State of Colorado
Auraria Higher Education Center
Parking Facilities System Refunding Revenue Bonds, Series 1993 and Parking Facilities System Revenue Bonds, Series 2000

Financial and Compliance Audit

Fiscal Year Ended June 30, 2001

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STATE OF COLORADO
AURARIA HIGHER EDUCATION CENTER
PARKING FACILITIES SYSTEM REFUNDING REVENUE BONDS, SERIES 1993
AND PARKING FACILITIES SYSTEM REVENUE BONDS, SERIES 2000

JUNE 30, 2001

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Independent Accountants' Report

Members of the Legislative Audit Committee:

We have audited the accompanying balance sheet of the Auraria Higher Education Center, Parking Facilities System Refunding Revenue Bonds, Series 1993 and Parking Facilities System Revenue Bonds, Series 2000, a component unit of the State of Colorado, as of June 30, 2001 and the related statements of changes in fund balances and current fund revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Auraria Higher Education Center, Parking Facilities System Refunding Revenue Bonds, Series 1993 and Parking Facilities System Revenue Bonds, Series 2000, as of June 30, 2001 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2001 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

September 7, 2001
Colorado Springs, Colorado

STATE OF COLORADO
AURARIA HIGHER EDUCATION CENTER
PARKING FACILITIES SYSTEM REFUNDING REVENUES BONDS, SERIES 1993
AND PARKING FACILITIES SYSTEM REVENUE BONDS, SERIES 2000
BALANCE SHEET

JUNE 30, 2001
(With Comparative Totals at June 30, 2000)

		Plant Funds				Combined Totals (Memorandum Only)	
	Current Unrestricted Fund	Unexpended Plant	Investment in Plant	Retirement of Indebtedness	Renewals and Replacements	2001	2000
ASSETS							
Cash on hand and in bank, on deposit with State Treasurer and certificates of deposit	$ 1,865,934	$ 96,580	$ —	$ —	$ 27,730	$ 1,990,244	$ 2,553,708
Other investments	5,199,991	5,948,481	—	2,852,344	555,750	14,556,566	5,599,220
Due from other funds	—	—	—	—	—	0	228,258
Due from other State agencies	2,129	—	—	—	—	2,129	0
Accounts receivable, net of allowance for doubtful accounts of $298,395 in 2001 and $146,252 in 2000	112,894	—	—	—	—	112,894	87,976
Accrued interest receivable	18,094	93,901	—	44,522	1,615	158,132	107,542
Deferred charges	—	197,248	266,021	—	—	463,269	290,768
Other assets	19,080	—	—	—	—	19,080	21,340
Plant facilities:							
Land	—	—	3,599,631	—	—	3,599,631	3,599,631
Land improvements	—	—	8,877,985	—	—	8,877,985	8,842,412
Buildings and improvements	—	—	15,958,593	—	—	15,958,593	15,958,593
Furniture and equipment	—	—	530,032	—	—	530,032	542,694
Construction in progress	—	375,950	—	—	—	375,950	91,870
Total Assets	$ 7,218,122	$ 6,712,160	$ 29,232,262	$ 2,896,866	$ 585,095	$ 46,644,505	$ 37,924,012

See Notes to Financial Statements

STATE OF COLORADO
AURARIA HIGHER EDUCATION CENTER
PARKING FACILITIES SYSTEM REFUNDING REVENUE BONDS, SERIES 1993
AND PARKING FACILITIES SYSTEM REVENUE BONDS, SERIES 2000
BALANCE SHEET (CONTINUED)

