiscal Year 2015-16.

The nonexempt TABOR revenues Fiscal Year Spending (FYS) limit, which, prior to Referendum C, was the trigger used for refunding to the taxpayers, is required to be reported. For Fiscal Year 2015-16, the State revenues subject to TABOR are over the FYS limit by \$2,470,448,133.

The remaining amount of Fiscal Year 2014-15 revenue in excess of the limit to be refunded is \$31,165,536.

The amounts reported in the attached schedules are based on unaudited account balances, and therefore are subject to change. The State Auditor is required by statute to report on the audit of these amounts by September 15, 2016.

If there are questions concerning the information provided please feel free to contact me.

Sincerely yours,



Robert Jaros, CPA, MBA, JD
Colorado State Controller

cc: June Taylor, Personnel & Administration
Henry Sobanet, OSPB



**STATE OF COLORADO
PRELIMINARY SCHEDULE OF COMPUTATIONS REQUIRED
UNDER ARTICLE X, SECTION 20 -- UNAUDITED
AS OF JUNE 30, 2016**

Certification Date: September 14, 2016

	FISCAL YEAR 2014-15	FISCAL YEAR 2015-16
COMPUTATION OF NONEXEMPT REVENUES		
Total State Expenditures	\$ 40,414,297,024	\$ 42,566,878,019
Less: Exempt Activity	28,176,543,655	29,494,976,205
Nonexempt District Expenditures	12,237,753,369	13,071,901,814
District Reserve/Fund Balance Increase (Decrease)	293,018,847	(191,091,520)
Total Nonexempt District Revenues	\$ 12,530,772,216	\$ 12,880,810,294
COMPUTATION OF DISTRICT FUND BALANCE CHANGES		
Beginning District Fund Balance	\$ 6,844,181,851	\$ 6,789,791,186
Qualifications, Disqualifications and Other Adjustments	(54,390,665)	(99,811,541)
Ending District Fund Balance	\$ 6,789,791,186	\$ 6,689,979,645

	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
COMPUTATION OF SPENDING LIMITATIONS		
Fiscal Year 2014-15 Limit	\$ 9,976,945,707	\$ 12,361,031,942
Qualification of Enterprises	(16,914,050)	(16,914,050)
Other Adjustments	(30,079,950)	(34,470)
Fiscal Year 2014-15 Adjusted Limit	\$ 9,929,951,707	\$ 12,344,083,422
Allowable TABOR Growth Rate	4.4%	4.4%
Fiscal Year 2015-16 Unadjusted Limit	\$ 10,366,869,582	\$ 12,887,223,093
Disqualification of Enterprises	43,492,579	43,492,579
Fiscal Year 2015-16 Adjusted Limit	\$ 10,410,362,161	\$ 12,930,715,672
Less: Fiscal Year 2015-16 Nonexempt District Revenues	(12,880,810,294)	(12,880,810,294)
Amount (Over)Under Fiscal Year 2015-16 Adjusted Limit	\$ (2,470,448,133)	\$ 49,905,378
Under(Over) Statement of Prior Years' Refunds Carried Forward to Next Refund Year		\$ 31,165,536
FY 2015-16 Retention of Revenues in Excess of the Limit (not refundable) C.R.S. 24-77-103.6(1)(b)		\$ 2,470,448,133

STATE OF COLORADO
OFFICE OF THE STATE CONTROLLER
COMPARISON OF NONEXEMPT TABOR REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Fiscal Year 2015-16	Fiscal Year 2014-15	Increase (Decrease)	Percent Change
GENERAL REVENUES				
Individual Income Tax, Net	\$ 6,009,321,330	\$ 5,829,650,793	\$ 179,670,537	3.1%
Sales and Use Tax, Net	2,826,501,589	2,837,452,888	(10,951,299)	-0.4%
Corporate Income Tax, Net	606,441,176	635,114,790	(28,673,614)	-4.5%
Insurance Taxes	277,452,466	256,662,582	20,789,884	8.1%
Tobacco Products Tax, Net	58,310,466	55,681,549	2,628,917	4.7%
Alcoholic Beverages Tax, Net	43,563,728	41,479,003	2,084,725	5.0%
Fiduciary Income Tax, Net	40,481,628	58,384,780	(17,903,152)	-30.7%
Interest and Investment Income	12,247,469	7,713,221	4,534,248	58.8%
Court and Other Fines	9,635,176	6,466,697	3,168,479	49.0%
Business Licenses and Permits	7,794,948	5,198,179	2,596,769	50.0%
Miscellaneous Revenue	1,424,718	2,084,932	(660,214)	-31.7%
Gaming and Other Taxes	573,330	669,155	(95,825)	-14.3%
General Government Service Fees	436,561	304,363	132,198	43.4%
Other General Revenue	40,001	60,314	(20,313)	-33.7%
Severance Tax, Net	-	16,226,732	(16,226,732)	-100.0%
TOTAL GENERAL REVENUES	9,894,224,586	9,753,149,978	141,074,608	1.4%
PROGRAM REVENUE				
Health Service Fees	877,781,268	597,926,458	279,854,810	46.8%
Fuel and Transportation Taxes, Net	611,582,083	601,514,776	10,067,307	1.7%
Motor Vehicle Registrations	255,992,618	250,417,149	5,575,469	2.2%
Miscellaneous Revenue	178,558,174	45,729,242	132,828,932	290.5%
Court and Other Fines	174,498,360	166,890,612	7,607,748	4.6%
Business Licenses and Permits	166,926,712	155,808,015	11,118,697	7.1%
Other Charges For Services	147,684,875	147,995,864	(310,989)	-0.2%
Gaming and Other Taxes	101,887,325	98,862,345	3,024,980	3.1%
General Government Service Fees	56,327,494	60,122,937	(3,795,443)	-6.3%
Rents and Royalties	53,779,416	48,129,695	5,649,721	11.7%
Public Safety Service Fees	23,462,981	6,789,635	16,673,346	245.6%
Interest and Investment Income	45,274,379	48,905,973	(3,631,594)	-7.4%
Sales and Use Tax, Net	45,222,821	50,740,590	(5,517,769)	-10.9%
Educational Fees	44,812,190	45,758,464	(946,274)	-2.1%
Local Governments and Authorities	43,177,160	29,730,406	13,446,754	45.2%
Driver's Licenses	38,235,424	33,773,790	4,461,634	13.2%
Nonbusiness Licenses and Permits	34,903,177	34,660,937	242,240	0.7%
Employment Taxes	30,767,812	29,380,594	1,387,218	4.7%
Certifications and Inspections	20,141,368	19,821,410	319,958	1.6%
Insurance Taxes	12,725,255	18,162,254	(5,436,999)	-29.9%
Severance Taxes	11,772,706	272,991,579	(261,218,873)	-95.7%
Higher Education Auxiliary Sales and Services	6,066,215	6,867,366	(801,151)	-11.7%
Other Program Revenue	5,005,895	4,995,061	10,834	0.2%
TOTAL PROGRAM REVENUES	2,986,585,708	2,775,975,152	210,610,556	7.6%
Requalification of Adams State University as a TABOR Enterprise		16,914,050	(16,914,050)	
Disqualification of Fort Lewis College and Western State Colorado University as TABOR Enterprises		(43,492,579)	43,492,579	
Prior Year Errors		28,225,615	(28,225,615)	
TOTAL CASH-FUNDED REVENUE	2,986,585,708	2,777,622,238	208,963,470	7.5%
TOTAL NONEXEMPT REVENUE	\$ 12,880,810,294	\$ 12,530,772,216	\$ 350,038,078	2.8%