

**AURARIA HIGHER EDUCATION CENTER**

Financial and Compliance Audit  
Fiscal Years ended June 30, 2020 and 2019  
(With Independent Auditors' Reports Thereon)

# LEGISLATIVE AUDIT COMMITTEE

Representative Lori Saine – Chair

Representative Rod Bockenfeld

Senator Rhonda Fields

Representative Tracy Kraft-Tharp

Representative Dafna Michaelson Jenet – Vice-Chair

Senator Paul Lundeen

Senator Robert Rodriguez

Senator Jim Smallwood

# OFFICE OF THE STATE AUDITOR

Dianne E. Ray

Kerri Hunter

Maya Rosochacova

Crowe LLP

State Auditor

Deputy State Auditor

Contract Monitor

Contractor

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT

**[WWW.COLORADO.GOV/AUDITOR](http://WWW.COLORADO.GOV/AUDITOR)**

A BOUND REPORT MAY BE OBTAINED BY CALLING THE

OFFICE OF THE STATE AUDITOR

**303.869.2800**

PLEASE REFER TO REPORT NUMBER 2007F WHEN REQUESTING THIS REPORT

AURARIA HIGHER EDUCATION CENTER  
Financial and Compliance Audit  
Fiscal Years ended June 30, 2020 and 2019  
(With Independent Auditors' Reports Thereon)

**CONTENTS**

REPORT SUMMARY .....	1
FINANCIAL AND COMPLIANCE AUDIT REPORT SECTION	
DESCRIPTION OF THE AURARIA HIGHER EDUCATION CENTER .....	2
INDEPENDENT AUDITOR'S REPORT .....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) .....	5
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION .....	14
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION .....	15
STATEMENTS OF CASH FLOWS.....	16
NOTES TO FINANCIAL STATEMENTS .....	18
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited) .....	66
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	71
REQUIRED COMMUNICATIONS TO LEGISLATIVE AUDIT COMMITTEE.....	73

**AURARIA HIGHER EDUCATION CENTER**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**REPORT SUMMARY**  
Year ended June 30, 2020

---

**Purpose and Scope**

The Office of the State Auditor engaged Crowe LLP (Crowe) to conduct a financial and compliance audit of the Auraria Higher Education Center (the Center) for the years ended June 30, 2020 and 2019. Crowe performed this 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. We conducted the related fieldwork from June 2020 to November 2020.

The purpose and scope of our audit was to:

- Express an opinion on the financial statements of the Center as of and for the years ended June 30, 2020 and 2019. This includes a consideration of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Evaluate the Center's compliance and report on internal control over financial reporting based on our audit of the basic financial statements performed in accordance with *Government Auditing Standards*.

**Audit Opinions and Reports**

We expressed an unmodified opinion on the Center's financial statements as of and for the years ended June 30, 2020 and 2019.

We issued a report on the Center's 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*. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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.

We identified no instances involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Summary of Key Findings**

There were no reported findings and recommendations resulting from the audit for the Fiscal Year 2020.

**Summary of Prior Year Findings**

There were no prior year findings and recommendations that remain outstanding as of the Fiscal Year 2020 audit.

---

**AURARIA HIGHER EDUCATION CENTER**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**DESCRIPTION OF THE AURARIA HIGHER EDUCATION CENTER**  
Year ended June 30, 2020

---

**Organization**

The Board of Directors of the Auraria Higher Education Center (Center) is a corporate body created by the State of Colorado. The authority under which the Center operates is Article 70 of Title 23, C.R.S. Its mission is to plan, manage, and operate the physical plant, facilities, buildings, and grounds of the Auraria Campus. The Auraria Campus houses Metropolitan State University of Denver (MSU Denver), the University of Colorado Denver (CU Denver), and the Community College of Denver (CCD) (the constituent institutions). The Center operates shared facilities on the Auraria Campus that, in addition to classrooms and offices, include the Auraria Book Center; the Tivoli Student Union; the Health, Physical Education, and Recreation Facility; the Auraria Early Learning Center; and various parking facilities. The Center provides a number of shared student and administrative services to the constituent institutions.

The Center's Board of Directors consists of nine voting members and two nonvoting members. Three of the voting members are appointed by the Governor of the State of Colorado. In addition, the governing boards of each of the three constituent institutions appoint a voting member, and the president or chief executive officer of each of the constituent institutions also serves as a voting member. The nonvoting members are appointed by the students and faculties of the constituent institutions.

## INDEPENDENT AUDITORS' REPORT

Members of the  
Legislative Audit Committee  
and Auraria Higher Education Center  
Board of Directors  
Denver, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Auraria Higher Education Center (the Center), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Center'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 audit 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 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 Center'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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Auraria Higher Education Center as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1, the financial statements of the Center are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Center. As a result, they do not purport to, and do not, present fairly the financial position of the State as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 to 13 and schedules of proportionate share of net pension and OPEB liabilities and employer contributions on pages 66 to 70 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of the Center'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 the effectiveness of the Center's 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 Center's internal control over financial reporting and compliance.

*Crowe LLP*

Crowe LLP

Denver, Colorado  
December 7, 2020

**AURARIA HIGHER EDUCATION CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020 and 2019

---

This section of the Auraria Higher Education Center's (the Center) financial statements presents discussion and analysis, prepared by the Center's management, of the Center's financial performance during the Fiscal Years ended June 30, 2020 and June 30, 2019 with comparable information for 2018. The purpose of this section is to provide an objective and easily readable analysis of the Center's financial position and results of operations based on currently known facts, decisions, and opinions. It should be read in conjunction with the financial statements and the related notes.

**Understanding the Comparative Financial Report**

Effective June 30, 2018, the Center adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Center changed its accounting policies with the implementation of this new accounting standard. Changes in accounting policies for other postemployment benefits (OPEB) are designed to improve transparency regarding OPEB obligations by requiring recognition of a liability equal to the net OPEB liability for the Center's defined benefit plans. This standard requires recognition of OPEB expense using a systematic method, designed to match the cost of OPEB benefits with service periods for eligible employees. These accounting policy changes do not impact the Center's funding requirements for the OPEB plan.

Effective June 30, 2020 and retroactively applied to June 30, 2019, the Center adopted GASB Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The Center changed its accounting policies with the implementation of this new accounting standard. Over three years ago, the Center and the constituent institutions formed a workgroup with the goal of making year end reporting to the state more efficient. The group agreed to make changes in reporting methods beginning July 1, 2019. These changes were supported by the requirements of GASB 84, which was later delayed by one year due to COVID-19. The Center had already made the changes that would ultimately be required by GASB 84. Therefore, the Center proceeded with the implementation of GASB 84 in the current fiscal year. Previously, certain activities of the Center had been reported in the liability section of the financial statements. As a result of implementing GASB 84, these activities are now reported as revenues and expenses in the financial statements. This change resulted in a cumulative effect increasing net position by \$2,481,220.

This report contains three financial statements: the statements of net position; the statements of revenue, expenses, and changes in net position; and the statements of cash flows. The statements report on all of the Center's activities including services provided to the Community College of Denver, Metropolitan State University of Denver, and the University of Colorado Denver (the constituent institutions), parking operations, and student fee operations. This management's discussion and analysis focuses on the financial activities of the Center.

The statements of net position and the statements of revenue, expenses, and changes in net position report the Center's net position and how they have changed using the accrual basis of accounting. This means that all revenue and expenses are reported in the year in which they are earned or incurred and not when the cash is received or paid.



**AURARIA HIGHER EDUCATION CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020 and 2019

---

**Statements of Net Position**

The Center's net position, the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are ways to measure the Center's financial health (or financial position). Over time, increases or decreases in the Center's net position are one indicator of whether its financial health is improving or deteriorating. Nonfinancial factors are also important to consider, including student enrollment at the constituent institutions and the condition of campus buildings.

As of June 30, 2020 and 2019, total assets and deferred outflows of resources of the Center exceeded total liabilities and deferred inflows of resources by \$112.6 million and \$88.2 million, respectively. Net investment in capital assets represents the Center's investment in capital assets, net of accumulated depreciation and outstanding debt related to acquisition, construction, or improvement of those assets. This category increased by \$9.9 million in Fiscal Year 2020 as compared to a \$4.8 million decrease in Fiscal Year 2019. Since these are capital assets that provide the facilities and infrastructure necessary for the three constituent institutions to provide educational services, these assets are not available for future spending.

The Center's net position of \$112.6 million at June 30, 2020 was significantly impacted by PERA net pension and OPEB liabilities and their related deferred outflows and inflows, as shown below (in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net position (GAAP) basis	\$ 112,590	\$ 88,248	\$ 84,947
Add: GASB 68 - Net Pension impact <sup>1</sup>	66,919	80,973	88,274
Add: GASB 75 - Net OPEB impact <sup>2</sup>	<u>2,412</u>	<u>2,471</u>	<u>2,443</u>
<b>Net position (excluding pension and OPEB)</b>	<b><u>\$ 181,921</u></b>	<b><u>\$ 171,692</u></b>	<b><u>\$ 175,664</u></b>
Net pension liability	\$ 49,888	\$ 59,158	\$ 104,642
Deferred inflows - pension obligations	20,425	31,220	5,062
Deferred outflows - pension obligations	<u>(3,394)</u>	<u>(9,405)</u>	<u>(21,430)</u>
GASB 68 - Net pension impact <sup>1</sup>	<u>\$ 66,919</u>	<u>\$ 80,973</u>	<u>\$ 88,274</u>
Net OPEB liability	\$ 2,032	\$ 2,537	\$ 2,454
Deferred inflows - OPEB obligations	484	61	79
Deferred outflows - OPEB obligations	<u>(104)</u>	<u>(127)</u>	<u>(90)</u>
GASB 75 - Net OPEB impact <sup>2</sup>	<u>\$ 2,412</u>	<u>\$ 2,471</u>	<u>\$ • 2,443</u>

The Center's total net position increased by \$24.3 million in Fiscal Year 2020 as compared to a \$3.3 million increase in Fiscal Year 2019. In Fiscal Year 2020, \$14.1 million of the increase was attributable to a reduction in PERA pension and OPEB expenses. The remaining \$10.2 million increase in net position resulted from the current year impact from Center operations.

Restricted expendable net position represents resources that are subject to externally imposed stipulations regarding their use. Restricted net position totaled \$7.8 million as of June 30, 2020 compared to \$7.9 million as of June 30, 2019, which represents 7.0% of net position in 2020 and 8.98% of net position in 2019.

---

**AURARIA HIGHER EDUCATION CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020 and 2019

Unrestricted net position is not subject to externally imposed stipulations although these resources may be designated for specific purposes by the Center's management or board of directors. Unrestricted net position totaled \$(46.4) million as of June 30, 2020 compared to \$(60.8) million as of June 30, 2019. The Center's unrestricted net position at June 30, 2020 was significantly impacted by PERA net pension and OPEB liabilities and their related deferred outflows and inflows, as shown below (in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Unrestricted net position	\$ (46,380)	\$ (60,838)	\$ (71,023)
Add: GASB 68 - Net pension impact	66,919	80,973	88,274
Add: GASB 75 - Net OPEB impact	<u>2,412</u>	<u>2,471</u>	<u>2,443</u>
Unrestricted net position (excluding pension and OPEB)	<u>\$ 22,951</u>	<u>\$ 22,606</u>	<u>\$ 19,694</u>

Total assets and deferred outflows of resources decreased \$.22 million primarily due to an increase in net capital assets of \$3.7 million and a \$6.0 million decrease in deferred outflows related to pension obligations. Total liabilities and deferred inflows decreased by \$24.5 million primarily due to the significant decrease in pension obligations and deferred inflow on pension obligations.

**Condensed Statements of Net Position**

	<u>2020</u>	<u>June 30 2019</u>	<u>2018</u>
		(In thousands)	
<b>Assets:</b>			
Current assets	\$ 31,240	\$ 28,005	\$ 29,338
Capital assets, net	222,449	218,725	229,482
Other noncurrent assets	<u>21,284</u>	<u>22,206</u>	<u>23,159</u>
Total assets	274,973	268,936	281,979
Deferred outflows of resources	<u>4,854</u>	<u>11,109</u>	<u>23,319</u>
Total assets and deferred outflows of resources	<u>\$ 279,827</u>	<u>\$ 280,045</u>	<u>\$ 305,298</u>
<b>Liabilities:</b>			
Current liabilities	\$ 15,674	\$ 14,992	\$ 19,240
Noncurrent liabilities	<u>130,653</u>	<u>145,524</u>	<u>198,451</u>
Total liabilities	146,327	160,516	217,691
Deferred inflows of resources	<u>20,910</u>	<u>31,281</u>	<u>5,141</u>
Total liabilities and deferred inflows of resources	<u>\$ 167,237</u>	<u>\$ 191,797</u>	<u>\$ 222,832</u>
<b>Net position:</b>			
Net investment in capital assets	\$ 151,123	\$ 141,165	\$ 145,954
Restricted for expendable purposes	7,846	7,921	7,535
Unrestricted	<u>(46,379)</u>	<u>(60,838)</u>	<u>(71,023)</u>
Total net position	<u>\$ 112,590</u>	<u>\$ 88,248</u>	<u>\$ 82,466</u>

**AURARIA HIGHER EDUCATION CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020 and 2019

---

**Statements of Revenue, Expenses, and Changes in Net Position**

The statements of revenue, expenses, and changes in net position report operating and non-operating revenue and expenses during the year and the resulting increase or decrease in net position at the end of the year.

For Fiscal Year 2020, the operating and non-operating activities of the Center resulted in an increase in net position of \$24.3 million as compared to an increase of \$3.3 million for Fiscal Year 2019. For Fiscal Year 2020, operating revenue totaled \$73.2 million while operating expenses totaled \$60.5 million, resulting in an operating profit of \$12.7 million. For Fiscal Year 2019, operating revenue totaled \$71.1 million while operating expenses totaled \$66.1 million, resulting in an operating profit of \$5.0 million.