JUNE 30, 2001
(With Comparative Totals at June 30, 2000

		Plant Funds				Combined Totals (Memorandum Only)	
	Current Unrestricted Fund	Unexpended Plant	Investment in Plant	Retirement of Indebtedness	Renewals and Replacements	2001	2000
LIABILITIES							
Accounts payable	$ 82,608	$ (16)	$ —	$ 2,147	$ —	$ 84,739	$ 35,394
Due to other funds	—	—	—	—	—	0	228,258
Due to other agencies	—	—	—	—	—	0	9,040
Accrued interest payable	—	97,616	—	214,743	—	312,359	228,258
Due to State Treasurer	—	—	—	—	—	0	159,195
Deferred revenues	—	136,041	—	—	—	136,041	0
Compensated absence liability	53,467	—	—	—	—	53,467	51,763
Bonds payable	—	6,918,010	16,895,000	—	—	23,813,010	17,900,000
Total Liabilities	136,075	7,151,651	16,895,000	216,890	—	24,399,616	18,611,908
FUND BALANCES							
Unrestricted	7,135,514	(439,491)	—	—	—	6,696,023	5,298,115
Net investment in plant	—	—	12,337,262	2,679,976	585,095	15,602,333	14,065,752
Designated for compensated absence liability	(53,467)	—	—	—	—	(53,467)	(51,763)
Total Fund Balances	7,082,047	(439,491)	12,337,262	2,679,976	585,095	22,244,889	19,312,104
Total Liabilities and Fund Balances	$ 7,218,122	$ 6,712,160	$ 29,232,262	$ 2,896,866	$ 585,095	$ 46,644,505	$ 37,924,012

See Notes to Financial Statements

STATE OF COLORADO
AURARIA HIGHER EDUCATION CENTER
PARKING FACILITIES SYSTEM REFUNDING REVENUE BONDS, SERIES 1993
AND PARKING FACILITIES SYSTEM REVENUE BONDS, SERIES 2000
STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2001
(With Comparative Totals at June 30, 2000)

		Plant Funds				Combined Totals (Memorandum Only)	
	Current Unrestricted Fund	Unexpended Plant	Investment in Plant	Retirement of Indebtedness	Renewals and Replacements	2001	2000
REVENUES AND OTHER ADDITIONS							
Auxiliary operating revenue	$ 6,430,262	$ —	$ —	$ —	$ —	$ 6,430,262	$ 6,392,985
Investment income	335,926	—	—	253,430	21,421	610,777	395,797
Other revenues	1,979	—	—	—	—	1,979	0
Retirement of indebtedness	—	—	1,005,000	—	—	1,005,000	965,000
Additions to plant facilities	—	—	114,166	—	—	114,166	671,485
Total Revenues and Other Additions	6,768,167	—	1,119,166	253,430	21,421	8,162,184	8,425,267
EXPENDITURES AND OTHER DEDUCTIONS							
Auxiliary operating expenditures	3,102,324	—	—	—	—	3,102,324	3,309,168
Expended for plant facilities (including $25,096 from current funds and $2,236 not capitalized)	—	24,924	—	—	66,383	91,307	817,693
Interest on indebtedness	—	—	—	899,517	—	899,517	945,230
Retirement of indebtedness	—	—	—	1,005,000	—	1,005,000	965,000
Amortization of bond issue costs	—	—	24,746	—	—	24,746	24,746
Other fund deductions	—	—	—	15,249	—	15,249	0
Disposal of plant facilities	—	—	91,256	—	—	91,256	14,146
Total Expenditures and Other Deductions	$ 3,102,324	$ 24,924	$ 116,002	$ 1,919,766	$ 66,383	$ 5,229,399	$ 6,075,983

See Notes to Financial Statements

STATE OF COLORADO
AURARIA HIGHER EDUCATION CENTER
PARKING FACILITIES SYSTEM REFUNDING REVENUE BONDS, SERIES 1993
AND PARKING FACILITIES SYSTEM REVENUE BONDS, SERIES 2000
STATEMENT OF CHANGES IN FUND BALANCES (CONTINUED)

YEAR ENDED JUNE 30, 2001
(With Comparative Totals at June 30, 2000)

		Plant Funds				Combined Totals (Memorandum Only)	
	Current Unrestricted Fund	Unexpended Plant	Investment in Plant	Retirement of Indebtedness	Renewals and Replacements	2001	2000
TRANSFERS AMONG FUNDS – ADDITIONS (DEDUCTIONS)							
Mandatory principal and interest	$ (1,785,353)	$ 118,668	$ —	$ 1,666,685	$ —	$ 0	$ 0
Mandatory reserve	—	(702,000)	—	702,000	—	0	0
Nonmandatory	(44,795)	44,795	—	—	—	0	0
Total Transfers Among Funds	(1,830,148)	(538,537)	—	2,368,685	—	0	0
NET INCREASE (DECREASE) FOR THE YEAR	1,835,695	(563,461)	1,003,164	702,349	(44,962)	2,932,785	2,349,284
FUND BALANCE, BEGINNING OF YEAR	5,246,352	123,970	11,334,098	1,977,627	630,057	19,312,104	16,962,820
FUND BALANCE, END OF YEAR	$ 7,082,047	$ (439,491)	$ 12,337,262	$ 2,679,976	$ 585,095	$ 22,244,889	$ 19,312,104

