AURARIA HIGHER EDUCATION CENTER

Financial and Compliance Audit
Fiscal Years ended June 30, 2021 and 2020
(With Independent Auditors' Reports Thereon)

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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, 2021 and 2020. 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 2021 to November 2021.

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, 2021 and 2020. 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, 2021 and 2020.

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 2021.

Summary of Prior Year Findings

There were no prior year findings and recommendations that remain outstanding as of the Fiscal Year 2021 audit.

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 (closed April 2021); 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.

Crowe LLP
Independent Member Crowe Global

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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 70 to 76 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 January 10, 2022, 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
January 10, 2022

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, 2021 and June 30, 2020 with comparable information for 2019. 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 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 and therefore, proceeded with the implementation of GASB 84 effective for the year ended June 30, 2020. 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 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.

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, 2021 and 2020, total assets and deferred outflows of resources of the Center exceeded total liabilities and deferred inflows of resources by $128.0 million and $112.5 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 decreased by $328 thousand in Fiscal Year 2021 as compared to a $9.9 million increase in Fiscal Year 2020. 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 $128.0 million at June 30, 2021 was significantly impacted by PERA net pension and OPEB liabilities and their related deferred outflows and inflows, as shown below (in thousands):

	2021	2020	2019
Net position (GAAP) basis	$ 128,009	$ 112,590	$ 88,248
Add: GASB 68 – Net Pension impact[1]	52,029	66,919	80,973
Add: GASB 75 – Net OPEB impact[2]	2,244	2,412	2,471
Net position (excluding pension and OPEB)	$ 182,282	$ 181,921	$ 171,692
Net pension liability	$ 44,441	$ 49,888	$ 59,158
Deferred inflows – pension obligations	13,123	20,425	31,220
Deferred outflows – pension obligations	(5,535)	(3,394)	(9,405)
GASB 68 – Net pension impact[1]	$ 52,029	$ 66,919	$ 80.973
Net OPEB liability	$ 1,577	$ 2,032	$ 2,537
Deferred inflows – OPEB obligations	755	484	61
Deferred outflows – OPEB obligations	(87)	(104)	(127)
GASB 75 – Net OPEB impact[2]	$ 2,245	$ 2,412	$ 2,471

The Center's total net position increased by $15.4 million in Fiscal Year 2021 as compared to a $24.3 million increase in Fiscal Year 2020. In Fiscal Year 2021, $15.0 million of the increase was attributable to a reduction in PERA pension and OPEB expenses. The remaining $0.4 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, 2021 and June 30, 2020, which represents 6.1% of net position in 2021 and 7.0% of net position in 2020, respectively.

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 $(30.6) million as of June 30, 2021 compared to $(46.4) million as of June 30, 2020. The Center's unrestricted net position at June 30, 2021 was significantly impacted by PERA net pension and OPEB liabilities and their related deferred outflows and inflows, as shown below (in thousands):

	2021	2020	2019
Unrestricted net position	$ (30,620)	$ (46,380)	$ (60,838)
Add: GASB 68 – Net pension impact	52,029	66,919	80,973
Add: GASB 75 – Net OPEB impact	2,245	2,412	2,471
Unrestricted net position (excluding pension and OPEB)	$ 23,654	$ 22,951	$ 22,606

From Fiscal Year 2020 to 2021, total assets and deferred outflows of resources decreased $7.8 million primarily due to a decrease in net capital assets of $3.4 million and a $3.9 million decrease in cash and cash equivalents. The primary reasons for the decrease in net capital assets is due to current year depreciation as well as a $1.5 million disposal of the telephone system. For that same period, total liabilities and deferred inflows decreased by $23.2 million primarily due to the significant decrease in pension obligations and deferred inflow on pension obligations, as well as a decrease to long-term debt and capital lease obligations. The decrease in long-term debt and capital lease obligations was due to payments being made on the outstanding obligations and the fact there was no new debt acquired during Fiscal Year 2021. For additional information and detail on the long-term debt and capital lease obligations see Note 5 of the financial statements.

Condensed Statements of Net Position

	2021	2020	2019
		(in thousands)	
Assets:			
Current assets	$ 26,182	$ 31,240	$ 28,005
Capital assets, net	219,072	222,449	218,725
Other noncurrent assets	20,056	21,284	22,206
Total assets	265,310	274,973	268,936
Deferred outflows of resources	6,766	4,854	11,109
Total assets and deferred outflows of resources	$ 272,076	$ 279,827	$ 280,045
Liabilities:			
Current liabilities	$ 12,930	$ 15,674	$ 14,992
Noncurrent liabilities	117,260	130,653	145,524
Total liabilities	130,190	146,327	160,516
Deferred inflows of resources	13,877	20,910	31,281
Total liabilities and deferred inflows of resources	$ 144,067	$ 167,237	$ 191,797
Net position:			
Net investment in capital assets	$ 150,795	$ 151,123	$ 141,165
Restricted for expandable purposes	7,834	7,846	7,921
Unrestricted	(30,620)	(46,379)	(60,838)
Total net position	$ 128,009	$ 112,590	$ 88,248

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 2021, the operating and non-operating activities of the Center resulted in an increase in net position of $15.4 million as compared to an increase of $24.3 million for Fiscal Year 2020. For Fiscal Year 2021, operating revenue totaled $45.3 million while operating expenses totaled $38.9 million, resulting in an operating profit of $6.4 million. 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.

Support from the three constituent institutions increased approximately $2.2 million from 2020 to 2021 while revenue from auxiliary enterprises decreased $22.7 million from 2020 to 2021, primarily as a result of the impact of campus closure (from March 2020 to June 1, 2021) due to the COVID-19 Pandemic. In 2021, approximately $1.5 million of auxiliary revenue and auxiliary reserves were used to support general operating costs. For 2021 and 2020, the State of Colorado (State) provided $9.5 million and $13.1 million, respectively, in capital contributions primarily for the steam to natural gas conversion, the north classroom roof, and the fire alarm project. The State also provided an additional $2.8 million of supplemental appropriation to help fund the Center for the year ended June 30, 2021.