Support from the three constituent institutions increased approximately \$0.7 million from 2019 to 2020 while revenue from auxiliary enterprises increased \$2.0 million from 2019 to 2020, primarily as a result of an increase in project management revenues. In 2020, approximately \$1.5 million of auxiliary revenue and auxiliary reserves were used to support general operating costs. For 2020 and 2019, the State of Colorado (State) provided \$13.1 million and \$0.5 million, respectively, in capital contributions primarily for the steam to natural gas conversion, the north classroom roof, and the fire alarm project.

**AURARIA HIGHER EDUCATION CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020 and 2019

**Condensed Statements of Revenue, Expenses, and Changes in Net Position**

	<u>Year ended June 30</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
	(In thousands)		
Operating revenue:			
Auxiliary enterprises	\$ 34,225	\$ 32,196	\$ 34,167
Revenue from constituent institutions	25,610	24,882	23,909
Student fees	13,317	13,495	5,515
Other operating revenue	<u>56</u>	<u>555</u>	<u>597</u>
Total operating revenue	<u>73,208</u>	<u>71,128</u>	<u>64,188</u>
Operating expenses:			
Auxiliary enterprises	35,170	34,614	32,885
Operation and maintenance of plant	6,908	13,371	33,939
Institutional support	2,979	2,410	1,819
Academic support	1,279	1,196	1,314
Public service	-	-	-
Depreciation	<u>14,156</u>	<u>14,573</u>	<u>14,546</u>
Total operating expenses	<u>60,492</u>	<u>66,164</u>	<u>84,503</u>
<b>Operating gain (loss)</b>	<u>12,716</u>	<u>4,964</u>	<u>(20,315)</u>
Nonoperating revenue (expenses):			
Investment income	1,162	763	224
State support for pensions	396	408	-
Interest expense on capital debt	(3,208)	(3,412)	(3,694)
Gain on disposal of capital assets	<u>152</u>	<u>46</u>	<u>17</u>
Total nonoperating expenses, net	<u>(1,498)</u>	<u>(2,195)</u>	<u>(3,453)</u>
Capital contributions, grants, and gifts	<u>13,124</u>	<u>532</u>	<u>1,359</u>
<b>Increase (decrease) in net position</b>	<u>24,342</u>	<u>3,301</u>	<u>(22,409)</u>
Net position, beginning of year	88,248	82,466	107,291
Cumulative effect of change in accounting principle		<u>2,481</u>	<u>(2,416)</u>
Net position, beginning of year as restated		<u>84,947</u>	<u>104,875</u>
<b>Net position, end of year</b>	<u><u>\$ 112,590</u></u>	<u><u>\$ 88,248</u></u>	<u><u>\$ 82,466</u></u>

**AURARIA HIGHER EDUCATION CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020 and 2019

---

Headcount enrollment (as measured by the student fees paid to the Center) at the constituent institutions showed an average decrease overall between fall 2018 and fall 2019 of 3.04% due to a 3.9% headcount enrollment decrease for Community College of Denver, a 2.4% headcount enrollment decrease for Metropolitan State University of Denver, and a 3.5% headcount enrollment decrease for University of Colorado Denver. Estimates for fall 2020 predict a decrease for all three institutions.

**Capital Assets**

At June 30, 2020, the Center had approximately \$222.4 million invested in capital assets, net of accumulated depreciation, of approximately \$281.8 million. At June 30, 2019, the Center had approximately \$218.7 million invested in capital assets, net of accumulated depreciation, of approximately \$267.7 million. For the years ended June 30, 2020 and 2019, depreciation expense was approximately \$14.1 million and \$14.6 million, respectively.

A summary of capital assets, net of accumulated depreciation, is provided below:

	<b>June 30</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	(In thousands)		
Land	\$ 27,896	\$ 27,896	\$ 27,896
Land improvements	12,605	12,819	13,813
Buildings and improvements	159,989	170,934	180,498
Equipment	5,009	5,456	5,024
Construction in progress	16,950	1,620	2,251
Total capital assets, net	\$ 222,449	\$ 218,725	\$ 229,482

In December 2008, the Center purchased a parcel of land adjacent to campus, increasing the acreage of the campus by 13.54 acres. The cost of the new parcel was approximately \$16.5 million, and as part of the campus master plan, the Center's Board of Directors, at their December 2010 meeting, approved the property as the location for the Metropolitan State University of Denver's Regency Athletic Complex, which was completed in February 2015 and includes tennis courts, three athletic fields (soccer, baseball, and softball), and a 23,000-square-foot locker room and training facility. The Center owns the land and Metropolitan State University of Denver owns the fields and facilities on the land.

On October 7, 2010, the Regional Transportation District (RTD) filed a Petition in Condemnation to acquire 1.04 acres of the aforementioned 13.54 acres of land. On December 8, 2010, the Court granted immediate possession of the property to RTD, including any and all claims, rights, title, interests, easements, liens, encumbrances, reversionary interests, and rights of entry, upon payment of just compensation in the amount of \$1,515,700.

Net proceeds from the land condemnation with interest and gains in the amount of \$1,664,821 are currently being held by UMB Bank, as trustee, until these funds are needed to pay the final debt service obligations on the Series 2017 Refunding Certificates of Participation, with final maturity on May 1, 2028. These proceeds are included in restricted cash and cash equivalents at June 30, 2020.

See Note 3 to the financial statements for additional information on capital asset activity during the fiscal year.

---

**AURARIA HIGHER EDUCATION CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020 and 2019

---

**Bonds and Capital Leases**

At June 30, 2020, the Center had approximately \$82.6 million of bond and capital lease obligations outstanding as compared to \$90.0 million as of June 30, 2019. The outstanding revenue bonds as of June 30, 2020 comprise Parking Revenue Bonds totaling \$36 million and Student Fee Revenue Bonds totaling \$18.9 million. These debt service requirements are met by pledged revenue from the Center's parking operations and student fees.

The capital lease obligations as of June 30, 2020 comprise three Certificates of Participation totaling \$27.7 million. The constituent institutions share in the cost of debt service of the three Certificates of Participation. During Fiscal Year 2020, the constituent institutions provided funding of \$2.2 million in excess of their annual allocation of state-appropriated funds to help fund these capital lease obligations.

During Fiscal Year 2020, long-term debt and capital lease obligations decreased \$7.4 million from \$90.0 million in 2019 to \$82.6 million as the result of scheduled principal payments on the debt described above.

During Fiscal Year 2019, long-term debt and capital lease obligations decreased \$7.2 million from \$97.2 million in 2018 to \$90.0 million as the result of scheduled principal payments on the debt described above.

On September 26, 2017, the Center issued Series 2017 Refunding Certificates of Participation (COP) in the amount of \$12,560,000 for the purpose of advance refunding and defeasing \$11,345,000 in Series 2008 Certificates of Participation. The Center completed the advance refunding to reduce its total debt service payments by \$1,522,130 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,334,421.

See Note 5 to the financial statements for additional information on bond and capital lease activity during the fiscal year.

**Long-Term Debt and Capital Lease Obligations**

	<b>June 30</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	(In thousands)		
Auxiliary enterprise revenue bonds	\$ 54,917	\$ 59,319	\$ 63,605
Capital lease obligations	27,743	30,703	33,572
Total long-term debt and capital lease obligations	\$ 82,660	\$ 90,022	\$ 97,177

**Economic Outlook**

In response to COVID-19, the Auraria campus went to a mostly remote learning environment in March of 2020. AHEC is heavily reliant on auxiliary operations which include parking, Tivoli Student Union, the bookstore, Starbucks and the Early Learning Center. Without the students, faculty, and staff on campus, these revenue sources were dramatically impacted during the final quarter of Fiscal Year 2020. AHEC anticipates that the impact of COVID-19 on auxiliary revenue will continue throughout the entirety of Fiscal Year 2021.

Due to these ongoing uncertainties resulting from COVID-19 and the potential impact of significant auxiliary revenue shortfalls for Fiscal Year 2021, AHEC has restructured several of its bank direct debt obligations for the purpose of reducing the total debt service payments by \$1.75 million for FY 2021.

---

**AURARIA HIGHER EDUCATION CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020 and 2019

---

At June 30, 2020, the Center had 40 vacant positions, of which 25 will not be funded in FY2021. This will result in salary and benefits savings of approximately \$1.6 million and reduces AHEC's FTE by 8%. AHEC anticipates that Auxiliary operations will not be able to provide the entire \$5.5 million transfer to the general operations of the Center in FY2021.

During Fiscal Year 2020, the constituent institutions' allocation to fund the Center's general operations was \$21.5 million, as compared to \$20.9 million for Fiscal Year 2019. In addition, the constituent institutions provided an additional \$2.0 million in funding to be used exclusively for deferred maintenance projects across the aging campus.

An extensive master plan study for the entire campus was completed in 2012 and updated in 2017 and provides direction on how to develop the campus over the next 20 years. The master plan identified areas of the Auraria Campus for each of the three constituent institutions to create their own neighborhoods and for new facilities to be developed within those neighborhoods, primarily utilizing existing parking lots. As a result, since 2012, the constituent institutions have been working earnestly to formulate plans to fund and build institution-specific buildings, as described in the campus master plan.

On March 19, 2012, the first institution-specific building was opened to students, faculty, and staff by MSU Denver. The new Student Success Building added an estimated 145,000 square feet of space on campus for classrooms and faculty offices, specifically for MSU Denver students and professors, and provides students with a central location for a wide range of MSU Denver support services. Several months later, on August 1, 2012, MSU Denver opened its second building, the new Spring Hill Suites Hotel and Hospitality Learning Center, which included a 150-room hotel and conference center as well as an additional 30,000 square feet of space, including classrooms, specialty learning labs, and faculty offices, to provide hands-on training opportunities for students in MSU Denver's Hospitality, Tourism, and Events Department. The operations of the Marriott-chained hotel are being managed by a hotel management company. On May 2, 2013, the Community College of Denver opened its new building, Confluence, which added an estimated 87,000 square feet of space on campus for classrooms, administrative offices, and a wide range of CCD support services. The University of Colorado Denver opened its new Academic Building in August 2014, which added an estimated 120,000 square feet of campus space and is home to the College of Liberal Arts and Sciences and also provides a consolidated location for student services. MSU Denver's Aerospace and Engineering Sciences (AES) building opened August 2017 and contains an estimated 142,000 square feet of campus space that provides MSU Denver with a state-of-the-art building to support their new AES initiative, which fosters advantageous connections between aviation; aerospace science; civil, electrical, and mechanical engineering technology; computer information systems and computer science; and industrial design into a new curriculum. Finally, the new CU Denver Wellness Center, which was an initiative of the CU Denver student government, opened July 2018 and includes fitness facilities such as a six-lane swimming pool, three-court gymnasium, weight rooms, a "commuter haven" lounge for CU Denver students between classes, and other features.

In August 2017 the Center completed the \$26.8 million Auraria Library Renovation that began in May 2014. Renovations were funded by the State of Colorado capital development funds. Renovations include new Lawrence Street entrance, 10th Street entrance makeover, collaborative high-tech classrooms, nine new group study spaces, exterior window replacement, roof replacement, improved lighting system, and expansion and renovation of café/community area.

Renovations to the North Classroom have been completed. CU Denver funded the \$38.4 million renovation to the North Classroom that upgraded virtually all building mechanical and electrical systems and also included the renovation of 32 existing classrooms and other cosmetic improvements throughout the building.

---

**AURARIA HIGHER EDUCATION CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2020 and 2019

---

In addition to adding new buildings on the Auraria Campus, MSU Denver began construction in February 2013 of a 12.5-acre athletic complex that was built in phases and completed in February 2015. The Regency Athletic Complex contains eight tennis courts and a fitness trail encircling the site, a new soccer field, baseball field, and softball field, and central building that contains locker rooms, weightlifting areas, and meeting spaces. The complex serves varsity athletics, intramural sports, and academic programs as well as provides health, sports, and recreation opportunities to the surrounding underserved Denver communities and to downtown Denver businesses and residents. The land was financed and purchased by the Center in December 2008.

The Center broke ground in August 2015 on the Tivoli Quad project, a student-supported initiative, located on the east side of the Tivoli Student Union Building. This project was completed in May 2016 and provides a prime gathering space for students to relax, study, and socialize and includes a tiered patio with tables and seating, a park area with an amphitheater for concerts and events, beautiful landscaping elements for aesthetic value and shade, and road modifications to offer easier access in and out of the area. The Auraria Foundation provided a \$3.55 million grant in support of this project and student fees will continue to fund the debt issued to finance the remaining construction cost of the \$7.7 million project.

CU Denver has begun the design phase for the construction of student housing on the Auraria Campus. The 550-bed residence hall will provide housing for first-year CU Denver students and will include dining. The project is expected to be completed by Fall 2021.

From the fall 2010 to the spring 2016, parking capacity declined by over 800 spaces, from 6,858 to 6,057 as a result of the ongoing construction by the three constituent institutions, and despite the construction and opening of the 925-space 5th Street Parking Garage on August 11, 2014. The structure was funded with \$16 million in bond proceeds and \$4 million in cash accumulated in the parking capital reserve fund. The construction of the CU Denver Wellness Center resulted in the loss of the Redwood parking lot and approximately 105 parking spaces, but the completion of the MSU Denver's Aerospace and Engineering Sciences (AES) Building brought the Dogwood lot back online with 171 additional spaces, increasing capacity for fall 2017 to over 6,200 spaces. Parking capacity remained unchanged through the 2019-20 fiscal year and is expected to remain the same for the 2020-21 fiscal year as well.