See Notes to Financial Statements

STATE OF COLORADO
AURARIA HIGHER EDUCATION CENTER
PARKING FACILITIES SYSTEM REFUNDING REVENUE BONDS, SERIES 1993
AND PARKING FACILITIES SYSTEM REVENUE BONDS, SERIES 2000
STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES AND OTHER CHANGES

YEAR ENDED JUNE 30, 2001
(With Comparative Totals at June 30, 2000)

	2001	2000
REVENUES		
Parking permits, daily fees and fines	$ 6,430,262	$ 6,392,985
Other auxiliary enterprise revenue	1,979	—
Investment income	335,926	256,847
Total Revenues	6,768,167	6,649,832
EXPENDITURES AND MANDATORY TRANSFERS		
Auxiliary operating expenditures:		
Personnel services	2,192,646	2,018,912
Operating	884,582	1,091,566
Equipment	25,096	198,690
Total Expenditures	3,102,324	3,309,168
Mandatory transfers for:		
Principal and interest	1,785,353	1,888,440
Total Mandatory Transfers	1,785,353	1,888,440
Total Expenditures and Mandatory Transfers	4,887,677	5,197,608
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)		
Other nonmandatory	(44,795)	(1,007,632)
Total Other Transfers and Additions (Deductions)	(44,795)	(1,007,632)
NET INCREASE IN FUND BALANCE	$ 1,835,695	$ 444,592

See Notes to Financial Statements

STATE OF COLORADO
AURARIA HIGHER EDUCATION CENTER
PARKING FACILITIES SYSTEM REFUNDING REVENUE BONDS, SERIES 1993
AND PARKING FACILITIES SYSTEM REVENUE BONDS, SERIES 2000

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

On September 15, 1993, the Center issued Parking Facilities System Refunding Revenue Bonds, Series 1993 (Series 1993 Bonds) in the amount of $21,510,000 for the purpose of refunding $17,980,000 of Parking Facilities and Refunding Revenue Bonds, Series 1989 (Series 1989 Bonds) that had been issued to finance the costs of building a parking structure and developing surface parking facilities at the Center. On December 7, 2000, the Center issued Parking Facilities System Revenue Bonds, Series 2000 (Series 2000 Bonds) in the amount of $7,020,000 for the purpose of financing the costs of improving the Center's parking facilities.

Basis of Presentation

These financial statements report only those funds of the Center that relate to requirements of the bond resolutions (collectively, the Bond Funds) and are presented in accordance with the accounting principles established by the Governmental Accounting Standards Board and those set forth in the American Institute of Certified Public Accountants' industry audit guide, *Audits of Colleges and Universities*.

In compliance with the aforementioned literature, the Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of operating funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as with a statement of income or a statement of revenues and expenses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The accounts related to specific activities or objectives have been classified into separate funds, and similar funds have been combined for financial reporting purposes. The cost of earned but unused vacation leave and the sick leave estimated to be paid upon retirement is accrued for current unrestricted fund employees. All other vacation leave and sick leave is recorded when paid.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Plant Funds

Plant Funds assets are recorded at cost or, if acquired by gift, at fair market value at the date of the gift. Additions, replacements and major repairs and renovations are recorded as additions to Plant Funds. No provision is made for depreciation on these assets.

Upon completion of a construction project, the Center transfers the asset from the Unexpended Plant Fund to the Investment in Plant Fund along with any related long-term debt. Capital construction appropriations are recorded as revenues in the year the funds are expended.

Bond Issuance Costs

Bond issuance costs have been recorded as deferred charges and are being amortized on a straight-line basis over the terms of the bond issues.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalized Interest

The Center capitalizes interest costs associated with the construction of buildings and building improvements. Net interest costs of $11,334 were included in construction in progress for fiscal year 2001.

Transfers Among Funds

Mandatory transfers include expenditures made in accordance with bond resolutions. Other mandatory transfers represent the rebate of interest arbitrage. Nonmandatory transfers are transfers among fund groups made at the discretion of the Center and not arising out of binding legal agreements. Transfers were made for the purpose of providing funds for construction and removing interest earnings of reserve funds in excess of the reserve requirements to operating funds.