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

	Year ended June 30		
	2021	2020	2019
		(in thousands)	
Operating revenue:			
Auxiliary enterprises	$ 11,477	$ 34,225	$ 32,196
Revenue from constituent institutions	27,776	25,610	24,882
Student fees	5,640	13,317	13,495
Other operating revenue	379	56	555
Total operating revenue	45,272	73,208	71,128
Operating expenses:			
Auxiliary enterprises	15,904	35,170	34,614
Operating and maintenance of plant	4,802	6,908	13,371
Institutional support	3,650	2,979	2,410
Academic support	300	1,279	1,196
Depreciation	14,216	14,156	14,573
Total operating expenses	38,872	60,492	66,164
Operating gain (loss)	6,400	12,716	4,964
Nonoperating revenue (expenses):			
Investment income (loss)	(318)	1,162	763
State support for pensions	-	396	408
Interest expense on capital debt	(2,971)	(3,208)	(3,412)
Gain on disposal of capital assets	19	152	46
Total nonoperating expenses, net	(3,270)	(1,498)	(2,195)
Capital contributions, grants, and gifts	12,289	13,124	532
Increase in net position	15,419	24,342	3,301
Net position, beginning of year	112,590	88,248	82,466
Cumulative effect of change in accounting principle			2,481
Net positions, beginning of year, as restated			84,947
Net position, end of year	$ 128,009	$ 112,590	$ 88,248

Capital Assets

At June 30, 2021, the Center had approximately $219.1 million invested in capital assets, net of accumulated depreciation, of approximately $294.1 million. At June 30, 2020, the Center had approximately $222.4 million invested in capital assets, net of accumulated depreciation, of approximately $281.8 million. For the years ended June 30, 2021 and 2020, depreciation expense was approximately $14.2 million and $14.1 million, respectively.

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

	June 30		
	2021	**2020**	**2019**
		(in thousands)	
Land	$ 27,896	$ 27,896	$ 27,896
Land improvements	11,495	12,605	12,819
Buildings and improvements	150,775	159,989	170,934
Equipment	5,039	5,009	5,456
Construction in progress	23,866	16,950	1,620
Total capital assets, net	$ 219,071	$ 222,449	$ 218,725

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, 2021.

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

Bonds and Capital Leases

At June 30, 2021, the Center had approximately $77.9 million of bond and capital lease obligations outstanding as compared to $82.6 million as of June 30, 2020. The outstanding revenue bonds as of June 30, 2021 comprise Parking Revenue Bonds totaling $34.6 million and Student Fee Revenue Bonds totaling $16.6 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, 2021 comprise three Certificates of Participation totaling $26.7 million. The constituent institutions share in the cost of debt service of the three Certificates of Participation.

During Fiscal Year 2021, long-term debt and capital lease obligations decreased $4.8 million from $82.7 million in 2020 to $77.9 million as the result of scheduled principal payments on the debt described above.

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.

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

	June 30		
	2021	**2020**	**2019**
		(in thousands)	
Auxiliary enterprise revenue bonds	$ 51,220	$ 54,917	$ 59,319
Capital lease obligations	26,651	27,743	30,703
Total long-term debt and capital lease obligations	$ 77,871	$ 82,660	$ 90,022

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, 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 and the entire Fiscal Year of 2021. AHEC anticipates a strong rebound from the effects of COVID-19 on auxiliary revenue during Fiscal Year 2022. In Fall 2021, the institutions moved back to in-person learning at approximately 90%, which brought back students and staff to campus. The annual appropriation from the three institutions will increase by 4.65%, from $21.5 million to $22.5 million for Fiscal Year 2022.

At June 30, 2021, the Center had over 40 vacant positions, of which 23.25 FTE will not be funded in Fiscal Year 2022. Historically, Auxiliary operations provide $5.5 million to the general operations of the Center. AHEC anticipates that Auxiliary operations will only be able to provide $3.4 million in transfers to the general operations of the Center in Fiscal Year 2022, this will result in a $2.1 million shortfall in AHEC's proprietary fund.

During Fiscal Year 2021 and 2020, the constituent institutions' allocation to fund the Center's general operations was $21.5 million. 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.

The Center signed a contract with Barnes & Noble to take over operation of the campus bookstore, Tivoli Station, effective April 21, 2021. The Center provided the space that formerly housed the bookstore, office equipment, furniture, etc. The space was provided in a retail-ready condition. In consideration, Barnes & Noble will pay a commission on sales to the Center on a monthly basis for the privilege of operating the space. The contract shall be valid through April 30, 2026, with a 5-year extension upon mutual agreement thereafter. The Center will continue to provide all campus ID services in a location adjacent to Tivoli Station.

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.

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 completed construction of student housing on the Auraria Campus in Fall 2021. The 550-bed residence hall will provide housing for first-year CU Denver students and will include dining.