State funding for maintenance projects has been limited and inadequate to meet the ever-increasing needs of the Center's aging campus infrastructure, with many of the campus buildings being 40 years or older and a deferred maintenance backlog that has approached \$88 million. Beginning with the 2012 fiscal year, the three institutions committed and funded an additional appropriation of \$1.9 million to be exclusively used on deferred maintenance projects. The three institutions continued that annual additional commitment of \$1.9 million toward deferred maintenance during the 2013, 2014, 2015 and 2016 fiscal years, with the amount being reduced to \$1.67 million for Fiscal Year 2017, and increased to \$1.8 million for Fiscal Year 2018, increased to \$1.9 million for Fiscal Year 2019 and increasing to \$2 million for Fiscal Year 2020, bringing total deferred maintenance funding during the last nine years to \$16.87 million. As part of the Center's Fiscal Year 2021 budget, the three institutions committed and funded an additional appropriation, over and above the \$21.5 million for general campus operations, of \$2.0 million, which was earmarked exclusively for deferred maintenance projects. Through Fiscal Year 2019, the deferred maintenance plan has focused on maintenance projects primarily tied to life safety and critical campus operations. For the 2019-20 Fiscal Year, the Center was appropriated \$18.6 million in State capital renewal project funding to complete a conversion from steam to natural gas for building utility needs. The conversion is expected to save the Center \$0.9 million annually which will be earmarked for future deferred maintenance needs as well.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller's Office at the Auraria Higher Education Center at P.O. Box 173361, Campus Box B, Denver, Colorado 80217.

---



**AURARIA HIGHER EDUCATION CENTER**  
**BUSINESS-TYPE ACTIVITIES**  
**STATEMENTS OF NET POSITION**  
June 30, 2020 and 2019

	<b>2020</b>	<b>(Restated) 2019</b>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets:		
Cash and cash equivalents	\$ 25,134,196	\$ 19,763,947
Accounts receivable, net	4,097,105	5,254,731
Notes receivable, current	1,052,150	999,543
Inventories	942,107	1,718,234
Prepaid expenses	<u>14,825</u>	<u>268,323</u>
Total current assets	31,240,383	28,004,778
Noncurrent assets:		
Restricted cash and cash equivalents	10,044,790	9,879,882
Restricted investments	2,002,238	2,008,065
Notes receivable	9,052,562	10,104,712
Prepaid bond costs	184,406	214,029
Capital assets, net of accumulated depreciation	177,602,876	189,209,152
Capital assets not being depreciated	<u>44,846,020</u>	<u>29,515,852</u>
Total noncurrent assets	<u>243,732,892</u>	<u>240,931,692</u>
Total assets	<u>274,973,275</u>	<u>268,936,470</u>
Deferred outflows of resources:		
Deferred amount on refunding	1,355,326	1,577,073
Deferred amount on pension obligations	3,394,305	9,404,944
Deferred amount on OPEB obligations	<u>104,176</u>	<u>126,540</u>
Total deferred outflows of resources	<u>4,853,807</u>	<u>11,108,557</u>
Total assets and deferred outflows of resources	<u>\$ 279,827,082</u>	<u>\$ 280,045,027</u>
<b>Liabilities and Deferred Inflows of Resources</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,541,284	\$ 4,090,860
Interest payable	394,724	425,589
Deposits held for others	91,319	7,360
Unearned revenue	1,910,583	2,615,017
Long-term debt and capital lease obligations, current	5,581,947	7,684,820
Compensated absences liability, current	<u>153,910</u>	<u>168,274</u>
Total current liabilities	<u>15,673,767</u>	<u>14,991,920</u>
Noncurrent liabilities:		
Long-term debt and capital lease obligations	77,078,335	82,337,232
Pension obligations	49,888,384	59,157,707
OPEB obligations	2,031,611	2,537,390
Compensated absences liability	<u>1,655,476</u>	<u>1,492,028</u>
Total noncurrent liabilities	<u>130,653,806</u>	<u>145,524,357</u>
Total liabilities	146,327,573	160,516,277
Deferred inflows of resources:		
Deferred amount on pension obligations	20,425,422	31,219,845
Deferred amount on OPEB obligations	<u>484,316</u>	<u>61,365</u>
Total deferred inflows of resources	<u>20,909,738</u>	<u>31,281,210</u>
Total liabilities and deferred inflows of resources	<u>\$ 167,237,311</u>	<u>\$ 191,797,487</u>
<b>Net Position</b>		
Net position:		
Net investment in capital assets	\$ 151,123,248	\$ 141,164,834
Restricted for debt service obligations	7,846,189	7,921,008
Unrestricted	<u>(46,379,666)</u>	<u>(60,838,302)</u>
Total net position	<u>\$ 112,589,771</u>	<u>\$ 88,247,540</u>

See accompanying notes to financial statements.

**AURARIA HIGHER EDUCATION CENTER**  
**BUSINESS-TYPE ACTIVITIES**  
**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
Years ended June 30, 2020 and 2019

	<b>2020</b>	<b>(Restated) 2019</b>
Operating revenue:		
Auxiliary enterprises	\$ 34,224,676	\$ 32,195,565
Revenue from constituent institutions	25,610,252	24,882,339
Student fees	13,316,679	13,494,845
Other operating revenue	<u>56,006</u>	<u>554,808</u>
Total operating revenue	<u>73,207,613</u>	<u>71,127,557</u>
Operating expenses:		
Auxiliary enterprises	35,168,693	34,614,120
Operation and maintenance of plant	6,908,321	13,370,980
Institutional support	2,978,827	2,410,093
Academic support	1,279,330	1,195,668
Public service	112	-
Depreciation	<u>14,156,032</u>	<u>14,573,511</u>
Total operating expenses	<u>60,491,315</u>	<u>66,164,372</u>
Operating gain	<u>12,716,298</u>	<u>4,963,185</u>
Nonoperating revenue (expenses):		
Investment income	1,161,825	763,342
State support for pensions	396,321	408,062
Interest expense on capital debt	(3,208,194)	(3,412,642)
Gain on disposal of capital assets	<u>151,850</u>	<u>46,386</u>
Nonoperating expenses, net	<u>(1,498,198)</u>	<u>(2,194,852)</u>
Gain before other revenue, expenses, gains, or losses	11,218,100	2,768,333
Other revenue, expenses, gains, or losses:		
State capital contributions	<u>13,124,131</u>	<u>532,456</u>
Increase in net position	<u>24,342,231</u>	<u>3,300,789</u>
Net position, beginning of year	88,247,540	82,465,531
Cumulative effect of change in accounting principle	<u>-</u>	<u>2,481,220</u>
Net position, beginning of year as restated	<u>88,247,540</u>	<u>84,946,751</u>
Net position, end of year	<u>\$ 112,589,771</u>	<u>\$ 88,247,540</u>

See accompanying notes to financial statements.

**AURARIA HIGHER EDUCATION CENTER**  
**BUSINESS-TYPE ACTIVITIES**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2020 and 2019

	<b>2020</b>	<b>(Restated) 2019</b>
Cash flows from operating activities:		
Cash received:		
Student fees	\$ 13,316,679	\$ 13,494,845
Grants, contracts and gifts	263,759	844,880
Revenue from constituent institutions	25,462,806	24,963,263
Sales of products and services	34,654,622	33,275,025
Cash payments:		
Payments for employees	(25,565,283)	(25,775,070)
Payments to suppliers	(35,953,077)	(34,149,403)
Net cash from operating activities	12,179,506	12,653,540
 Cash flows from noncapital financing activities:		
Receipts of deposits held in custody	1,016,230	1,534,735
Disbursements of deposits held in custody	(1,018,668)	(1,740,571)
Net cash used in noncapital financing activities	(2,438)	(205,836)
 Cash flows from capital and related financing activities:		
State appropriations	13,124,131	532,456
Gain on disposal of assets	151,850	46,386
Acquisition and construction of capital assets	(11,735,628)	(3,839,961)
Principal received on notes receivable	999,543	942,152
Principal paid on long-term debt and capital lease obligations	(7,684,819)	(7,524,002)
Interest paid on long-term debt and capital lease obligations	(2,664,640)	(2,811,491)
Net cash used in capital and related financing activities	(7,809,563)	(12,654,460)
 Cash flows from investing activities:		
Investment income	1,167,652	746,794
Net cash from investing activities	1,167,652	746,794
 Net increase in cash and cash equivalents	5,535,157	540,038
 Cash and cash equivalents, beginning of year	29,643,829	29,103,791
 Cash and cash equivalents, end of year	\$ 35,178,986	\$ 29,643,829

See accompanying notes to financial statements.

**AURARIA HIGHER EDUCATION CENTER**  
**BUSINESS-TYPE ACTIVITIES**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2020 and 2019

	<b>2020</b>	<b>(Restated) 2019</b>
Reconciliation of operating loss to net cash		
by operating activities:		
Operating gain	\$ 12,716,298	\$ 4,963,185
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	14,156,032	14,573,511
State support for pensions	396,321	408,062
Bad debt recovery (expense)	239,653	(126,662)
Decrease (increase) in assets:		
Accounts receivable	955,034	1,202,287
Inventories	776,127	1,033,763
Prepaid expenses	253,498	(200,049)
Deferred outflows	6,033,003	11,988,556
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(2,644,536)	(2,133,924)
Unearned revenue	(704,434)	374,827
Compensated absences liability	149,084	(168,157)
Pension liability	(9,269,323)	(45,484,434)
OPEB liability	(505,779)	82,892
Deferred inflows	<u>(10,371,472)</u>	<u>26,139,683</u>
Net cash provided by operating activities	<u>\$ 12,179,506</u>	<u>\$ 12,653,540</u>
Supplemental cash flow information:		
Non-cash capital and financing activities		
Accounts payable related to capital asset purchases	\$ 5,771,176	\$ 23,767

See accompanying notes to financial statements.

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***(a) Nature of Operations***

The Auraria Higher Education Center (the Center) is an agency of the State of Colorado (the State), and its operations are funded largely through revenue from its constituent institutions, student fees, auxiliary sales and services, and fees for services. The Center is responsible for planning and managing the physical plant assets, auxiliary enterprises, and other support services of the Auraria Campus in Denver, Colorado (the Campus). Educational services at the Campus are provided by constituent institutions including the University of Colorado at Denver, Metropolitan State University of Denver, and the Community College of Denver (the constituent institutions).

The financial statements of the Center, which is an institution of higher education of the State, are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Center. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Financial results for the State are presented in separate statewide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State is available in these statewide financial statements.

The board of directors of the Center is a corporate body created by the State. The authority under which the Center operates is Article 70 of Title 23, Colorado Revised Statutes (C.R.S.). The Center's board of directors consists of nine voting members and two nonvoting members. Three of the voting members are appointed by the Governor of the State. In addition, the governing boards of each of the three constituent institutions appoint a voting member, and the president or chief executive officer of each of the constituent institutions also serves as a voting member. The nonvoting members are appointed by the students and faculties of the constituent institutions.

***(b) Basis of Accounting and Presentation***

The financial statements of the Center have been prepared on the accrual basis of accounting. Revenue, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, state appropriations) are recognized when all applicable eligibility requirements are met. Operating revenue and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income, and interest on capital asset-related debt are included in nonoperating or other revenue and expenses. The Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The operations of the Center are accounted for as an enterprise fund business-type activity. Enterprise funds are used to account for those operations for which the pricing policies of the entity establish fees and charges designed to recover its costs, including capital costs such as depreciation and debt service.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) 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 and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net position during the reporting period. Actual results could differ significantly from those estimates.

**(d) Cash Equivalents**

The Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020 and 2019, cash and cash equivalents and restricted cash and cash equivalents consisted primarily of U.S. Treasury money market funds, certificates of deposit, cash on hand, and amounts on deposit with the Colorado State Treasurer (the Treasurer).

**(e) Investments and Investment Income**

Investments in debt securities and commercial paper are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest and dividend income, and realized and unrealized gains and losses.

**(f) Restricted Cash and Cash Equivalents and Restricted Investments**

Restricted cash and cash equivalents and restricted investments consist of deposits held for others and required bond reserves.

**(g) Accounts Receivable, Net**

Accounts receivable, net, consist of the following at June 30:

	<b>2020</b>	<b>2019</b>
Constituent institutions	\$ 1,216,092	\$ 1,636,799
State of Colorado central collections	3,969,196	3,491,848
Auxiliary enterprises	581,598	1,094,002
Other	314,208	778,006
	6,081,094	7,000,655
Less allowance for doubtful accounts	(1,983,989)	(1,745,924)
Accounts receivable, net	<b>\$ 4,097,105</b>	<b>\$ 5,254,731</b>

Accounts receivable are recorded net of an allowance for doubtful accounts. The allowance is calculated as 50% of the balance held at state collections, which are largely made up of unpaid parking fees. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Accounts receivable are considered to be past due based on contractual terms.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(h) Notes Receivable**

In 2009, the Center entered into capital lease arrangements with the constituent institutions to lease space in the Science Building. The proceeds of these capital lease arrangements will be used by the Center to fund the \$20,133,417 due to the State as required under the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (the Certification) (refer to Note 5 for more details).

Notes receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Science building – receivable from constituent institutions, current	\$ 1,052,150	\$ 999,543
Science building – receivable from constituent institutions, long term	<u>9,052,562</u>	<u>10,104,712</u>
Total notes receivable	<u>\$ 10,104,712</u>	<u>\$ 11,104,255</u>

The notes receivable balances are considered to be fully collectible as of June 30, 2020 and 2019.