Cost Allocations

Personnel services and operating expenditures directly related to an activity are charged to the activity. Overhead and administrative costs of the Center are charged to the accounts of the Bond Funds by a square-footage formula or by time and effort studies. Small amounts of expenditures are allocated based on other estimates. These allocated amounts are not necessarily the same as would be reflected if detailed timesheets were kept by all employees and used for the allocation formula or if the Center were not a related entity.

Prior Period Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by fund group. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Bond Funds' financial statements for the year ended June 30, 2000 from which the summarized information was derived.

NOTE 2: SPECIAL FUNDS

As required by the bond resolution, the Center has established and maintains certain funds into which amounts are deposited for designated purposes. These special funds consist of the Current Unrestricted Fund, Investment in Plant Fund, Bonds and Interest Fund, Reserve Fund, Rebate Fund and Renewals and Replacements Fund.

The bond resolution further requires that all income and revenues derived from operation of parking facilities be deposited to and expenditures for operations be made from the Current Unrestricted Fund. The following transfers and deposits are made from the Current Unrestricted Fund to:

Bonds and Interest Fund

No later than January 1, April 1, July 1 and October 1 of each year, the Center is required to deposit an amount that, together with any amounts available for such purpose theretofore credited to and remaining on deposit in the Bonds and Interest Fund, must be sufficient to pay one-half of the installment of interest and one-fourth of the installment of principal next due on the Series 1993 and Series 2000 Bonds in the Bonds and Interest Fund.

Reserve Fund

The Center is required to deposit any monies remaining from the Current Unrestricted Fund in the Reserve Fund to maintain a minimum reserve. No deposit to the Reserve Fund is required as long as the funds are equal to the maximum annual debt service. A Reserve Fund Credit Facility may be substituted for the amount required. The reserve requirement with respect to the Series 1993 and Series 2000 Bonds is $2,302,045, and the balance in the Reserve Fund of $2,782,387 at June 30, 2001 exceeded that requirement.

NOTE 2: SPECIAL FUNDS (Continued)

Rebate Fund

The Center is required to deposit into the rebate fund any interest or investment income on the other funds as necessary to comply with the tax covenants of the bond resolution. At June 30, 2001, the assets in this fund exceeded the estimated liability.

Renewals and Replacements Fund

The Center is required to deposit into the Renewals and Replacements Fund an amount that, together with any amounts theretofore credited to and remaining on deposit in the Renewals and Replacements Fund, will accumulate a reserve equal to at least 15 percent of the operation and maintenance expenses budgeted for the immediately succeeding fiscal year, provided that the maximum required deposit in any given fiscal year need not exceed 3 percent of the budgeted operation and maintenance expenses for the succeeding fiscal year. The requirement is $476,923 based on the approved operating budget for fiscal year 2002, and the balance in the Renewals and Replacements Fund of $585,095 at June 30, 2001 exceeded that requirement.

Any monies remaining in the Current Unrestricted Fund may be used for any one or any combination of lawful purposes as the Center's Board of Directors may from time to time determine.

NOTE 3: EQUITY IN POOLED CASH, CASH ON HAND AND IN BANK AND CERTIFICATES OF DEPOSIT

The Bond Funds had $1,990,244 in cash and cash equivalents at June 30, 2001. It consisted of $784,160 on deposit with the State Treasurer, $1,189,662 in bank deposits and $16,422 of cash on hand. The Center's bank balance at June 30, 2001 was $1,183,107.

All of the bank balances were covered by collateral held in the pledging institutions' trust departments in the name of the public deposit pool as required by the Public Deposit Protection Act.

NOTE 4: OTHER INVESTMENTS

In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools*, the Center accounts for investments at fair value. Though Statement No. 31 requires that investments be valued at market, the Center's intent is to hold its investments to maturity.

The Center has authority to invest in equity or nonequity investments as authorized by the Director of Administrative and Business Services. Those investments are categorized below to give an indication of the level of risk assumed by the Center.

Category 1
Includes investments insured, registered or held by the Center or its agent in the Center's name.

Category 2
Includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Center's name.

Category 3
Includes uninsured and unregistered investments held by the counterparty or by its trust department or agent but not in the Center's name.