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 2021 Fiscal Year and is expected to remain the same for the 2022 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 and 2021 bringing total deferred maintenance funding during the last ten years to $18.87 million. As part of the Center's Fiscal Year 2022 budget, the three institutions committed and funded an additional appropriation, over and above the $22.5 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, 2021 and 2020

Assets and Deferred Outflows of Resources	2021	2020
Current assets:		
Cash and cash equivalents	$ 21,367,078	$ 25,134,196
Accounts receivable, net	3,486,132	4,097,105
Notes receivable, current	1,109,540	1,052,150
Inventories	138,387	942,107
Prepaid expenses	81,152	14,825
Total current assets	26,182,289	31,240,383
Noncurrent assets:		
Restricted cash and cash equivalents	9,952,637	10,044,790
Restricted investments	2,002,610	2,002,238
Notes receivable	7,943,022	9,052,562
Prepaid bond costs	158,076	184,406
Capital assets, net of accumulated depreciation	167,309,761	177,602,876
Capital assets not being depreciated	51,762,015	44,846,020
Total noncurrent assets	239,128,121	243,732,892
Total assets	$ 265,310,410	$ 274,973,275
Deferred outflows of resources:		
Deferred amount on refunding	1,143,419	1,355,326
Deferred amount on pension obligations	5,535,237	3,394,305
Deferred amount on OPEB obligations	86,929	104,176
Total deferred outflows of resources	6,765,585	4,853,807
Total assets and deferred outflows of resources	$ 272,075,995	$ 279,827,082
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,326,542	$ 7,541,284
Interest payable	345,333	394,724
Deposits held for others	74,958	91,319
Unearned revenue	1,988,422	1,910,583
Long-term debt and capital lease obligations, current	8,060,381	5,581,947
Compensated absences liability, current	134,420	153,910
Total current liabilities	12,930,056	15,673,767
Noncurrent liabilities:		
Long-term debt and capital lease obligations	69,811,012	77,078,335
Pension obligations	44,441,595	49,888,384
OPEB obligations	1,576,569	2,031,611
Compensated absences liability	1,430,422	1,655,476
Total noncurrent liabilities	117,259,598	130,653,806
Total liabilities	130,189,654	146,327,573
Deferred inflows of resources:		
Deferred amount on pension obligations	13,122,685	20,425,422
Deferred amount on OPEB obligations	754,540	484,316
Total deferred inflows of resources	13,877,225	20,909,738
Total liabilities and deferred inflows of resources	$ 144,066,879	$ 167,237,311
Net Position		
Net position:		
Net investment in capital assets	$ 150,795,085	$ 151,123,248
Restricted for debt service obligations	7,834,102	7,846,189
Unrestricted	(30,620,071)	(46,379,666)
Total net position	$ 128,009,116	$ 112,589,771

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, 2021 and 2020

	2021	2020
Operating revenue:		
Auxiliary enterprises	$ 11,477,066	$ 34,224,676
Revenue from constituent institutions	27,776,213	25,610,252
Student fees	5,640,316	13,316,679
Other operating revenue	379,392	56,006
Total operating revenue	45,272,987	73,207,613
Operating expenses:		
Auxiliary enterprises	15,903,667	35,168,693
Operation and maintenance of plant	4,801,709	6,908,321
Institutional support	3,650,751	2,978,827
Academic support	300,001	1,279,330
Public service	-	112
Depreciation	14,215,899	14,156,032
Total operating expenses	38,872,027	60,491,315
Operating gain	6,400,960	12,716,298
Nonoperating revenue (expenses):		
Investment income (loss)	(317,606)	1,161,825
State support for pensions	-	396,321
Interest expense on capital debt	(2,971,157)	(3,208,194)
Gain on disposal of capital assets	18,563	151,850
Nonoperating expenses, net	(3,270,200)	(1,498,198)
Gain before other revenue, expenses, gains, or losses	3,130,760	11,218,100
Other revenue, expenses, gains, or losses:		
State contributions – supplemental funding	2,750,000	-
State capital contributions	9,538,585	13,124,131
Increase in net position	15,419,345	24,342,231
Net position, beginning of year	112,589,771	88,247,540
Net position, end of year	$ 128,009,116	$ 112,589,771

See accompanying notes to financial statements.

AURARIA HIGHER EDUCATION CENTER
BUSINESS-TYPE ACTIVITIES
STATEMENTS OF CASH FLOWS
Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received:		
Student fees	$5,640,316	$13,316,679
Grants, contracts and gifts	129,392	263,759
Revenue from constituent institutions	27,776,213	25,462,806
Sales of products and services	12,333,095	34,654,622
Cash payments:		
Payments for employees	(21,591,001)	(25,565,283)
Payments to suppliers	(22,762,265)	(35,953,077)
Net cash from operating activities	1,525,750	12,179,506
Cash flows from noncapital financing activities:		
Receipts of deposits held in custody	738,860	1,016,230
Disbursements of deposits held in custody	(755,221)	(1,018,668)
Net cash used in noncapital financing activities	(16,361)	(2,438)
Cash flows from capital and related financing activities:		
State appropriations	12,288,585	13,124,131
Gain on disposal of assets	18,563	151,850
Acquisition and construction of capital assets	(10,838,779)	(11,735,628)
Principal received on notes receivable	1,052,150	999,543
Principal paid on long-term debt and capital lease obligations	(5,061,947)	(7,684,819)
Interst paid on long-term debt and capital lease obligations	(2,509,254)	(2,664,640)
Net cash used in capital and related financing activities	(5,050,682)	(7,809,563)
Cash flows from investing activities:		
Investment income (loss)	(317,978)	1,167,652
Net cash from investing activities	(317,978)	1,167,652
Net increase in cash and cash equivalents	(3,859,271)	5,535,157
Cash and cash equivalents, beginning of year	35,178,986	29,643,829
Cash and cash equivalents, end of year	$ 31,319,715	$ 35,178,986

See accompanying notes to financial statements.

AURARIA HIGHER EDUCATION CENTER
BUSINESS-TYPE ACTIVITIES
STATEMENTS OF CASH FLOWS
Years ended June 30, 2021 and 2020

	2021	2020
Reconciliation of operating loss to net cash by operating activities:		
Operating gain	$ 6,400,960	$ 12,716,298
Adjustments to reconcile operating gain to net cash provided by operating activities:		
Depreciation	14,215,899	14,156,032
State support for pensions	-	396,321
Bad debt recovery (expense)	81,241	239,653
Decrease (increase) in assets:		
Accounts receivable	529,732	955,034
Inventories	803,720	776,127
Prepaid expenses	(66,326)	253,498
Deferred outflows	(2,123,685)	6,033,003
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(5,214,742)	(2,644,536)
Unearned revenue	77,839	(704,434)
Compensated absences	(244,544)	149,084
Pension liability	(5,446,789)	(9,269,323)
OPEB liability	(455,042)	(505,779)
Deferred inflows	(7,032,513)	(10,371,472)
Net cash provided by operating activities	$ 1,525,750	$ 12,179,506
Supplemental cash flow information:		
Non-cash capital and financing activities		
Accounts payable related to capital asset purchases	$ 4,746,634	$ 5,771,176

See accompanying notes to financial statements.