**(i) Inventories**

The Campus provides an academic bookstore utilized by the three constituent institutions, consisting of new and used textbooks, insignia items, apparel, electronics, convenience items, and other supplies. The Center is responsible for managing and maintaining the bookstore and carries the inventory at the lower of market or cost method. Provisions are made for obsolete inventory on a periodic basis. Provisions recorded for the years ended June 30, 2020 and 2019 totaled (\$145,147) and (\$196,898), respectively.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(j) Capital Assets, Net**

Capital assets, net, are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Center:

Land improvements	20 years
Buildings and improvements	20-40 years
Equipment	3-22 years

The following is the capitalization threshold used by the Center:

Furniture and equipment	\$ 10,000
Purchased software	10,000
Land and building improvements	50,000

Capital leases consist of direct financing leases, in which the Center is the lessor with the constituent institutions in relation to the Science Building.

The Center capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. The Center ceased borrowing funds for the asset that was placed in service for intended use in Fiscal Year 2015; therefore, no interest was due or capitalized in 2020 or 2019, respectively.

**(k) Prepaid Bond Costs and Premiums and Discounts**

Prepaid bond costs, which consist of bond insurance premiums, as well as bond premiums and discounts, are amortized over the life of the related bonds as a component of interest expense.

**(l) Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

---

(Continued)



**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The deferred outflow balances are amortized as a component of interest, pension or OPEB expense based on:

- Losses on refunding of debt using the straight-line method over the remaining life of the old bonds (refunded) debt or the life of the new debt, whichever is shorter
- Pension contributions made subsequent to the December 31 measurement date used by Colorado Public Employees' Retirement Association (PERA)
- Changes in proportion and differences between pension contributions recognized and proportionate share of contributions
- Changes in assumptions for the pension plan
- The net difference between projected and actual earnings on pension plan investments.
- Pension plan differences between expected and actual experience
- Other Post-Employment Benefits (OPEB) contributions made subsequent to the December 31 measurement date used by PERA
- The net difference between projected and actual earnings on OPEB plan investments
- OPEB plan differences between expected and actual experience
- Changes in proportion and differences between OPEB contributions recognized and proportionate share of contributions

The deferred inflow balances are amortized as a component of pension or OPEB expense based on:

- Pension plan differences between expected and actual experience
- Pension plan differences between expected and actual gains and losses
- Changes in proportion and differences between pension contributions recognized and proportionate share of contributions
- The net difference between projected and actual earnings on OPEB plan investments
- OPEB plan differences between expected and actual experience
- OPEB changes in assumptions
- Changes in proportion and differences between OPEB contributions recognized and proportionate share of contributions.

***(m) Pension Obligations***

The Center participates in the State Division Trust Fund (SDTF), a cost-sharing, multiple-employer, defined-benefit pension fund administered by PERA. Information regarding the measuring of the net pension liability, pension expense, and related deferred outflows and deferred inflows of resources are described in detail in Notes 4 and 7.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(n) Other Post Employment Benefit (OPEB) Obligations**

The Center contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a healthcare premium subsidy and healthcare programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Information regarding the measuring of the net OPEB liability, OPEB expense, and related deferred outflows and deferred inflows of resources are described in detail in Notes 4 and 8.

**(o) Accrued Salaries**

State Senate Bill 03-197 requires salaries that would normally be paid at the end of June to be paid July 1. In FY 2013, State House Bill 12-1246 was implemented, which excluded biweekly payroll amounts from this requirement. On November 30, 2017, the Office of the State Controller issued Alert #210, which excluded Institutions of Higher Education from this requirement effective July 1, 2017. This resulted in an accrual of \$42,058 and \$39,620 for biweekly payroll that was included in accounts payable and accrued liabilities at June 30, 2020 and 2019, respectively.

**(p) Compensated Absences**

The Center employees may accrue annual and sick leave based on length of service and subject to certain limitations regarding the amount that will be paid upon termination. The estimated cost of compensated absences for which employees are vested at June 30, 2020 and 2019 is \$1,809,386 and \$1,660,302, respectively. Of these amounts, \$153,910 and \$168,274, as of June 30, 2020 and 2019, respectively, are considered to be due within one year. Operating expenses for the year ended June 30, 2020 include an increase of \$149,084. Operating expenses for June 30, 2019 include a decrease of \$168,157.

**(q) Unearned Revenue**

Unearned revenue represents unearned fees and advance payments for which the Center has not earned the revenue. Unearned revenue includes the following for the year ended June 30:

	2020	2019
Student fees for the summer semester	\$ 293,115	\$ 317,347
Childcare tuition collected in advance	8,037	38,023
Foundation Grant – Tivoli Quad Project	250,000	250,000
Deferred maintenance	1,310,251	1,864,438
Lot I Modular build-out fee	25,640	119,693
Campus Sustainability Student Fees	23,540	25,516
	\$ 1,910,583	\$ 2,615,017

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(r) Classification of Revenue and Expenses**

The Center has classified its revenue as either operating or nonoperating according to the following criteria:

Operating revenue and expenses – Operating revenue and expenses include activities that have the characteristics of exchange transactions such as (1) revenue from constituent institutions for use of facilities and services, (2) student fees, (3) sales and services of auxiliary enterprises, and (4) reimbursements for services performed.

Nonoperating revenue and expenses – Nonoperating revenue and expenses include activities that have the characteristics of nonexchange transactions such as gifts and contributions, and other revenue sources that are defined as nonoperating revenue and expenses by Government Accounting Standards Board (GASB) Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state capital contributions, capital grants and gifts, interest expense in capital debt, and investment income.

**(s) Functional Allocation of Expenses**

The costs of supporting the various services and other activities of the Center have been summarized on a functional basis in the statements of revenue, expenses, and changes in net position. Accordingly, certain costs have been allocated among the appropriate activities and supporting services benefited.

**(t) Income Taxes**

As a state agency, the income of the Center is excluded from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, income not earned in exercise of the Center's essential government function would be subject to income tax. All income in Fiscal Years 2020 and 2019, with the exception of special events parking revenue, was earned in the exercise of the Center's essential government functions.

**(u) Reclassifications**

Certain amounts in the accompanying financial statements for the prior year have been reclassified to conform to current year presentation with a net effect on net position of \$2,481,220 for the year ended June 30, 2019.

**(v) Recent Accounting Pronouncement**

During fiscal year 2020 and retroactively applied to June 30, 2019, the Center adopted GASB Statement No. 84, *Fiduciary Activities*. The core objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported for all state and local governments. The implementation of Statement No. 84 has resulted in changing the presentation of the financial statements by increasing revenue and expenses that were previously treated as increases and decreases to liability accounts only. The change was necessary in this fiscal year to ensure that transfers between the constituent institutions and the Center would net to zero at the state level at year-end. Without this change, the statewide transfers account would have been out of balance. The adoption of Statement No. 84 changed the ending net position for fiscal year ended 2018, from \$82,465,531 to \$84,946,751. For the fiscal year ended June 30, 2019, the adoption increased operating revenues from \$62,882,162 to \$71,127,558 and increased operating expenses from \$57,883,438 to \$66,164,372, which resulted in a net decrease of \$35,539 to the change in net position for fiscal year ended June 30, 2019.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***(w) Business Disruption***

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has impacted economic activity and financial markets globally and has resulted in a decrease in various auxiliary revenues that the Center is dependent upon due to closing the campus in March 2020. The continued spread of the disease represents a risk that operations could be disrupted in the near future. The extent to which COVID-19 impacts the Center will depend on future developments, which are still highly uncertain and cannot be predicted. As a result of these uncertainties and how they could potentially impact the Center's Fiscal Year 2021 revenues, the Center has restructured several of its debt obligations for the purpose of reducing the total debt service payments by \$1.75 million for Fiscal Year 2021.

**NOTE 2 – DEPOSITS, INVESTMENTS, AND INVESTMENT RETURN**

***(a) Deposits and Cash Equivalents***

At June 30, 2020 and 2019, the carrying value of the Center's deposits was \$34,477,917 and \$29,591,508, respectively. At June 30, 2020 and 2019, balances consist of deposits with the Treasurer, as described below, \$11,658,721 and \$10,311,869 in bank deposits, and \$69,832 and \$66,454 of cash on hand, respectively. The bank balances classified by custodial credit risk category are covered 100% by federal depository insurance or by collateral held by the pledging institutions' trust departments in the name of the state public deposit pool as required by the Public Deposit Protection Act.

***(b) Investments***

The Center deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2020, the Center had cash on deposit with the State Treasurer of \$23,432,799, which represented approximately 0.25% percent of the total \$9,633.8 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2020, the Pool's resources included \$16.0 million of cash on hand and \$9,617.8 million of investments.

On the basis of the Center's participation in the Pool, the Center reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2020.

***(c) Custodial Credit Risk***

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in either the Center's or the State's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agency but not held in the Center's or the State's name. As of June 30, 2020 and 2019, the Center has no investments that are subject to custodial risk.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 2 – DEPOSITS, INVESTMENTS, AND INVESTMENT RETURN (Continued)**

**(d) Credit Quality Risk**

Credit quality risk is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that 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.

**(e) 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 Center does not have a formal investment policy, but manages various elements of investment risk by keeping a majority of investments within the State Treasury Pool, which falls under the Treasurer's investment policy, and maintains other investments in low-risk securities with high-credit ratings when purchased.

The following table lists the Center's restricted investments, by investment type, as of June 30, 2020 and 2019 for those investments not part of the Pool. The fair value amount is shown along with the credit quality rating and weighted average maturity:

<u>Investment type</u>	<u>Fair Value Amount</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
June 30, 2020			
Commercial paper	\$ 2,002,238	Highest	0.109
Total restricted investments	<u>\$ 2,002,238</u>		
June 30, 2019			
Commercial paper	\$ 2,008,065	Highest	0.109
Total restricted investments	<u>\$ 2,008,065</u>		

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 2 – DEPOSITS, INVESTMENTS, AND INVESTMENT RETURN (Continued)**

**(f) Fair Value of Investments**

The following table lists the Center's restricted investment types as of June 30, 2020 and 2019, using the fair market input to valuation technique, which determines the hierarchy of fair market value of the investment per Statement No. 72:

<u>Investment type</u>	<u>Level 1 Quoted Prices in Active Markets for Identical Assets</u>	<u>Level 2 Significant Other Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
June 30, 2020			
Commercial paper	\$ -	\$ 2,002,238	\$ -
Total restricted investments	<u>\$ -</u>	<u>\$ 2,002,238</u>	<u>\$ -</u>
June 30, 2019			
Commercial paper	\$ -	\$ 2,008,065	\$ -
Total restricted investments	<u>\$ -</u>	<u>\$ 2,008,065</u>	<u>\$ -</u>

**(g) Investment Income**

Investment income consisted of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 441,673	\$ 491,005
Net increase in fair value of investments	<u>720,152</u>	<u>272,337</u>
	<u>\$ 1,161,825</u>	<u>\$ 763,342</u>

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending balance</u>
Land	\$ 27,895,650	\$ -	\$ -	\$ -	\$ 27,895,650
Land improvements	36,401,594	786,560	-	183,912	37,372,066
Buildings and improvements	406,254,461	1,030,537	-	134,596	407,419,594
Equipment	14,243,910	449,757	(55,606)	-	14,638,061
Construction in progress, net	<u>1,620,202</u>	<u>15,648,676</u>	<u>-</u>	<u>(318,508)</u>	<u>16,950,370</u>
Total capital assets	<u>486,415,817</u>	<u>17,915,530</u>	<u>(55,606)</u>	<u>-</u>	<u>504,275,741</u>
Less accumulated depreciation:					
Land improvements	23,582,609	1,184,944	-	-	24,767,553
Buildings and improvements	235,320,691	12,109,431	-	-	247,430,122
Equipment	<u>8,787,513</u>	<u>870,252</u>	<u>(28,595)</u>	<u>-</u>	<u>9,629,170</u>
Total accumulated depreciation	<u>267,690,813</u>	<u>14,164,627</u>	<u>(28,595)</u>	<u>-</u>	<u>281,826,845</u>
Total capital assets, net	<u>\$ 218,725,004</u>	<u>\$ 3,750,903</u>	<u>\$ (27,011)</u>	<u>\$ -</u>	<u>\$ 222,448,896</u>

As of June 30, 2020, the construction in progress primarily consisted of upgrading the fire alarm and sprinkler systems in Administration, Boulder Creek and 7<sup>th</sup> Street Rectory buildings, steam to natural gas conversion, and replacing the North Classroom roof.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 3 – CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended June 30, 2019 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending balance</u>
Land	\$ 27,895,650	\$ -	\$ -	\$ -	\$ 27,895,650
Land improvements	36,239,575	-	-	162,019	36,401,594
Buildings and improvements	403,339,881	1,800,292	-	1,114,288	406,254,461
Equipment	12,872,992	1,370,918	-	-	14,243,910
Construction in progress, net	<u>2,251,524</u>	<u>644,985</u>	<u>-</u>	<u>(1,276,307)</u>	<u>1,620,202</u>
Total capital assets	<u>482,599,622</u>	<u>3,816,195</u>	<u>-</u>	<u>-</u>	<u>486,415,817</u>
Less accumulated depreciation:					
Land improvements	22,426,365	1,156,244	-	-	23,582,609
Buildings and improvements	222,841,815	12,478,876	-	-	235,320,691
Equipment	<u>7,849,122</u>	<u>938,391</u>	<u>-</u>	<u>-</u>	<u>8,787,513</u>
Total accumulated depreciation	<u>253,117,302</u>	<u>14,573,511</u>	<u>-</u>	<u>-</u>	<u>267,690,813</u>
Total capital assets, net	<u>\$ 229,482,320</u>	<u>\$(10,757,316)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,725,004</u>

**NOTE 4 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The deferred outflows of resources represent the remaining unamortized deferral balances from losses on refunding of debt, amounts on pension obligations and amounts on other post-employment benefits (OPEB). The June 30, 2020 and 2019 debt-related deferral balances of \$1,355,326 and \$1,577,073, respectively, are included within the net investment in capital assets component of net position. The June 30, 2020 and 2019 pension obligations–related balances for deferred outflows of \$3,394,305 and \$9,404,944, respectively, and deferred inflows of \$20,425,422 and \$31,219,845, respectively, are included within the unrestricted component of net position. The June 30, 2020 and 2019 OPEB obligations–related balances for deferred outflows of \$104,176 and \$126,540, respectively, and deferred inflows of \$484,316 and \$61,365, respectively, are included within the unrestricted component of net position.