All of the Bond Funds' investments at June 30, 2001 were in Category 2 and consisted entirely of U.S. Government securities and money market funds invested in U.S. Government securities.

NOTE 5: COMPENSATED ABSENCES FOR ACCRUED ANNUAL AND SICK LEAVE

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, 2001 is $53,467. Expenditures for the year ended June 30, 2001 include $1,704 representing the increase in the estimated compensated absence liability.

NOTE 5: COMPENSATED ABSENCES FOR ACCRUED ANNUAL AND SICK LEAVE (Continued)

The recording of the liability for compensated absences could result in fund balance deficits that will be funded by revenues or other fund sources in future years when the liability is paid.

NOTE 6: BONDS PAYABLE

Series 1993 Bonds

On September 15, 1993, the Center issued Series 1993 Bonds in the amount of $21,510,000 for the purpose of refunding $17,980,000 of Series 1989 Bonds that had an outstanding balance on that date of $19,250,000. The proceeds from the sale of the Series 1993 Bonds that were used to refund the Series 1989 Bonds were deposited in escrow with Norwest Bank Denver, N.A. (Escrow Agent). On April 1, 2000, the outstanding Series 1989 Bonds were called.

The Series 1993 Bonds are due in semiannual installments with annual payments ranging from $1,060,000 to $3,660,000 and interest ranging from 4.7 percent to 5.3 percent. The final installment is due April 1, 2012. The Series 1993 Bonds are collateralized by revenues from parking facilities.

Series 1993 Bonds maturing on and after April 1, 2004 can be called for redemption at par at the option of the Center's Board of Directors, in whole or in part on any interest payment date on or after April 1, 2003. Series 1993 Bonds maturing between April 1, 2003 and March 31, 2004 can be called for redemption at 101 percent of par at the option of the Center's Board of Directors.

NOTE 6: BONDS PAYABLE (Continued)

Series 2000 Bonds

On December 7, 2000, the Center issued $7,020,000 in Series 2000 Bonds for the purpose of financing the costs of improving the Center's parking facilities. The Series 2000 Bonds are payable in semiannual installments with annual payments ranging from $315,000 to $1,330,000 and interest ranging from 5.0 percent to 5.5 percent. The final installment is due April 1, 2026. Bonds maturing on or after April 1, 2010 can be called for redemption at par at the option of the Center's Board of Directors, in whole at any time or in part at any time on or after April 1, 2010. The Series 2000 Bonds are collateralized by revenues from the operation of parking facilities and earnings on the investment of the issuance's income fund less general operating expenses of those facilities.

Bond issuance costs of $266,022 for the Series 1993 Bonds and $197,248 for the Series 2000 Bonds are reported as deferred charges and are amortized on a straight-line basis over the life of the bonds.

Debt service to maturity for the bonds for the fiscal year ended June 30, 2001 is as follows:

	Principal	Interest	Total
2002	$ 1,060,000	$ 1,257,770	$ 2,317,770
2003	1,105,000	1,207,950	2,312,950
2004	1,160,000	1,154,910	2,314,910
2005	1,210,000	1,098,070	2,308,070
2006	1,275,000	1,037,570	2,312,570
2007 and after	18,105,000	8,248,608	26,353,608
Totals	23,915,000	14,004,878	37,919,878
Less unamortized discount	101,990	—	101,990
	$ 23,813,010	$ 14,004,878	$ 37,817,888

NOTE 7: PENSION PLAN

Plan Description

Virtually all Center employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan, administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The State and other divisions' plans are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado, 80203.

Plan members vest after five years of service and most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with five years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of five years of service credit, and their age plus years of service equals 80 or more. State troopers and judges comprise a small percentage of plan members but have higher contribution rates and are eligible for retirement benefits at different ages and years of service. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of twelve consecutive months of service credit.

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If members die before retirement, their spouse or their eligible children under the age of 18 (23 if a full time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

Funding Policy

Most employees contribute eight percent of their gross covered wages to an individual account in the Plan.

NOTE 7: PENSION PLAN (Continued)

During fiscal year 2001, the State contributed 10.4 percent of the employee's gross covered wages, which was allocated by PERA before January 1, 2001 as follows:

- 1.1 percent was allocated to the Health Care Trust Fund.
- 9.3 percent was allocated to the defined benefit plan.