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, 2021 and 2020, 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)

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, 2021 and 2020, 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:

	2021	2020
Constituent institutions	$ 2,184,116	$ 1,216,092
State of Colorado central collections	1,162,245	3,969,196
Auxiliary enterprises	311,421	581,598
Other	409,482	314,208
	4,067,264	6,081,094
Less allowance for doubtful accounts	(581,132)	(1,983,989)
Accounts receivable, net	$ 3,486,132	$ 4,097,105

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.

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:

	2021	2020
Science building – receivable from constituent institutions, current	$ 1,109,540	$ 1,052,150
Science building – receivable from constituent institutions, long term	7,943,022	9,052,562
Total notes receivable	$ 9,052,562	$ 10,104,712

The notes receivable balances are considered to be fully collectible as of June 30, 2021 and 2020.

(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. There were no provisions recorded for the year ended June 30, 2021. Provisions recorded for the year ended June 30, 2020 totaled ($145,147). The bookstore was closed in April 2021 and operations were taken over by Barnes & Noble. In an effort to get rid of its inventory before closing, the bookstore held deeply discounted sales to deplete its inventory. The remaining inventory was returned to the vendors for a credit, while other inventory that was not eligible for return was disposed of. Barnes & Noble agreed to purchase a small amount of inventory at cost.

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 2021 or 2020, 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)

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)

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 $58,268 and $42,058 for biweekly payroll that was included in accounts payable and accrued liabilities at June 30, 2021 and 2020, 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, 2021 and 2020 is $1,564,842 and $1,809,386, respectively. Of these amounts, $134,420 and $153,910, as of June 30, 2021 and 2020, respectively, are considered to be due within one year.

(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:

	2021	2020
Student fees for the summer semester	$ -	$ 293,115
Childcare tuition collected in advance	-	8,037
Foundation Grant – Tivoli Quad Project	-	250,000
Deferred maintenance	1,458,422	1,310,251
Lot I Modular build-out fee	-	25,640
Land Payment	530,000	-
Campus Sustainability Student Fees	-	23,540
	$ 1,988,422	$ 1,910,583

(Continued)

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 2021 and 2020, with the exception of special events parking revenue, was earned in the exercise of the Center's essential government functions.

(u) Reclassifications

The Center had no reclassifications to report in Fiscal Year 2021.

(v) 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 variants of the disease represents a risk that operations could be disrupted again in future. The campus reopened in June 2021. As a result, the campus hopes to get back to its pre-COVID operation by January 2022.

(Continued)

NOTE 2 – DEPOSITS, INVESTMENTS, AND INVESTMENT RETURN

(a) Deposits and Cash Equivalents

At June 30, 2021 and 2020, the carrying value of the Center's deposits was $31,233,764 and $34,477,917, respectively. At June 30, 2021 and 2020, balances consist of deposits with the Treasurer, as described below, $15,432,954 and $11,658,721 in bank deposits, and $58,449 and $69,832 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, 2021, the Center had cash on deposit with the State Treasurer of $15,742,361, which represented approximately 0.0864% percent of the total $17,744.6 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2021, the Pool's resources included $36.1 million of cash on hand and $17,708.5 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 Annual Comprehensive Financial Report for the year ended June 30, 2021.

(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, 2021 and 2020, the Center has no investments that are subject to custodial risk.

(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.

(Continued)

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

The following table lists the Center's restricted investments, by investment type, as of June 30, 2021 and 2020 for those investments not part of the Pool. The fair value amount is shown along with the credit quality rating and weighted average maturity:

Investment Type	Fair Value Amount	Credit Rating	Weighted Average Maturity
June 30, 2021			
Commercial paper	$ 2,002,610	Highest	0.109
Total restricted investments	$ 2,002,610		
June 30, 2020			
Commercial paper	$ 2,002,238	Highest	0.109
Total restricted investments	$ 2,002,238		

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, 2021 and 2020, using the fair market input to valuation technique, which determines the hierarchy of fair market value of the investment per Statement No. 72:

Investment Type	Level 1 Quoted Prices In Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
June 30, 2021			
Commercial paper	$ -	$ 2,002,610	$ -
Total restricted investments	$ -	$ 2,002,610	$ -
June 30, 2020			
Commercial paper	$ -	$ 2,002,238	$ -
Total restricted investments	$ -	$ 2,002,238	$ -

(g) Investment Income (Loss)

Investment income consisted of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and dividend income	$ 199,952	$ 441,673
Net increase (decrease) in fair value of investments	(517,558)	720,152
	$ (317,606)	$ 1,161,825

(Continued)

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending balance
Land	$ 27,895,650	$ -	$ -	$ -	$27,895,650
Land improvements	37,372,066	90,525	-	-	37,462,591
Buildings and improvements	407,419,594	312,200	-	2,656,488	410,388,282
Equipment	14,638,061	135,784	(1,992,862)	727,787	13,508,770
Construction in progress, net	16,950,370	10,300,270	-	(3,384,275)	23,866,365
Total capital assets	$504,275,741	$10,838,779	$ (1,992,862)	$ -	$513,121,658
Less accumulated depreciation:					
Land improvements	24,767,553	1,200,474	-	-	25,968,027
Buildings and improvements	247,430,122	12,182,916	-	-	259,613,038
Equipment	9,629,170	832,509	(1,992,862)	-	8,468,817
Total accumulated depreciation	$ 281,826,845	$ 14,215,899	$ (1,992,862)	$ -	$294,049,882
Total capital assets, net	$ 222,448,896	$ (3,377,120)	$ -	$ -	$ 219,071,776

As of June 30, 2021, the construction in progress primarily consisted of upgrading the fire alarm in Administration, the King Center (a 180,000 square foot modern performing arts complex), and the steam to natural gas conversion.