---

(Continued)



**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 4 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)**

A summary of deferred outflows/inflows of resources as of June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Deferred refunding – Series 2013 Student Fee Bonds	\$ 68,951	\$ 83,217
Deferred refunding – Series 2016 Student Fee Bonds	29,516	68,870
Deferred refunding – Series 2015 Parking Bonds	32,787	36,535
Deferred refunding – Series 2016 Parking Bonds	166,225	195,559
Deferred refunding – Series 2015 Admin COP	438,660	494,659
Deferred refunding – Series 2017 Land COP	<u>619,187</u>	<u>698,233</u>
Deferred outflow on refunding	<u>\$ 1,355,326</u>	<u>\$ 1,577,073</u>
Deferred pension – pension investments	\$ -	\$ 2,988,135
Deferred pension – experience gains and losses	1,863,940	1,691,712
Deferred pension – changes in assumptions	-	3,114,954
Deferred pension - employer contributions vs. employer proportionate share	-	17,122
Deferred pension – contributions after measurement date	<u>1,530,365</u>	<u>1,593,021</u>
Deferred outflow on pension obligations	<u>\$ 3,394,305</u>	<u>\$ 9,404,944</u>
Deferred pension – changes in assumptions	\$ 14,309,063	\$ 30,548,125
Deferred pension – pension investment earnings	5,374,883	-
Deferred pension - employer contributions vs. employer proportionate share	11,408	13,322
Deferred pension – proportionate share	<u>730,068</u>	<u>658,398</u>
Deferred inflow on pension obligations	<u>\$ 20,425,422</u>	<u>\$ 31,219,845</u>
Deferred OPEB – experience gains and losses	\$ 6,742	\$ 9,209
Deferred OPEB – projected vs. actual earnings	\$ 33	
Deferred OPEB – OPEB investments	-	14,592
Deferred OPEB – changes in assumptions	16,855	17,800
Deferred OPEB – contributions after measurement date	<u>80,546</u>	<u>84,939</u>
Deferred outflow on OPEB obligations	<u>\$ 104,176</u>	<u>\$ 126,540</u>
Deferred OPEB – experience gains and losses	\$ 341,385	\$ 3,862
Deferred OPEB – investment earnings	33,910	-
Deferred OPEB - employer contributions vs. employer proportionate share	1,236	1,594
Deferred OPEB – proportionate share	<u>107,785</u>	<u>55,909</u>
Deferred inflow on OPEB obligations	<u>\$ 484,316</u>	<u>\$ 61,365</u>

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**

The following is a summary of long-term debt and capital lease obligations for the Center for the year ended June 30, 2020:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Revenue bonds payable:					
Public:					
Series 2004 parking	\$ 10,932,786	\$ 533,535	\$(1,605,000)	\$ 9,861,321	\$1,605,000
Series 2013 student fee	14,295,220	-	(845,609)	13,449,611	765,000
Series 2013A parking	15,933,056	-	(108,512)	15,824,544	75,000
Series 2015 parking	<u>6,513,301</u>	<u>-</u>	<u>(61,364)</u>	<u>6,451,937</u>	<u>-</u>
Total revenue bonds payable - publicly traded	47,674,363	533,535	(2,620,485)	45,587,413	2,445,000
Direct borrowings:					
Series 2015 student fee	4,255,000	-	(295,000)	3,960,000	-
Series 2016 parking	4,360,000	-	(515,000)	3,845,000	520,000
Series 2016 student fee	<u>3,030,000</u>	<u>-</u>	<u>(1,505,000)</u>	<u>1,525,000</u>	<u>1,525,000</u>
Total revenue bonds payable - direct borrowings	11,645,000	-	(2,315,000)	9,330,000	2,045,000
Total revenue bonds payable	<u>59,319,363</u>	<u>533,535</u>	<u>(4,935,485)</u>	<u>54,917,413</u>	<u>4,490,000</u>
Capital lease obligations:					
State:					
State capital construction financing, Series 2008	<u>11,637,689</u>	<u>-</u>	<u>(1,034,820)</u>	<u>10,602,869</u>	<u>1,091,947</u>
Direct borrowings:					
Land acquisition, Series 2017 Administration facility, Series 2015	10,290,000	-	(1,035,000)	9,255,000	-
Series 2015	<u>8,775,000</u>	<u>-</u>	<u>(890,000)</u>	<u>7,885,000</u>	<u>-</u>
Total - direct borrowings	19,065,000	-	(1,925,000)	17,140,000	-
Total capital lease obligations	30,702,689	-	(2,959,820)	27,742,869	1,091,947
Total long-term debt and capital lease obligations	<u>\$ 90,022,052</u>	<u>\$ 533,535</u>	<u>\$ (7,895,305)</u>	<u>\$ 82,660,282</u>	<u>\$ 5,581,947</u>

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

The following is a summary of long-term debt and capital lease obligations for the Center for the year ended June 30, 2019:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Revenue bonds payable:					
Public:					
Series 2004 parking	\$ 11,953,131	\$ 579,655	\$(1,600,000)	\$ 10,932,786	\$ 1,605,000
Series 2013 student fee	15,115,829	-	(820,609)	14,295,220	735,000
Series 2013A parking	16,041,569	-	(108,512)	15,933,057	70,000
Series 2015 parking	<u>6,574,665</u>	<u>-</u>	<u>(61,365)</u>	<u>6,513,300</u>	<u>-</u>
Total revenue bonds payable - publicly traded	49,685,194	579,655	(2,590,486)	47,674,363	2,410,000
Direct borrowings:					
Series 2015 student fee	4,535,000	-	(280,000)	4,255,000	295,000
Series 2016 parking	4,870,000	-	(510,000)	4,360,000	515,000
Series 2016 student fee	<u>4,515,000</u>	<u>-</u>	<u>(1,485,000)</u>	<u>3,030,000</u>	<u>1,505,000</u>
Total revenue bonds payable - direct borrowings	13,920,000	-	(2,275,000)	11,645,000	2,315,000
Total revenue bonds payable	<u>63,605,194</u>	<u>579,655</u>	<u>(4,865,486)</u>	<u>59,319,363</u>	<u>4,725,000</u>
Capital lease obligations:					
State:					
State capital construction financing, Series 2008	<u>12,616,691</u>	<u>-</u>	<u>(979,002)</u>	<u>11,637,689</u>	<u>1,034,820</u>
Direct borrowings:					
Land acquisition, Series 2017 Administration facility, Series 2015	11,305,000	-	(1,015,000)	10,290,000	1,035,000
Series 2015	<u>9,650,000</u>	<u>-</u>	<u>(875,000)</u>	<u>8,775,000</u>	<u>890,000</u>
Total - direct borrowings	<u>20,955,000</u>	<u>-</u>	<u>(1,890,000)</u>	<u>19,065,000</u>	<u>1,925,000</u>
Total capital lease obligations	33,571,691	-	(2,869,002)	30,702,689	2,959,820
Total long-term debt and capital lease obligations	<u>\$ 97,176,885</u>	<u>\$ 579,655</u>	<u>\$(7,734,488)</u>	<u>\$ 90,022,052</u>	<u>\$ 7,684,820</u>

**(a) Revenue Bonds Payable**

The Center had the following bonds outstanding at June 30, 2020:

- Parking Enterprise Revenue Bonds, Series 2004B (Series 2004B Parking Bonds)
- Student Fee Revenue Refunding Bonds, Series 2013 (Series 2013 Student Fee Bonds)
- Parking Enterprise Revenue Bonds, Series 2013A (Series 2013A Parking Bonds)
- Parking Enterprise Revenue Refunding Bonds, Series 2015 (Series 2015 Parking Bonds)
- Student Fee Revenue Bonds, Series 2015 (Series 2015 Student Fee Bonds)
- Parking Enterprise Revenue Refunding Bonds, Series 2016 (Series 2016 Parking Bonds)
- Student Fee Revenue Refunding Bonds, Series 2016 (Series 2016 Student Fee Bonds).

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

**(b) Series 2004 Parking Bonds**

On March 10, 2004, the Center issued Series 2004A and 2004B Parking Enterprise Revenue Bonds in the amounts of \$6,550,000 and \$13,012,401, respectively, for the acquisition, construction, and equipping of an 850-car parking garage to be located at the Center and to relocate and construct eight tennis courts at the Center.

The Series 2004B Bonds accrete in value from the date of issuance, compounding semiannually, beginning April 1, 2004. Principal payments began on April 1, 2012 and range from \$75,000 to \$2,295,000. Interest payments also began on April 1, 2012 and range from 3.6% to 5.2%. The final installment is due April 1, 2028.

The Series 2004B Parking Bonds are collateralized by revenue from the operation of parking facilities and earnings on the investment of the issuance's income fund less general operating expenses of those facilities.

At June 30, 2020 and 2019, the Series 2004 Parking Bonds accreted interest of \$533,535 and \$579,655, respectively, and have related prepaid bond costs of \$74,804 and \$83,435, respectively.

**(c) Series 2013 Student Fee Bonds**

On March 7, 2013, the Center issued \$17,040,000 in Series 2013 Bonds for the purpose of current refunding \$15,851,887 of Series 2003 Student Fee Revenue Bonds. These bonds were redeemed on May 1, 2013. As a result, the Series 2003 Bonds are considered defeased and the liability for those bonds has been removed from the Center's statements of net position. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$173,565, and was recorded as a loss on the refunding of the bonds. The deferred amount on refunding is reported in the accompanying statements of net position as a deferred outflow of resources and is being charged to operations through the Fiscal Year 2025. Bonds maturing on or after May 1, 2024 can be called for redemption at the option of the Center's board of directors on or after May 1, 2023 as a whole or in part on any interest payment date, at a redemption price equal to the principal amount of the bonds redeemed, plus accrued interest to the redemption date.

The Center completed the current refunding to reduce its total debt service payments by \$1,618,461 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,583,423.

The Series 2013 Bonds are payable in semiannual installments with annual principal payments ranging from \$345,000 to \$4,550,000 and interest ranging from 2.5% to 4.0%. The final installment is due May 1, 2025. The Series 2013 Student Bonds are collateralized by revenue from student fees assessed for student facilities and earnings on the investment of the issuance's income fund less general operating expenses of those facilities.

At June 30, 2020 and 2019, the Series 2013 Bonds are shown net of a premium of \$534,610 and \$645,220, respectively, and an unamortized deferred loss on refunding of \$68,951 and \$83,217, respectively.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

**(d) Series 2013A Parking Bonds**

On June 5, 2013, the Center issued \$15,680,000 in Series 2013A Parking System Revenue Bonds for the purpose of financing the construction and equipping of a four-story parking garage located at 5th Street and Walnut Street on the Auraria campus. The Series 2013A Parking Revenue Bonds are payable in semiannual installments with annual principal payments ranging from \$55,000 to \$3,150,000 and interest ranging from 2.0% to 5.0%. The final installment is due April 1, 2034. Bonds maturing on or after April 1, 2024 can be called for redemption at par at the option of the Center's board of directors, in whole or in part at any time on or after April 1, 2023. The Series 2013A Bonds are collateralized by revenue from the operation of the parking facilities and earnings on the investment of the issuance's income fund less general operating expenses of those facilities.

At June 30, 2020 and 2019, the Series 2013A Parking Revenue Bonds are shown net of a premium of \$529,544 and \$568,056, respectively, and have related prepaid bond costs of \$86,091 and \$92,352, respectively.

**(e) Series 2015 Parking Bonds**

On February 26, 2015, the Center issued Series 2015 Parking Enterprise Revenue Refunding Bonds in the amount of \$6,030,000 for the purpose of current refunding \$6,550,000 in Series 2004A Parking Bonds. The Center refunded those bonds by placing the proceeds of the Series 2015 Parking Bonds and amounts held in reserve related to the Series 2004A Parking Bonds in an irrevocable trust to provide for the early redemption of the Series 2004A Parking Bonds. The Series 2004A Parking Bonds were redeemed on April 1, 2015. As a result, the Series 2004A Parking Bonds are considered defeased and the liability for those bonds has been removed from the Center's statements of net position.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$52,772. The 2004 Series bonds maturing on or after April 1, 2015 can be called for redemption at the option of the Center's board of directors on or after April 1, 2016 as a whole or in part on any interest payment date, at a redemption price equal to the principal amount of the bonds redeemed plus accrued interest to the redemption date. The Center completed the current refunding to reduce its total debt service payments by \$1,092,180 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$819,439.

The Series 2015 Bonds are payable in semiannual installments with annual principal payments beginning on April 1, 2015 ranging from \$115,000 to \$4,010,000 and interest ranging from 3.0% to 5.0%. The final installment is due April 1, 2029. The Series 2015 Bonds are collateralized by revenue from the operation of parking facilities and earnings on the investment of the issuance's income fund less general operating expenses of those facilities.