After January 1, 2001, the state contribution was allocated to three separate programs by PERA according to a statutory change in funding policy.

- 1.42 percent was allocated to the Health Care Trust Fund.
- The amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker program (see Note 8).
- The balance remaining after allocations to the Matchmaker program and the Health Care Trust Fund was allocated to the defined benefit plan.

The annual gross wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code. The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly.

The Center made retirement contributions related to the Bond Funds of $60,834, $62,657 and $55,856 in fiscal years 2001, 2000 and 1999, respectively. For each year, the amount contributed was equal to the required contribution. Those amounts include the Health Care Fund contribution discussed in Note 8.

NOTE 8: VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

Beginning on January 1, 2001, the Matchmaker Program established a state match for PERA members' voluntary contributions to tax-deferred retirement plans. The match was 100 percent of up to three percent of the employee's gross covered wages paid during the month (seven percent for judges in the Judicial Branch). The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. Two percent of gross salary plus fifty percent of any reduction in the overall contribution rate due to overfunding of the pension plan was available for the match. PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer a 403b plan. Members who contribute to any of these plans also receive the State match.

NOTE 9: POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During fiscal year 2001, the premium subsidy was $115 for those with 20 years of service credit ($230 for members under age 65), and was reduced by five percent for each year of service fewer than 20. Medicare eligibility also affects premium subsidy.

The Health Care Trust Fund is maintained by an employer's contribution as discussed in Note 7.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans and with health maintenance organizations providing services within Colorado. As of December 31, 1999, there were 31,266 participants, including spouses and dependents, from all contributors to the plan.

NOTE 9: POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

Life Insurance Program

PERA provides its members access to two group life insurance plans offered by Prudential and Rocky Mountain Life. Members may join one or both plans, and they may continue coverage into retirement. Premiums are paid monthly by payroll deduction or other means.

NOTE 10: RISK-FINANCING AND INSURANCE-RELATED ACTIVITIES

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 Appropriations Bill. Therefore, the Center is not required to obtain 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 $1,000 deductible 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 suit by the Doctrine of Sovereign Immunity except under certain circumstances in which immunity is waived.

NOTE 11: FUTURE CHANGE IN ACCOUNTING PRINCIPLE

The Governmental Accounting Standards Board adopted Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* as amended by its Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities.* These pronouncements establish new financial reporting requirements intended to make annual reports more comprehensive and easier to understand and use through use of a new financial reporting model.

NOTE 11: FUTURE CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The new financial reporting model differs from that currently used by the Center in a number of respects including:

1. Presentation of a narrative management's discussion and analysis that objectively analyzes the Center's financial performance and the facts, decisions and conditions expected to have a significant impact on future results.
2. Presentation of the Center as a business-type activity instead of as multiple separate funds using the accrual basis of accounting.
3. Presentation of a statement of financial position, a statement of revenues, expenses and changes in net assets and a statement of cash flows as basic financial statements.
4. Recognition of depreciation for all plant assets.

The Center expects to first apply the new standards during the year ending June 30, 2002 by retroactively restating beginning net assets (fund balances). Application of the new standards is expected to materially reduce the amount of net assets at July 1, 2001 from the amount of fund balances reported at June 30, 2001, principally as a result of recognition of accumulated depreciation on plant assets.

Independent Accountants' Report on Compliance and Internal Control Over Financial Reporting Based on the Audit of the Financial Statements in Accordance with *Government Auditing Standards*

Member of the Legislative Audit Committee:

We have audited the financial statements of the Auraria Higher Education Center, Parking Facilities System Refunding Revenue Bonds, Series 1993, and Parking Facilities System Revenue Bonds, Series 2000, a component unit of the State of Colorado, as of and for the year ended June 30, 2001 and have issued our report thereon dated September 7, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Members of the Legislative Audit Committee

This report is intended solely for the information and use of the Legislative Audit Committee and the Board of Directors and management of the Center and is not intended to be and should not be used by anyone other than these specified parties.

September 7, 2001
Colorado Springs, Colorado

State of Colorado
Auraria Higher Education Center, Parking Facilities System Refunding Revenue Bonds, Series 1993 and Parking Facilities System Revenue Bonds, Series 2000

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Year Ended June 30, 2001

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