NOTE 3 – CAPITAL ASSETS (Continued)

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

	Beginning Balance	Additions	Disposals	Transfers	Ending balance
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	1,620,202	15,648,676	-	(318,508)	16,950,370
Total capital assets	486,415,817	17,915,530	(55,606)	-	504,275,741
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	8,787,513	870,252	(28,595)	-	9,629,170
Total accumulated depreciation	267,690,813	14,164,627	(28,595)	-	281,826,845
Total capital assets, net	$ 218,725,004	$ 3,750,903	$ (27,011)	$ -	$222,448,896

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, 2021 and 2020 debt-related deferral balances of $1,143,419 and $1,355,326, respectively, are included within the net investment in capital assets component of net position. The June 30, 2021 and 2020 pension obligations–related balances for deferred outflows of $5,535,237 and $3,394,305, respectively, and deferred inflows of $13,122,685 and $20,425,422, respectively, are included within the unrestricted component of net position. The June 30, 2021 and 2020 OPEB obligations–related balances for deferred outflows of $86,929 and $104,176, respectively, and deferred inflows of $754,540 and $484,316, respectively, are included within the unrestricted component of net position.

(Continued)

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

A summary of deferred outflows/inflows of resources as of June 30, 2021 and 2020 is as follows:

	2021	2020
Deferred refunding – Series 2013 Student Fee Bonds	$ 54,685	$ 68,951
Deferred refunding – Series 2016 Student Fee Bonds	-	29,516
Deferred refunding – Series 2015 Parking Bonds	29,040	32,787
Deferred refunding – Series 2016 Parking Bonds	136,891	166,225
Deferred refunding – Series 2015 Admin COP	382,661	438,660
Deferred refunding – Series 2017 Land COP	540,142	619,187
Deferred outflow on refunding	$ 1,143,419	$ 1,355,326
Deferred pension – experience gains and losses	$ 1,098,277	$ 1,863,940
Deferred pension – changes in assumptions	3,017,662	-
Deferred pension – contributions after measurement date	1,419,298	1,530,365
Deferred outflow on pension obligations	$ 5,535,237	$ 3,394,305
Deferred pension – changes in assumptions	$ -	$ 14,309,063
Deferred pension – pension investment earnings	9,096,008	5,374,883
Deferred pension – employer contributions vs. employer proportionate share	8,681	11,408
Deferred pension – proportionate share	4,017,996	730,068
Deferred inflow on pension obligations	$ 13,122,685	$ 20,425,422
Deferred OPEB – experience gains and losses	$ 4,184	$ 6,742
Deferred OPEB – projected vs. actual earnings	-	33
Deferred OPEB – changes in assumptions	11,780	16,855
Deferred OPEB – contributions after measurement date	70,965	80,546
Deferred outflow on OPEB obligations	$ 86,929	$ 104,176
Deferred OPEB – experience gains and losses	$ 443,279	$ 341,385
Deferred OPEB – investment earnings	64,420	33,910
Deferred OPEB – employer contributions vs. employer proportionate share	880	1,236
Deferred OPEB – proportionate share	245,961	107,785
Deferred inflow on OPEB obligations	$ 754,540	$ 484,316

(Continued)

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, 2021:

	Beginning Balance	Additions	Deductions	Ending balance	Current portion
Revenue bonds payable:					
Public:					
Series 2004 parking	$ 9,861,321	$ 483,543	$(1,605,000)	$ 8,739,864	$1,605,000
Series 2013 student fee	13,449,611	-	(875,609)	12,574,002	2,435,000
Series 2013A parking	15,824,544	-	(113,512)	15,711,032	70,000
Series 2015 parking	6,451,937	-	(61,365)	6,390,572	-
Total revenue bonds payable – publicly traded	45,587,413	483,543	(2,655,486)	43,415,470	4,110,000
Direct borrowings:					
Series 2015 student fee	3,960,000	-	-	3,960,000	315,000
Series 2016 parking	3,845,000	-	-	3,845,000	520,000
Series 2016 student fee	1,525,000	-	(1,525,000)	-	-
Total revenue bonds payable – direct borrowings	9,330,000	-	(1,525,000)	7,805,000	835,000
Total revenue bonds payable	54,917,413	483,543	(4,180,486)	51,220,470	4,945,000
Capital lease obligations:					
State:					
State capital construction financing, Series 2008	10,602,869	-	(1,091,946)	9,510,923	1,145,381
Direct borrowings:					
Land acquisition, series 2017	9,255,000	-	-	9,255,000	1,060,000
Administration facility, Series 2015	7,885,000	-	-	7,885,000	910,000
Total direct borrowings	17,140,000	-	-	17,140,000	1,970,000
Total capital lease obligations	27,742,869	-	(1,091,946)	26,650,923	3,115,381
Total long-term debt and capital lease obligations	$ 82,660,282	$ 483,543	$(5,272,432)	$77,871,393	$ 8,060,381

(Continued)

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, 2020:

	Beginning Balance	Additions	Deductions	Ending balance	Current portion
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	15,993,056	-	(108,512)	15,824,544	75,000
Series 2015 parking	6,513,301	-	(61,364)	6,451,937	-
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	3,030,000	-	(1,505,000)	1,525,000	1,525,000
Total revenue bonds payable – direct borrowings	11,645,000	-	(2,315,000)	9,330,000	2,045,000
Total revenue bonds payable	59,319,363	533,535	(4,935,485)	54,917,413	4,490,000
Capital lease obligations:					
State:					
State capital construction financing, Series 2008	11,637,689	-	(1,034,820)	10,602,869	1,091,947
Direct borrowings:					
Land acquisition, series 2017	10,290,000	-	(1,035,000)	9,255,000	-
Administration facility, Series 2015	8,775,000	-	(890,000)	7,885,000	-
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	$ 90,022,052	$ 533,535	$(7,895,305)	$82,660,282	$ 5,581,947

(a) Revenue Bonds Payable

The Center had the following bonds outstanding at June 30, 2021:

- Parking Enterprise Revenue Bonds, Series 2004B (Series 2004B Parking Bonds)
- Student Fee Revenue Refunding Bonds, Series 2013 (Series 2013 Student Fee Bonds)

(Continued)

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

- 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)

(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, 2021 and 2020, the Series 2004 Parking Bonds accreted interest of $483,543 and $533,535, respectively, and have related prepaid bond costs of $66,173 and $74,804, 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, 2021 and 2020, the Series 2013 Bonds are shown net of a premium of $424,001 and $534,610, respectively, and an unamortized deferred loss on refunding of $54,685 and $68,951, respectively.

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, 2021 and 2020, the Series 2013A Parking Revenue Bonds are shown net of a premium of $491,032 and $529,544, respectively, and have related prepaid bond costs of $79,830 and $86,091, 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, 2021 and 2020, the Series 2015 bonds are shown net of a premium of $475,573 and $536,937, respectively; an unamortized deferred loss on refunding of $29,040 and $32,787, respectively; and related prepaid bond costs of $12,074 and $13,631, respectively.

(Continued)

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:

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

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, 2021 and 2020, the Series 2016 Bonds have an unamortized deferred loss on refunding of $136,891 and $166,225, 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:

Date	Price
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 was 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.

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

At June 30, 2021 and 2020, the Series 2016 Bonds have an unamortized deferred loss on refunding of $0.00 and $29,516, respectively, and related prepaid bond costs of $0.00 and $9,880, respectively.

(i) Bond Maturity Schedule

Debt service to maturity for all bonds as of June 30, 2021 is as follows:

	Public		Direct Borrowings		
	Principal	Interest	Principal	Interest	Total
Year(s) ending June 30:					
2022	4,105,000	1,320,025	520,000	156,697	6,101,722
2023	4,210,000	1,220,700	855,000	165,186	6,450,886
2024	4,315,000	1,117,100	875,000	147,087	6,454,187
2025	6,225,000	1,036,050	905,000	128,499	8,294,549
2026	1,735,000	897,350	935,000	109,242	3,676,592
2027-2031	14,020,000	3,737,050	3,230,000	258,981	20,346,031
2032-2034	9,035,000	887,900	485,000	12,901	10,420,801
	43,645,000	10,216,175	7,805,000	978,593	62,644,768
Add premiums, net of discounts	1,390,606				1,390,606
Less unaccreted principal on Series 2004 Parking Bonds	(1,620,136)	-	-	-	(1,620,136)
	43,415,470	10,216,175	7,805,000	978,593	62,415,238

Reserve balances and requirements for outstanding bond issues at June 30, 2021 are as follows:

	Reserve Balance	Required Reserve
Series 2004 and series 2016 Parking Bonds:		
Debt service reserve	$ 2,618,070	$ 2,540,740
Repair and replacement reserve	900,476	572,892
2013 Student Fee Bonds:		
Debt service reserve	$ 2,054,844	$ 1,838,574
Repair, replacement, and operation and maintenance reserve	350,000	350,000

As of June 30, 2021 and 2020, the Center believes it was in compliance with all bond covenants and related reserve requirements.

(Continued)

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

Student bond fees and parking revenue were pledged as follows:

		2021		2020
Revenue source:				
Student fees pledged for bond payments	$	5,319,601	$	5,395,858
Interest earned on student fees pledged for bond payments		30,649		57,503
Parking revenue		5,955,039		9,017,581
Interest earned on parking revenue		-		102,358
Total pledged revenue	$	11,305,289	$	14,573,300

(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, 2021 and 2020 as follows:

June 30, 2021		Cost		Accumulated depreciation		Carrying value
Administrative building	$	15,518,172	$	11,980,532	$	3,537,640
Land		14,983,536		-		14,983,536
Science building		97,807,826		39,373,180		58,434,646
Science building equipment		1,050,330		1,048,639		1,691
Total capitalized leases	$	129,359,864	$	52,402,351	$	76,957,513

June 30, 2020		Cost		Accumulated depreciation		Carrying value
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	$	129,359,864	$	49,464,168	$	79,895,696

(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)

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, 2021 and 2020, the Series 2017 COP have an unamortized deferred loss on refunding of $540,142 and $619,187, respectively.

(l) 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, 2021 and 2020, the Series 2015 COP have an unamortized deferred loss on refunding of $382,661 and $438,660, respectively.

(Continued)

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, 2021 and 2020, 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.

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, 2021:

	State		Direct Borrowings		
	Principal	Interest	Principal	Interest	Total
Year(s) ending June 30:					
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	4,037,179
2025	1,348,798	299,402	2,125,000	272,047	4,045,247
2026	1,424,676	221,661	2,160,000	219,915	4,026,252
2027-2029	3,096,612	202,600	6,800,000	336,361	10,435,573
	9,510,925	2,025,461	17,140,000	1,943,876	30,620,262
Less unamortized discount	-	-	-	-	-
	$ 9,510,925	$2,025,461	$ 17,140,000	$1,943,876	$30,620,262

(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)

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)

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, 2021, 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 $1,575,499 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 $641,986 to fund a portion of the debt service payments on the additional 13 acres of land purchased in December 2008.