At June 30, 2020 and 2019, the Series 2015 bonds are shown net of a premium of \$536,937 and \$598,301, respectively; an unamortized deferred loss on refunding of \$32,787 and \$36,535, respectively; and related prepaid bond costs of \$13,631 and \$15,189, respectively.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

**(f) Series 2015 Student Fee Bonds**

On August 12, 2015, the Center issued Series 2015A (Tax-Exempt) and 2015B (Taxable) Student Fee Revenue Bonds in the amounts of \$5,050,000 and \$250,000, respectively, for the purpose of financing the construction and equipping of the Tivoli Park/Quadrangle, the Tivoli Patio and Coffee Lounge, and other future student gathering spaces throughout the campus. Portions of the proceeds will be advanced by the purchaser upon request of the Center in accordance with the requirements of the Bond Resolution adopted June 24, 2015. An initial advance of \$1,100,000 was made on August 12, 2015: \$850,000 from Series 2015 Tax-Exempt Bonds and \$250,000 from Series 2015 Taxable Bonds. A second advance of \$1,877,488 was made on May 26, 2016 from Series 2015 Tax-Exempt Bonds. The remaining Series 2015 Tax-Exempt bond proceeds were drawn on July 8, 2016 in the amount of \$1,720,903 and August 31, 2016 in the amount of \$601,609.

The Series 2015A Bonds are payable in semiannual installments on May 1 and November 1, with annual principal payments ranging from \$250,000 to \$485,000, a fixed interest rate of 2.66%, and payments commencing on November 1, 2015. Bonds maturing on or after May 1, 2019 can be called for redemption at par at the option of the Center's board of directors, in whole or in part at any time on or after May 15, 2018. The Series 2015B Bonds are due on May 1, 2016. Interest payments began on November 1, 2015 at a fixed rate of 1.25%.

The Series 2015 Fee Student Bonds are collateralized by revenue from student fees assessed for student facilities and spaces and earnings on the investment of the issuance's income fund less general operating expenses of those facilities.

**(g) Series 2016 Parking Bonds**

On March 9, 2016, the Center issued \$5,845,000 in Series 2016 Parking Enterprise Revenue Refunding Bonds, together with other funds of the Center for the purpose of current refunding \$6,370,000 of Series 2006 Parking Enterprise Revenue Refunding Bonds. These bonds were redeemed on April 1, 2016. As a result, the Series 2006 Parking Bonds are considered defeased and the liability for those bonds has been removed from the Center's statements of net position. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$293,338 and was recorded as a loss on the refunding of the bonds. The deferred amount on refunding is reported in the accompanying statements of net position as a deferred outflow of resources and is being charged to operations through Fiscal Year 2026.

The Series 2016 Parking Bonds are subject to redemption prior to the stated maturity at the option of the Center's board of directors, in whole or in part (and if in part, in inverse order of the principal payment dates shown on Schedule I), on or after April 1, 2019 on the dates and at the redemption prices set forth below equal to the principal amount of the Series 2016 Parking Bonds being redeemed plus accrued interest to the redemption date, plus the applicable premium:

<u>Date</u>	<u>Price</u>
April 1, 2019 through March 31, 2020	103%
April 1, 2020 through March 31, 2021	102%
April 1, 2021 through the maturity date	101%

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

The Center completed the current refunding to reduce its total debt service payments by \$835,419 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$762,556.

The Series 2016 Parking Bonds are payable in semiannual installments with annual principal payments ranging from \$480,000 to \$1,090,000 and a fixed interest rate of 1.80%. The final installment is due April 1, 2026. The Series 2016 Parking Bonds are collateralized by revenue from the operation of parking facilities and earnings on the investment of the issuance's income fund less general operating expenses of those facilities.

At June 30, 2020 and 2019, the Series 2016 Bonds have an unamortized deferred loss on refunding of \$166,225 and \$195,559, respectively.

**(h) Series 2016 Student Fee Bonds**

On April 7, 2016, the Center issued \$7,415,000 in Series 2016 Student Fee Revenue Refunding Bonds, together with other funds of the Center, for the purpose of current refunding \$8,570,000 of Series 2006 Student Fee Revenue Refunding Bonds. These bonds were redeemed on May 1, 2016. As a result, the Series 2006 Student Fee Bonds are considered defeased and the liability for those bonds has been removed from the Center's statements of net position. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$196,770, and was recorded as a loss on the refunding of the bonds. The deferred amount on refunding is reported in the accompanying statements of net position as a deferred outflow of resources and is being charged to operations through the Fiscal Year 2021.

The Series 2016 Student Fee Bonds are subject to redemption prior to the stated maturity at the option of the Center's board of directors, in whole or in part (and if in part, in inverse order of the principal payment dates shown on Schedule I) on or after May 1, 2017 on the dates and at the redemption prices set forth below equal to the principal amount of the Series 2016 Student Fee Bonds being redeemed plus accrued interest to the redemption date, plus the applicable premium:

<u>Date</u>	<u>Price</u>
May 1, 2018 through April 30, 2019	102%
May 1, 2019 through the maturity date	101%

The Center completed the current refunding to reduce its total debt service payments by \$452,363 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$435,332.

The Series 2016 Student Fee Bonds are payable in semiannual installments with annual principal payments ranging from \$1,435,000 to \$1,525,000 and a fixed interest rate of 1.40%. The final installment is due May 1, 2021. The Series 2016 Student Bonds are collateralized by revenue from student fees assessed for student facilities and earnings on the investment of the issuance's income fund less general operating expenses of those facilities.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

At June 30, 2020 and 2019, the Series 2016 Bonds have an unamortized deferred loss on refunding of \$29,516 and \$68,870, respectively, and related prepaid bond costs of \$9,880 and \$23,053, respectively.

**(i) Bond Maturity Schedule**

Debt service to maturity for all bonds as of June 30, 2020 is as follows:

Year(s) ending June 30:	Public		Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2021	2,445,000	1,352,500	2,045,000	178,047	6,020,547
2022	4,105,000	1,320,025	855,000	165,186	6,445,211
2023	4,210,000	1,220,700	875,000	147,087	6,452,787
2024	4,315,000	1,117,100	905,000	128,499	6,465,599
2025	6,225,000	1,036,050	935,000	109,242	8,305,292
2026–2030	12,980,000	4,100,500	3,230,000	258,981	20,569,481
2031–2034	11,810,000	1,421,800	485,000	12,901	13,729,701
	<u>46,090,000</u>	<u>11,568,675</u>	<u>9,330,000</u>	<u>999,943</u>	<u>67,988,618</u>
Add premiums, net of discounts	1,601,093	-	-	-	1,601,093
Less unaccreted principal on Series 2004 Parking Bonds	<u>(2,103,680)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,103,680)</u>
	<u><u>45,587,413</u></u>	<u><u>11,568,675</u></u>	<u><u>9,330,000</u></u>	<u><u>999,943</u></u>	<u><u>67,486,031</u></u>

Reserve balances and requirements for outstanding bond issues at June 30, 2020 are as follows:

	<u>Reserve Balance</u>	<u>Required Reserve</u>
Series 2004 and Series 2016 Parking Bonds:		
Debt service reserve	\$ 2,617,574	\$ 2,540,740
Repair and replacement reserve	900,294	572,892
2013 Student Fee Bonds:		
Debt service reserve	\$ 2,024,215	\$ 1,838,574
Repair, replacement, and operation and maintenance reserve	350,000	350,000

As of June 30, 2020 and 2019, the Center believes it was in compliance with all bond covenants and related reserve requirements.

(Continued)



**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

Student bond fees and parking revenue were pledged as follows:

	<b>2020</b>	<b>2019</b>
Revenue source:		
Student fees pledged for bond payments	\$ 5,395,858	\$ 5,854,549
Interest earned on student fees pledged for bond payments	57,503	52,571
Parking revenue	9,017,581	12,304,875
Interest earned on parking revenue	102,358	112,940
Total pledged revenue	<b>\$ 14,573,300</b>	<b>\$ 18,324,935</b>

**(j) Capitalized Leases**

The Center is obligated under leases accounted for as capital leases. Assets under capital leases are included in the statements of net position at June 30, 2020 and 2019 as follows:

<b>June 30, 2020</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>
Administrative building	\$ 15,518,172	\$ 11,592,578	\$ 3,925,594
Land	14,983,536	-	14,983,536
Science building	97,807,826	36,927,984	60,879,842
Science building equipment	1,050,330	943,606	106,724
Total capitalized leases	<b>\$ 129,359,864</b>	<b>\$ 49,464,168</b>	<b>\$ 79,895,696</b>
<b>June 30, 2019</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>
Administrative building	\$ 15,518,172	\$ 11,610,544	\$ 3,907,628
Land	14,983,536	-	14,983,536
Science building	97,807,826	32,542,591	65,265,235
Science building equipment	1,050,330	870,435	179,895
Total capitalized leases	<b>\$ 129,359,864</b>	<b>\$ 45,023,570</b>	<b>\$ 84,336,294</b>

**(k) Series 2017 Refunding Certificates of Participation**

On September 26, 2017, the Center issued Series 2017 Refunding Certificates of Participation (COP) in the amount of \$12,560,000 for the purpose of advance refunding and defeasing \$11,345,000 in Series 2008 Certificates of Participation. The Center refunded those COPs by placing the proceeds of the Series 2017 Certificates of Participation in a special fund and trust account with Wells Fargo Bank, escrow agent, to provide for the May 1, 2019 redemption of Series 2008 Certificates maturing on and after May 1, 2019 pursuant to the optional redemption provisions of the 2008 Indenture.

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$836,562 and was recorded as a loss on the refunding of the COP. The deferred amount on refunding is reported in the accompanying statements of net position as a deferred outflow of resources and is being charged to operations through the Fiscal Year 2028. The Center completed the advance refunding to reduce its total debt service payments by \$1,522,130 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,334,421.

The Series 2017 COP can be called for redemption at the option of the Center's board of directors, in whole or in part on any date, upon thirty (30) days prior written notice, at a redemption price equal to the principal amount of the bonds redeemed plus accrued interest to the redemption date.

The Series 2017 COP are payable in semiannual installments with annual principal payments beginning on May 1, 2018 ranging from \$1,015,000 to \$1,255,000 and interest rate at 2.42%. The final installment is due May 1, 2028.

At June 30, 2020 and 2019, the Series 2017 COP have an unamortized deferred loss on refunding of \$619,187 and \$698,233, respectively.

**(I) Administrative Facility Series 2015**

On March 26, 2015, the Center issued Series 2015 COP in the amount of \$13,060,000 for the purpose of current refunding \$12,635,000 in Series 2005 Certificates of Participation. The Center refunded those COPs by placing the proceeds of the Series 2015 Certificates of Participation in an irrevocable trust to provide for the early redemption of the Series 2005 Certificates of Participation. The Series 2005 Certificates of Participation were redeemed on May 1, 2015. As a result, the Series 2005 COP are considered defeased and the liability for those COP has been removed from the Center's statements of net position.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$732,655 and was recorded as a loss on the refunding of the COP. The deferred amount on refunding is reported in the accompanying statements of net position as a deferred outflow of resources and is being charged to operations through the Fiscal Year 2028. The Series 2015 COP can be called for redemption at the option of the Center's board of directors on or after May 1, 2016 as a whole or in part on any interest payment date, at a redemption price equal to the principal amount of the bonds redeemed plus accrued interest to the redemption date. The Center completed the current refunding to reduce its total debt service payments by \$1,767,125 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,531,999.

The Series 2015 COP are payable in semiannual installments with annual principal payments beginning on May 1, 2015 ranging from \$820,000 to \$1,065,000 and interest rate at 2.2%. The final installment is due May 1, 2028.

At June 30, 2020 and 2019, the Series 2015 COP have an unamortized deferred loss on refunding of \$438,660 and \$494,659, respectively.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

***(m) Land Acquisition Series 2008***

On December 30, 2008, the Center entered into an agreement to finance the acquisition of approximately 13.54 acres of land located south of West Colfax Avenue and west of Rio Court near the Campus. Issuance of Certificates of Participation (Series 2008 Land Acquisition Certificates) in the amount of \$16,500,000 was used to fund the project. The Center has entered into a leased property agreement with the three constituent institutions in order to finance the property acquisition. The institutions share 50% of the costs of debt service through their lease payments to the Center.

Effective November 1, 2013, based on the provisions of a Memorandum of Understanding entered into August 24, 2011 by the three constituent institutions and the Center, which amends and supplements the original leased property agreement, MSU Denver assumed responsibility for the entire 50% institutional share of the costs of the land debt service, while the Center will continue to fund the other 50% of debt service costs. MSU Denver assumed CU Denver and CCD's obligation under the original lease property agreement in exchange for paying for their respective shares of the \$3 million electrical infrastructure upgrade that was completed in March 2014, and was critical to the ongoing campus wide building expansion defined in the Campus Master Plan.

The Series 2008 Land Acquisition Certificates are payable in semiannual installments with annual principal payments ranging from \$450,000 to \$1,355,000, maturing on May 1, 2028, and have an interest rate of 6.0%.

At June 30, 2020 and 2019, the Series 2008 Land Acquisition Certificates did not have an unamortized discount. Series 2008 Land Acquisition Certificates were defeased on September 26, 2017 with the proceeds of the Series 2017 Refunding Certificates of Participation and were redeemed on May 1, 2019.

***(n) State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008***

On November 6, 2008, the Treasurer completed a lease purchase agreement under which a Trustee (Wells Fargo Bank, National Association) issued \$230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (the Certificates). The Certificates were issued at a net premium of \$180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carry coupon rates ranging from 3.00% to 5.50% with a total interest cost of 5.40%. The Certificate proceeds will be used to fund renovations, additions, and new construction at 12 state institutions of higher education and are collateralized with existing properties at 11 of the 12 institutions. C.R.S. § 23-1-106.3 enacted in the 2008 session of the Colorado State General Assembly authorized the lease purchase and limited the lease payments to average \$16.2 million for the first 10 years and \$16.8 million for the second 10 years. The legislation envisions annual appropriations of Federal Mineral Lease program revenue to fund the semiannual lease payments required. Annual lease payments are made by the State and are subject to annual appropriations by the Legislature. As a result, the portion of the liability related to the Center of \$63,619,181 is recognized by the State and not included in the Center's financial statements.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

On November 6, 2008, certificate proceeds were allocated to the Science Building renovation and addition project on the Campus in the amount of \$83,752,598 with \$63,619,181 funded through state appropriations and \$20,133,417 to be paid by the Center to the State. The Center pledged the Library/Media Center building and the King Center building as collateral for the project.

The Certificates are payable in semiannual installments with annual principal payments ranging from \$493,645 to \$1,590,823, with final payment maturing on November 1, 2027, and have an interest rate of 5.2%.

**(o) Future Minimum Lease Payments**

The following is a schedule of future minimum lease payments under all capital leases for the year ended June 30, 2020:

Year(s) ending June 30:	State		Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2021	1,091,947	555,203	-	349,314	1,996,464
2022	1,150,381	497,444	1,970,000	420,579	4,038,404
2023	1,212,305	433,045	2,020,000	372,257	4,037,607
2024	1,278,153	371,309	2,065,000	322,717	4,037,180
2025	1,348,798	299,402	2,125,000	272,047	4,045,247
2026–2029	<u>4,521,288</u>	<u>424,262</u>	<u>8,960,000</u>	<u>556,276</u>	<u>14,461,826</u>
	10,602,871	2,580,666	17,140,000	2,293,188	32,616,725
Less unamortized discount	-	-	-	-	-
	<u>\$ 10,602,871</u>	<u>\$ 2,580,666</u>	<u>\$ 17,140,000</u>	<u>\$ 2,293,188</u>	<u>\$32,616,725</u>

**(p) Ground Leases**

On November 13, 2009, the Center entered into an interagency ground lease with MSU Denver to lease land occupied by their new Student Success Building. The new building added an estimated 145,000 square feet of space on campus for classrooms and faculty offices, specifically for MSU Denver students and professors, and will provide students with a central location for a wide range of MSU Denver support services. The groundbreaking for the building was held on December 3, 2010, with an opening date of March 2012.

The term of this lease shall be 50 years and rent in the amount of \$1 for the term of the lease was paid in advance in full upon execution of the lease agreement. In addition, MSU Denver paid \$10,000 to reimburse reasonable out-of-pocket legal expenses incurred by the Center. MSU Denver shall be solely responsible for any and all operating expenses of the premises and improvements.

On October 28, 2010, the Center entered into an interagency ground lease with MSU Denver to lease land occupied by their new Hotel and Hospitality Learning Center. The new structure includes a 150-room hotel and conference center as well as an additional 28,000 square feet of space, including classrooms, specialty learning labs, and faculty offices, to provide hands-on training opportunities for students in MSU Denver's Hospitality, Tourism, and Events Department.

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

The term of this lease shall be 50 years and rent in the amount of \$1 for the term of the lease was paid in advance in full upon execution of the lease agreement. In addition, MSU Denver paid \$15,000 to reimburse reasonable out-of-pocket legal expenses incurred by the Center. MSU Denver shall be solely responsible for any and all operating expenses of the premises and improvements.

On December 22, 2011, the Center entered into an interagency ground lease with CCD to lease land occupied by their new building, Confluence. The new building added an estimated 87,000 square feet of space on campus for classrooms, administrative offices, and a wide range of CCD support services. The term of this lease shall be 50 years and rent in the amount of \$1 for the term of the lease was paid in advance in full upon execution of the lease agreement. In addition, CCD paid \$10,000 to reimburse reasonable out-of-pocket legal expenses incurred by the Center. CCD shall be solely responsible for any and all operating expenses of the premises and improvements.

On February 1, 2012, the Auraria Foundation donated 0.57 acres of land located at 1030 St. Francis Way on the Auraria Campus with an estimated market value of \$831,552 to the Center. The property is the site location of the St. Francis Center, a building formerly owned by the Auraria Foundation. Upon receipt of the donated land, the Center subsequently entered into an interagency ground lease with CCD to lease the donated land so that CCD could purchase the St. Francis Center building from the Auraria Foundation.

The term of this lease shall be 50 years and rent in the amount of \$1 for the term of the lease was paid in advance in full upon execution of the lease agreement. In addition, CCD paid \$10,000 to reimburse reasonable out-of-pocket legal expenses incurred by the Center. CCD shall be solely responsible for any and all operating expenses of the premises and improvements.

On November 14, 2012, the Center entered into an interagency ground lease with CU Denver to lease land on which their new Academic Building was constructed. The new building added an estimated 120,000 square feet of space on campus for their College of Liberal Arts and Sciences, as well as a wide range of CU Denver support services.

The term of this lease shall be 50 years and rent in the amount of \$1 for the term of the lease was paid in advance in full upon execution of the lease agreement. In addition, CU Denver paid \$10,000 to reimburse reasonable out-of-pocket legal expenses incurred by the Center. CU Denver shall be solely responsible for any and all operating expenses of the premises and improvements.

On October 14, 2015, the Center entered into an interagency ground lease with MSU Denver to lease land on which their new Aerospace Engineering Sciences (AES) building is being constructed. The new building will add an estimated 142,000 square feet of space on campus and will house five programs as part of the initiative fostering advantageous connections between aviation; aerospace sciences; civil, electrical, and mechanical engineering technology; and computer information systems and computer science. In addition, the AES initiative will include Colorado's only Institute for Advanced Manufacturing. The term of this lease shall be 50 years and rent in the amount of \$1 for the term of the lease was paid in advance in full upon execution of the lease agreement. In addition, MSU Denver paid \$10,000 to reimburse reasonable out-of-pocket legal expenses incurred by the Center. MSU Denver shall be solely responsible for any and all operating expenses of the premises and improvements.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 5 – LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

On January 21, 2016, the Center entered into an interagency ground lease with CU Denver to lease land on which their new CU Denver Wellness Center was constructed. The new building added an estimated 85,000 square feet of space on campus and includes weight and fitness studios, basketball courts, a rock climbing wall, wellness and information center, training and assessment rooms, social lounge, locker rooms, and a multiactivity court.

The term of this lease is 50 years and rent in the amount of \$1 for the term of the lease was paid in advance in full upon execution of the lease agreement. In addition, CU Denver paid \$10,000 to reimburse reasonable out-of-pocket legal expenses incurred by the Center. CU Denver shall be solely responsible for any and all operating expenses of the premises and improvements.

On July 16, 2019, the Center entered into an interagency ground lease with CU Denver to lease land on which their new CU Denver First Year Student Housing building will be constructed. The new residence hall will include 550 beds and student dining.

The term of this lease shall be 50 years and rent in the amount of \$1 for the term of the lease was paid in advance in full upon execution of the lease agreement. In addition, CU Denver paid \$15,000 to reimburse reasonable out-of-pocket legal expenses incurred by the Center. CU Denver shall be solely responsible for any and all operating expenses of the premises and improvements.

**NOTE 6 – STATE CONTRIBUTIONS AND ALLOCATIONS FROM OTHER STATE AGENCIES**

The Colorado State General Assembly establishes spending authority for the Center in its annual Long Appropriations Bill (Long Bill). Long Bill–appropriated funds may include an amount from the State's General Fund as well as certain cash funds. The source of nearly all appropriated funds for the Center is cash, primarily in the form of appropriated funds transferred from the constituent institutions. Other sources of appropriated cash funds are the sale of goods and services and certain other revenue.

For the year ended June 30, 2020, appropriated current fund expenditures were within the authorized spending authority. The Center had total current funds appropriations of \$21,514,461 for which the constituent institutions funded \$21,514,461. The constituent institutions also provided nonappropriated funding of \$2,000,000 for various deferred maintenance projects. An additional amount of \$569,289 was provided by MSU Denver and CU Denver in lease payments related to the financed portion of the Science Building Project. MSU Denver provided additional nonappropriated funding of \$642,009 to fund a portion of the debt service payments on the additional 13 acres of land purchased in December 2008.

For the year ended June 30, 2019, appropriated current fund expenditures were within the authorized spending authority. The Center had total current funds appropriations of \$20,901,970 for which the constituent institutions funded \$20,901,970. The constituent institutions also provided nonappropriated funding of \$1,900,000 for various deferred maintenance projects. An additional amount of \$622,853 was provided by MSU Denver and CU Denver in lease payments related to the financed portion of the Science Building Project. MSU Denver provided additional nonappropriated funding of \$644,291 to fund a portion of the debt service payments on the additional 13 acres of land purchased in December 2008.

All other revenue, expenditures, and transfers reported by the Center represent nonappropriated funds and are excluded from the annual appropriations bill. Nonappropriated funds include certain grants and contracts, gifts, certain revenue of auxiliary, self-funding activities, and miscellaneous revenue.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 7 - Defined Benefit Pension Plan**

**(a) Summary of Significant Accounting Policies**

*Pensions.* Auraria Higher Education Center (the Center) participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 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.

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.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of *June 30, 2020*.

**(b) General Information about the Pension Plan**

*Plan description.* Eligible employees of the Center are provided with pensions through the SDTF—a cost-sharing multiple-employer defined benefit pension plan 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 (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2019.* 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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

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

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

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

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, 2019, 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., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. 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 disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

*Contributions provisions as of June 30, 2020:* Eligible employees of, The Center and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of January 1, 2018 through June 30, 2020 are summarized in the table below:

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employee contribution  (all employees except State Troopers)	8.00%	8.75%	10.00%
State Troopers Only	10.00%	10.75%	12.00%

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

(Continued)



**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

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

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employer contribution rate	10.15%	10.40%	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%
Amount apportioned to the SDTF	9.13%	9.38%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
<b>Total employer contribution rate to the SDTF</b>	<b>19.13%</b>	<b>19.38%</b>	<b>19.88%</b>

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

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

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

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2019
Employer contribution rate	12.85%	13.10%	13.60%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%
Amount apportioned to the SDTF	11.83%	12.08%	12.58%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
<b>Total employer contribution rate to the SDTF</b>	<b>21.83%</b>	<b>22.08%</b>	<b>22.58%</b>

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Center is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Center were for the years ended 2020 and 2019 were \$3,077,146 and \$3,131,312.

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

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

The net pension liability for the SDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The Center proportion of the net pension liability was based on The Center contributions to the SDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2020, and June 30, 2019, the Center reported a liability of \$49,888,384 and \$59,157,707, respectively, for its proportionate share of the net pension liability. The amount recognized by the Center as its proportionate share of the net pension liability, and the related support from the State were as follows:

The Center's proportionate share of the net pension liability	\$49,888,384
The State's on-behalf contributions	\$396,321

At December 31, 2019, the Center's proportion was .5141 percent, which was a decrease of .0058 from its proportion measured as of December 31, 2018.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

For the years ended June 30, 2020 and 2019, the Center recognized pension expense of \$14,053,108 and \$7,301,775, respectively. For the years ended June 30, 2020 and 2019, the Center recognized revenue of \$396,321, and \$408,062, respectively, for support from the State.

At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected an actual experience	\$ 1,863,940	\$ -
Change in assumptions or other inputs	-	14,309,063
Net difference between projected and actual earnings on pension plan investments	-	5,374,883
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	<u>741,477</u>
	<u>1,863,940</u>	<u>20,425,423</u>
Contributions subsequent to the measurement date	<u>1,530,365</u>	<u>-</u>
	<b><u>\$ 3,394,305</u></b>	<b><u>\$ 20,425,423</u></b>

At June 30, 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected an actual experience	\$ 1,691,712	\$ -
Change in assumptions or other inputs	3,114,954	30,548,125
Net difference between projected and actual earnings on pension plan investments	2,988,135	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	<u>17,122</u>	<u>671,720</u>
	<u>7,811,923</u>	<u>31,219,845</u>
Contributions subsequent to the measurement date	<u>1,593,021</u>	<u>-</u>
	<b><u>\$ 9,404,944</u></b>	<b><u>\$ 31,219,845</u></b>

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

\$1,530,365 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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:	
2021	\$ (15,159,709)
2022	(1,361,688)
2023	(210,961)
2024	<u>(1,829,127)</u>
	<u>\$ (18,561,485)</u>

*Actuarial assumptions.* The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 %
Real wage growth	1.10 %
Wage inflation	3.50 %
Salary increases, including wage inflation	3.50 – 9.17 %
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 %
Discount rate	7.25 %
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) <sup>1</sup>	1.25 % compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) <sup>1</sup>	Financed by the Annual Increase Reserve

<sup>1</sup> For 2019, the annual increase was 0.00 percent.

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 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.

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

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF'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 of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

*Sensitivity of the Center's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

Year ended June 30, 2020:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	\$ 64,179,869	\$ 49,888,384	\$ 37,794,268

Year ended June 30, 2019:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	\$ 73,543,212	\$ 59,157,707	\$ 46,986,258

*Pension plan fiduciary net position.* Detailed information about the SDTF's fiduciary net position is available in PERA's CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**(c) Other Pension Plans**

Voluntary Investment Program (PERAPlus 401(k) Plan)

*Plan Description* - Employees of the Center 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 CAFR which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the Center has agreed to match employee contributions up to 0 percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2020, program members contributed \$75,564 and the Center recognized pension expense and a liability of \$0 and \$75,564, respectively, for the Voluntary Investment Program.

---

(Continued)



**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

Defined Contribution Retirement Plan (PERA 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). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. 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 CAFR as referred to above.