In addition, the State of Colorado and the three consitutent institutions provided a supplemental funding bill (SB21-109) in the amount of $5,500,000. These funds were split 50/50 between direct state funding and the institutions. These funds were used to meet bond requirements.

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.

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)

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, 2021*.

(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 (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2020. 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.

(Continued)

NOTE 7 - Defined Benefit Pension Plan (Continued)

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

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

As of December 31, 2020, 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, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible 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. Eligible benefit recipients under the PERA benefit structure who began membership 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, 2021: 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 July 1, 2020 through June 30, 2021 are summarized in the table below:

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employee contribution (all employees other than State Troopers)	10.00%	10.00%
State Troopers	12.00%	12.00%

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

NOTE 7 - Defined Benefit Pension Plan (Continued)

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

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employer contribution rate	10.90%	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%)
Amount apportioned to the SDTF	9.88%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	0.05%
Total employer contribution rate to the SDTF	**19.88%**	**19.93%**

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

NOTE 7 - Defined Benefit Pension Plan (Continued)

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

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employer contribution rate	13.60%	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%)
Amount apportioned to the SDTF	12.58%	12.58%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	0.05%
Total employer contribution rate to the SDTF	**22.58%**	**22.63%**

**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 (actual dollars) 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. House Bill (HB) 20-1379 suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020 for the State‘s 2020-21 fiscal year.

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 $2,907,275 and $3,077,146 for the years ended June 30, 2021 and 2020, respectively.

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The Center proportion of the net pension liability was based on The Center contributions to the SDTF for the calendar year 2020 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.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the Center reported a liability of $44,441,595 for its proportionate share of the net pension liability.
At December 31, 2020, the Center's proportion was .4685 percent, which was a decrease of .0456 from its proportion measured as of December 31, 2019.

For the years ended June 30, 2021 and 2020, the Center recognized pension expense of $14,890,460 and $14,053,108, respectively. For the years ended June 30, 2021 and 2020, the Center recognized revenue of $0.00, and $396,321, respectively, for support from the State.

At June 30, 2021, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,098,277	$ -
Change in assumptions or other inputs	3,017,662	-
Net difference between projected and actual earnings on pension plan investments		9,096,008
Changes in proportion and differences between contributions recognized and proportionate share of contributions		4,026,677
	4,115,939	13,122,685
Contributions subsequent to the measurement date	1,419,298	-
	$ 5,535,237	$13,122,685

(Continued)

NOTE 7 - Defined Benefit Pension Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and 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	-	741,477
	1,863,940	20,425,423
Contributions subsequent to the measurement date	1,530,365	-
	$ 3,394,305	$ 20,425,423

$1,419,298 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, 2022. 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:	
2022	$ (2,796,569)
2023	(1,692,151)
2024	(3,092,532)
2025	(1,425,494)
	$ (9,006,746)

Actuarial assumptions. The total pension liability in the December 31, 2019, 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)[1]	1.25 % compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)[1]	Financed by the Annual Increase Reserve

[1] Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

NOTE 7 - Defined Benefit Pension Plan (Continued)

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.

Post-retirement non-disabled 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.

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

The actuarial assumptions used in the December 31, 2019 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.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30 %
Real wage growth	0.70 %
Wage inflation	3.00 %
Salary increases, including wage inflation	
Members other than State Troopers	3.30%-10.90%
State Troopers	3.20%-12.40%
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 (compounded annually)	1.25 %
PERA benefit structure hired after 12/31/06[1]	Financed by the Annual Increase Reserve

[1] Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

(Continued)

NOTE 7 - Defined Benefit Pension Plan (Continued)

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.

- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

NOTE 7 - Defined Benefit Pension Plan (Continued)

- Price inflation **assumption** decreased from 2.40 percent per year to 2.30 percent per year.

- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses **to** 4.95 percent per year, net of investment expenses.

- Wage inflation **assumption** decreased from 3.50 percent per year to 3.00 percent per year.

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	**Target Allocation**	**30 Year Expected Geometric Real Rate of Return**
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives[1]	6.00%	4.70%
Total	**100.00%**	

[1] The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal 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 3.00 percent.

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 the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 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, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020, for the State‘s 2020-21 fiscal year.

- 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 FNP, 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 FNP and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SDTF’s FNP 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.

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, 2021:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 58,797,536	$ 44,441,595	$ 32,387,782

Year ended June 30, 2020:

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

Pension plan fiduciary net position. Detailed information about the SDTF's fiduciary net position is available in PERA's Annual Report, which can be obtained at 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 Annual Report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. 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, 2021, program members contributed $88,497 and the Center recognized pension expense for employer contributions of $0, for the Voluntary Investment Program.

(Continued)

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 Annual Report 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 July 1, 2020 through June 30, 2021 are summarized in the tables below:

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employee Contribution Rates:		
Employee contribution (all employees other than State Troopers)	10.00%	10.00%
State Troopers	12.00%	12.00%
Employer Contribution Rates:		
On behalf of all employees other than State Troopers)	10.15%	10.15%
State Troopers	12.85%	12.85%

(Continued)

NOTE 7 - Defined Benefit Pension Plan (Continued)

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

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413[1]	0.50 %	0.50 %
Defined Contribution statutory contribution as specified in C.R.S. § 24-51-1505[1]	0.25%	0.25 %
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	0.05 %
Total employer contribution rate to the SDTF[1]	**10.75 %**	**10.80 %**

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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

NOTE 7 - Defined Benefit Pension Plan (Continued)

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 $19,500. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional $6,000 contribution in 2020. Contributions and earnings are tax-deferred. At December 31, 2020, 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 (FNP) and additions to/deductions from the FNP 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.

(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 (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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 maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

DPS Benefit Structure

The maximum service-based premium subsidy is $230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The 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.

(Continued)

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

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 $149,279 for the year ended June 30, 2021.

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

At June 30, 2021, the Center reported a liability of $1,576,569 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The Center's proportion of the net OPEB liability was based on the Center's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the Center's proportion was .1659 percent, which was a decrease of .0015 percent from its proportion measured as of December 31, 2019.

For the years ended June 30, 2021 and 2020, the Center recognized OPEB expense of $(131,576) and $(60,462), respectively.

At June 30, 2021 and 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$4,184	$346,605
Changes of assumptions or other inputs	11,780	96,674
Net difference between projected and actual earnings on OPEB plan investments	-	64,420
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	246,841
Contributions subsequent to the measurement date	70,965	-
Total	$86,929	$754,540

(Continued)

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

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
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

$70,965 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, 2022. 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:	
2022	$ (172,250)
2023	(163,238)
2024	(168,218)
2025	(154,220)
2026	(74,192)
2027	(6,458)
	$ (738,576)

Actuarial assumptions. The total OPEB liability in the December 31, 2019 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	8.10 % in 2020, gradually decreasing to 4.50 % in 2029
Medicare Part A premiums	3.50 % in 2020, gradually increasing to 4.50 % in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

	Initial Costs for Members		
Medicare Plan	**Monthly Cost**	**Monthly Premium**	**Monthly Cost Adjusted to Age 65**
Medicare Advantage/Self-Insured Rx	$588	$227	$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is $458 (actual dollars) per month.

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, 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)

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

The PERA benefit structure health care cost trend rates used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
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 used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were 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.

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

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund			
	State Division	**School Division**	**Local Government Division**	**Judicial Division**
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%- 12.40%[1]	N/A

[1] C.R.S. § 24-51-101 (46), as amended, expanded the definition of "State Troopers" to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

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

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

(Continued)

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

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives[1]	6.00%	4.70%
Total	**100.00%**	

[1] The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal 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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	1,529,272	1,576,569	1,623,866

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, 2020, 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 3.00 percent.
- 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

(Continued)

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

Based on the above assumptions and methods, the HCTF's FNP 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:

June 30, 2021	**1% Decrease (6.25%)**	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Proportionate share of the net OPEB liability	$1,805,998	$1,576,569	$1,380,549

June 30, 2020	**1% Decrease (6.25%)**	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Proportionate share of the net OPEB liability	$2,297,145	$2,031,611	$1,804,524

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's Annual Report which can be obtained at 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)

NOTE 9 – LAND CONDEMNATION (Continued)

Net proceeds from the land condemnation with interest and gains in the amount of $1,665,152 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, 2021.

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.

REQUIRED SUPPLEMENTARY INFORMATION

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:

Schedule of proportionate share of the net Pension liability	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
AHEC's proportion of the net pension liability	0.46855%	0.51411%	0.51990%	0.52274%	0.53282%	0.52015%	0.53256%
AHEC's proportionate share of the net pension liability	$ 44,441,595	$ 49,888,384	$ 59,157,707	$ 104,642,140	$ 97,869,336	$ 54,777,089	$ 50,094,957
AHEC's covered payroll	16,562,787	17,039,780	15,977,931	16,030,265	15,222,897	15,070,368	15,070,368
AHEC's proportionate share of the net pension liability as a percentage of its covered payroll	268.3%	292.8%	370.2%	652.8%	642.9%	363.5%	332.4%
Plan fiduciary net position as a percentage of the total pension liability	65.3%	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.

Notes to Required Supplementary Information (Net Pension Liability) – Fiscal Year 2021 Changes in benefit terms and actuarial assumptions

Changes in assumptions or other input effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
    - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
    - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019

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, 2021 and 2020

Schedule of employer contributions	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 2,907,275	$ 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	(2,907,275)	(3,077,146)	(3,131,312)	(2,944,776)	(2,767,338)	(2,505,828)	(2,355,939)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AHEC's covered payroll	$ 14,716,874	$ 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	19.75%	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.

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	2021	2020	2019	2018
AHEC's proportion of the net OPEB liability	0.16591%	0.18075%	0.18650%	0.18900%
AHEC's proportionate share of the net OPEB liability	$ 1,576,569	$ 2,031,611	$ 2,537,390	$ 2,454,498
AHEC's covered payroll	16,562,787	17,039,780	15,977,931	16,091,172
AHEC's proportionate share of the net OPEB liability as a percentage of its covered payroll	9.5%	11.9%	15.9%	15.3%
Plan fiduciary net position as a percentage of the total OPEB liability	32.8%	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	2021	2020	2019	2018
Statutorily required contribution	$ 149,279	$ 161,955	$ 166,960	$ 157,014
Contributions in relation to the statutorily required contribution	(149,279)	(161,955)	(166,960)	(157,014)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
AHEC's covered payroll	$ 14,716,874	$ 16,562,787	$ 17,039,780	$ 15,977,931
Contributions as a percentage of covered payroll	1.0%	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.

Notes to Required Supplementary Information (Other Post-Employment Benefits) – Fiscal Year 2021
Changes in benefit terms and actuarial assumptions

Changes in assumptions or other input effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were reviesed to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
  - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with gerneational projection using scale MP-2019.
  - Females: 87 percent of the rates prior to the age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the Judicial Division was changed to the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019. The post-retirement non-disability beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
  - Males: 97 percent of the rates for all ages, with generational projection using scaled MP-2019.
  - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

There were no changes in assumptions or other inputs effective for the December 31, 2019 measurement period for OPEB compared to the prior year.

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

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

Crowe LLP
Independent Member Crowe Global

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, 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated January 10, 2022.

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
January 10, 2022

Crowe LLP
Independent Member Crowe Global

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, 2021.

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 January 10, 2022, we are independent accountants with respect to the Center under relevant professional and regulatory standards.

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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

Crowe LLP

Denver, Colorado
January 10, 2022