*Funding Policy* – All participating employees in the PERA DC Plan and the Center are required to contribute a percentage of the participating employees’ PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period January 1, 2019 through June 30, 2020 are summarized in the tables below:

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employee Contribution Rates:			
Employee contribution (all employees except State Troopers)	8.00%	8.75%	10.00%
State Troopers Only	10.00%	10.75%	12.00%
Employer Contribution Rates:			
On behalf of all employees except State Troopers)	10.15%	10.40%	10.90%
State Troopers Only	12.85%	13.10%	13.60%

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2020 and 2019

---

**NOTE 7 - Defined Benefit Pension Plan (Continued)**

Additionally the employers are required to contribute AED and SAED to the SDTF as follows:

	<i>As of June 30, 2020</i>
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%
<b>Total employer contribution rate to the SDTF<sup>1</sup></b>	<b>10.00%</b>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 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 \$3,605 and the Center recognized contributions of \$4,182, for the PERA DC Plan.

PERAPlus 457 Plan

The PERA Deferred Compensation Plan (457 Plan) 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 2019, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by the percentage of their PERA contribution) to a maximum of \$19,000. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,000 contribution in 2019. Contributions and earnings are tax-deferred. At December 31, 2019, the Plan had 4 participants.

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

**(a) Summary of Significant Accounting Policies**

*OPEB.* The Center 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.

---

(Continued)

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

**(b) General Information about the OPEB Plan**

*Plan description.* Eligible employees of the Center 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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

*PERA Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

---

(Continued)

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

*DPS Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Center is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Center were \$161,955 and \$166,960 for the years ended 2020 and 2019, respectively.

**(c) OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020, the Center reported a liability of \$2,031,611 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The Center's proportion of the net OPEB liability was based on the Center's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF. At June 30, 2019, the Center reported a liability of \$2,537,390 for its proportionate share of the net OPEB liability.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

At December 31, 2019, the Center's proportion was .1807 percent, which was a decrease of .0058 percent from its proportion measured as of December 31, 2018. At December 31, 2018, the Center's proportion was .1865 percent, which was a decrease of .0023 percent from its proportion measured as of December 31, 2017.

For the years ended June 30, 2020 and 2019, the Center recognized OPEB expense of \$(60,462) and \$28,474, respectively.

At June 30, 2020 and 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2020	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$6,742	\$341,385
Changes of assumptions or other inputs	16,855	-
Net difference between projected and actual earnings on OPEB plan investments	-	33,910
Changes in proportion and differences between contributions recognized and proportionate share of contributions	33	109,021
Contributions subsequent to the measurement date	80,546	-
Total	\$104,176	\$484,316

June 30, 2019	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$9,209	\$3,862
Changes of assumptions or other inputs	17,800	-
Net difference between projected and actual earnings on OPEB plan investments	14,592	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	57,503
Contributions subsequent to the measurement date	84,939	-
Total	\$126,540	\$61,365

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

\$80,546 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, 2021. 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:		
2021	\$	(97,616)
2022		(97,613)
2023		(87,794)
2024		(93,833)
2025		(79,094)
2026		(4,736)
		(460,686)
	\$	(460,686)

*Actuarial assumptions.* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 %
Real wage growth	1.10 %
Wage inflation	3.50 %
Salary increases, including wage inflation	3.50 % in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 %
Discount rate	7.25 %
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 %
PERACare Medicare plans	5.60 % in 2019, gradually decreasing to 4.50 % in 2029
Medicare Part A premiums	3.50 % in 2019, gradually increasing to 4.50 % in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2020 and 2019

---

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	571

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2018, 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.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

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
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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.

Post-retirement non-disabled 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.

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.

---

(Continued)



**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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%
<b>Total</b>	<b>100.00%</b>	

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

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 percent.

*Sensitivity of the Center'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:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
<u>2020</u>			
PERACare Medicare trend rate	4.60%	5.60%	6.60%
Initial Medicare Part A trend rate	3.50%	4.50%	5.50%
Ultimate Medicare Part A trend rate	2.50%	3.50%	4.50%
Net OPEB Liability	\$1,983,351	\$2,031,611	\$2,087,379
<u>2019</u>			
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$2,467,322	\$2,537,390	\$2,617,979

*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, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

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 Center’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:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
<u>June 30, 2020</u>			
Proportionate share of the net OPEB liability	\$2,297,145	\$2,031,611	\$1,804,524
<u>June 30, 2019</u>			
Proportionate share of the net OPEB liability	\$2,839,117	\$2,537,390	\$2,279,439

*OPEB plan fiduciary net position.* Detailed information about the HCTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 9 – LAND CONDEMNATION**

On December 30, 2008, Certificates of Participation (Series 2008 Land Acquisition Certificates) in the amount of \$16,500,000 were issued pursuant to a Mortgage and Indenture of Trust, dated as of December 1, 2008, as amended and supplemented, by and between Wells Fargo Bank, National Association, as grantor, and Wells Fargo Bank, National Association, as trustee, to finance the acquisition of approximately 13.54 acres of land, located south of West Colfax Avenue and west of Rio Court near the Campus, to be used for recreational and athletic field purposes by the Constituent Institutions.

On October 7, 2010, the Regional Transportation District (RTD) filed a Petition in Condemnation to acquire 1.04 acres of the aforementioned 13.54 acres of land. On December 8, 2010, the Court granted immediate possession of the property to RTD, including any and all claims, rights, title, interests, easements, liens, encumbrances, reversionary interests, and rights of entry, upon payment of just compensation in the amount of \$1,515,700. The 1.04 acres of land that was condemned by RTD was purchased on December 30, 2008 at a cost of \$1,516,464, resulting in a net loss on the condemnation of this property of \$25,344.

---

(Continued)

**AURARIA HIGHER EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

---

**NOTE 9 – LAND CONDEMNATION** (Continued)

Net proceeds from the land condemnation with interest and gains in the amount of \$1,664,821 are currently being held by UMB Bank, as trustee, until these funds are needed to pay the final debt service obligations on the Series 2017 Refunding Certificates of Participation, with final maturity on May 1, 2028. These proceeds are included in restricted cash and cash equivalents at June 30, 2020.

**NOTE 10 – RISK MANAGEMENT**

The Center is subject to risks of loss from liability for accident, property damage, and personal injury. These risks are managed by the State Division of Risk Management, an agency formed by statute and funded by the Long Bill. Therefore, the Center is not required to obtain additional insurance, and accordingly, no reduction occurred in coverage nor did any settlements exceed coverage. The Center does not retain risk of loss except for damage incurred to property belonging to the State, limited to a \$5,000 deductible per incident. This deductible rate has been effective since June 7, 2010, when HB-10-1181 was signed into law increasing the property loss claim deductible from \$1,000 to \$5,000 per incident.

The State Division of Risk Management is deemed to be a public entity risk pool; therefore, under the Governmental Immunity Act, the Center is protected from claims by the Doctrine of Sovereign Immunity except under certain circumstances in which immunity is waived.

**NOTE 11 – CONCENTRATIONS OF CREDIT RISK**

Operating revenue consists of revenue from the constituent institutions, student fees, auxiliary enterprises, and fees for services and facilities provided by the Center. This revenue currently covers the costs of operating the Campus.

**NOTE 12 – LITIGATION**

The Center is at times involved in litigation arising from the normal course of business. Management has consulted with legal counsel and estimates that these matters will be resolved without a material impact on the operations or financial position of the Center.

**NOTE 13 – SUBSEQUENT EVENT**

On August 4, 2020, three bonds held by Auraria Higher Education Center (2015 COPS, 2015 SF Bonds, 2017 Land COPS) were modified by deferring the next annual principal payment and extending the maturity date by one year each. The June 30, 2020 financial statements have been adjusted to reflect these modifications.

**REQUIRED SUPPLEMENTARY INFORMATION**

**AURARIA HIGHER EDUCATION CENTER**  
 Required Supplementary Information  
 June 30, 2020 and 2019

The schedule of proportionate share of net pension liability and schedule of employer contributions present multiyear trend information for the last 10 fiscal years. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

The following schedules are for the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined-benefit pension fund administered by the PERA of Colorado for the following years:

<b>Schedule of proportionate share of the net pension liability</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
AHEC's proportion of the net pension liability	0.51411%	0.51990%	0.52274%	0.53282%	0.52015%	0.53256%
AHEC's proportionate share of the net pension liability	\$ 49,888,384	\$ 59,157,707	\$ 104,642,140	\$ 97,869,336	54,777,089	50,094,957
AHEC's covered payroll	17,005,358	16,358,098	16,091,172	16,030,265	15,222,897	15,070,368
AHEC's proportionate share of the net pension liability as a percentage of its covered payroll	293.4%	361.6%	650.3%	610.5%	359.8%	332.4%
Plan fiduciary net position as a percentage of the total pension liability	62.2%	55.1%	43.2%	42.6%	56.1%	59.8%

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.*

**AURARIA HIGHER EDUCATION CENTER**  
Required Supplementary Information  
June 30, 2020 and 2019

---

**Notes to Required Supplementary Information (Net Pension Liability) – Fiscal Year 2020 Changes in benefit terms and actuarial assumptions**

Changes in assumptions or other input effective for the December 31, 2019 measurement period are as follows:

- The assumption used to value the annual increase (AI) cap benefit provision was changed from 1.50% to 1.25%.

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follow:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

**AURARIA HIGHER EDUCATION CENTER**  
 Required Supplementary Information  
 June 30, 2020 and 2019

<u>Schedule of employer contributions</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 3,077,146	\$ 3,131,312	\$ 2,944,776	\$ 2,767,338	\$ 2,505,828	\$ 2,355,939
Contributions in relation to the statutorily required contribution	<u>(3,077,146)</u>	<u>(3,131,312)</u>	<u>(2,944,776)</u>	<u>(2,767,338)</u>	<u>(2,505,828)</u>	<u>(2,355,939)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
AHEC's covered payroll	\$ 16,562,787	\$ 17,039,780	\$ 15,977,931	\$ 16,030,265	\$ 15,222,897	\$ 15,070,368
Contributions as a percentage of covered payroll	18.58%	18.38%	18.43%	17.26%	16.46%	15.63%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.*



**AURARIA HIGHER EDUCATION CENTER**

Required Supplementary Information

June 30, 2020 and 2019

The schedule of proportionate share of net OPEB liability and schedule of employer contributions present multiyear trend information for the last 10 fiscal years. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

The following schedules are for the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined-benefit OPEB fund administered by the PERA of Colorado for the following years:

**Schedule of proportionate share of the net OPEB liability**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
AHEC's proportion of the net OPEB liability	0.18075%	0.18650%	0.18900%
AHEC's proportionate share of the net OPEB liability	\$ 2,031,611	\$ 2,537,390	\$ 2,454,498
AHEC's covered payroll	17,005,358	16,358,098	16,091,172
AHEC's proportionate share of the net OPEB liability as a percentage of its covered payroll	11.9%	15.5%	15.3%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	17.0%	17.5%

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.*

**Schedule of employer contributions**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Statutorily required contribution	\$ 161,955	\$ 166,960	\$ 157,014
Contributions in relation to the statutorily required contribution	(161,955)	(166,960)	(157,014)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
AHEC's covered payroll	\$ 16,562,787	\$ 17,039,780	\$ 15,977,931
Contributions as a percentage of covered payroll	1.0%	1.0%	1.0%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.*

**AURARIA HIGHER EDUCATION CENTER**  
Required Supplementary Information  
June 30, 2020 and 2019

---

**Notes to Required Supplementary Information (Other Post-Employment Benefits) – Fiscal Year 2020**  
**Changes in benefit terms and actuarial assumptions**

There were no changes made to the actuarial methods or assumptions for the December 31, 2019 measurement period for OPEB.

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

**INDEPENDENT AUDITOR'S 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**

Members of the  
Legislative Audit Committee  
and Auraria Higher Education Center  
Board of Directors  
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 the business-type activities of Auraria Higher Education Center (the "Center"), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 7, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 a 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 a combination of deficiencies. A significant deficiency is a deficiency or a 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is 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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, upon release by the Legislative Audit Committee, this report is a public document.

*Crowe LLP*

Crowe LLP

Denver, Colorado  
December 7, 2020

Members of the  
Legislative Audit Committee  
and Auraria Higher Education Center  
Board of Directors  
Denver, Colorado

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

#### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the Center for further information on the responsibilities of management and of Crowe LLP.

#### **AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS**

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS**

Our responsibility for other information in documents containing the Center's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in the Center's report, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## **SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES**

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. The significant accounting policies used by the Center are described in Note 1 to the financial statements.

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

Management's estimates include the allowance for uncollectible receivables, the period to depreciate capital assets owned by the Center, accrued compensated absences, net pension liability and the net OPEB liability. We evaluated the key factors and assumptions used to develop these estimates, including possible management bias in developing the estimates, in determining that the estimates are reasonable in relation to the financial statements as a whole.

## **CORRECTED AND UNCORRECTED MISSTATEMENTS**

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements.

## **DISAGREEMENTS WITH MANAGEMENT**

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' report on the Center's financial statements.

## **MANAGEMENT'S CONSULTATION WITH OTHER ACCOUNTANTS**

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2020.

## **SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT TO CORRESPONDENCE, WITH MANAGEMENT**

Major Issues Discussed with Management prior to Retention: We generally discuss a variety of matters with the board of directors and management each year prior to our retention by you as the Center's auditors. However, these matters occurred in the normal course of our professional relationship and responses were not a condition to our retention.

Material Written Communications: Management has been provided copies of the following material written communications between management and us:

1. Engagement letter; and
2. Management representation letter

**SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE AUDIT**

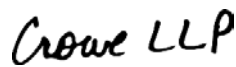
We encountered no significant difficulties in dealing with management in performing our audit.

**INDEPENDENCE**

Confirmation of Audit Independence: We hereby confirm that as of December 7, 2020, we are independent accountants with respect to the Center under relevant professional and regulatory standards.

\* \* \* \* \*

This letter to the Legislative Audit Committee is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the Center's board of directors, and management, and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee this report is a public document.



Crowe LLP

Denver, Colorado  
December 7, 2020