KPMG

AURARIA HIGHER EDUCATION CENTER

Financial and Compliance Audit

Fiscal Years ended June 30, 2015 and 2016

(With Independent Auditors' Reports Thereon)

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COSA – 201 04/00

AURARIA HIGHER EDUCATION CENTER

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Financial and Compliance Audit

Report Summary

Year ended June 30, 2016

Purpose and Scope

The Office of the State Auditor engaged KPMG LLP (KPMG) to conduct a financial and compliance audit of the Auraria Higher Education Center (the Center) for the year ended June 30, 2016. KPMG 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 May 2016 to November 2016.

The purpose and scope of our audit was to:

- Express opinions on the financial statements of the Center as of and for the years ended June 30, 2016 and June 30, 2015. 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*.
- Evaluate progress in implementing prior audit findings and recommendations.

Audit Opinions and Reports

We expressed an unmodified opinion on the Center's financial statements as of and for the years ended June 30, 2016 and 2015. A qualified opinion was issued by other auditors over the discretely presented component unit's reporting of discontinued operations as of June 30, 2015. The discretely presented component unit was dissolved effective June 30, 2015. All of the Foundation's assets remaining, after payment of or provision for all of its dissolution costs and expenses and other liabilities, were paid over or transferred to the Auraria Board for their exclusive use. The Foundation was not in operations during the year ended June 30, 2016.

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

Summary of Key Findings

There were no reported findings and recommendations resulting from the audit for fiscal year 2016.

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Description of the Auraria Higher Education Center

Year ended June 30, 2016

Organization

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

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

AURARIA HIGHER EDUCATION CENTER

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2016

We have audited the financial statements of the Center as of and for the year ended June 30, 2016 and have issued our report thereon dated December 1, 2016. In planning and performing our audit of the financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 of the Center's internal control. In addition, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we also have issued our report dated December 1, 2016, on our consideration of the Center's internal control and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. We have not considered internal control since December 1, 2016.

The maintenance of adequate internal control designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Additionally, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

There were no findings and recommendations resulting from the audit for fiscal year 2016.

KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

Members of the
Legislative Audit Committee:

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents. We have also audited the accompanying financial statements of the discretely presented component unit of the Center as of and for the year ended June 30, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 opinions on these financial statements based on our audits and the report of other auditors. We did not audit the consolidated financial statements of the Auraria Foundation (the Foundation) for the year ended June 30, 2015, a discretely presented component unit discussed in note 1 to the financial statements. Those consolidated financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, are based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The consolidated financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained and the report of other auditors is sufficient and appropriate to provide a basis for our audit opinions.

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Basis for Qualified Opinion on the Discretely Presented Component Unit

As discussed in note 2 to the consolidated financial statements of the discretely presented component unit, the Inn at Auraria, LLC (the Inn) sold all of its property and equipment in July 2014. The Foundation has consolidated and presented the Inn as a continuing component in the accompanying consolidated financial statements as of June 30, 2015. Under U.S. generally accepted accounting principles, the Foundation should present the Inn as a discontinued component, which would result in the presentation of the Inn's results of operations as single line items in the consolidated statement of activities for the year ended June 30, 2015.

Qualified Opinion

In our opinion, based on the report of the other auditors, except for the effects of the matter described in the "Basis for Qualified Opinion on the Discretely Presented Component Unit" paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of the Center as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinion

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Auraria Higher Education Center as of June 30, 2016 and 2015, and the respective changes in financial position and the cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

The Foundation was dissolved effective June 30, 2015. All remaining assets after payment for all dissolution costs and other liabilities were transferred to the Center.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 7 to 15 and *schedule of proportionate share of net pension liability and employer contributions* on page 62 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 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 financial statements, and other knowledge we obtained during our audits of the 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.

KPMG

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 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 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.

KPMG LLP

Denver, Colorado
December 1, 2016

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, 2016 and June 30, 2015 with comparable information for 2014. 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

The financial statements of the Center are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Effective July 1, 2014, the Center adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The Center changed its accounting policies with the implementation of this new accounting standard. Changes in accounting policies for pensions are designed to improve transparency regarding pension obligations by requiring recognition of a liability equal to the net pension liability for the Center's defined-benefit plans. This standard requires recognition of pension expense using a systematic method, designed to match the cost of pension benefits with service periods for eligible employees. These accounting policy changes do not impact the Center's funding requirements for the pension plan.

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 and not the discretely presented component unit, the Auraria Foundation.

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 one way 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, 2016 and 2015, total assets and deferred outflows of resources of the Center exceeded total liabilities and deferred inflows of resources by $124.3 million and $115.5 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 increased by $14.3 million in fiscal year 2016 as a result of a $13.8 million increase in construction in progress for the Auraria Library project and decreased slightly by $0.4 million in fiscal year 2015. 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.

Restricted expendable net position represents resources that are subject to externally imposed stipulations regarding their use. Restricted net position totaled $5.5 million as of June 30, 2016 compared to $8.8 million as of June 30, 2015, which represents 4.4% of net position in 2016 and 7.6% of net position in 2015.

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. This category is negative due to pension obligations of $54.8 million at June 30, 2016 and $50.1 million at June 30, 2015 exceeding the Center's reserves. Unrestricted net position totaled $(34.2) million as of June 30, 2016 compared to $(32.0) million as of June 30, 2015. It decreased by $47.4 million, or 309.1%, to $(32.0) million at June 30, 2015 as a result of the $(46.4) million cumulative effect of the change in accounting principle from the implementation of GASB 68.

Total assets and deferred outflows of resources increased $8.5 million primarily due to an increase in net capital assets as well as an increase in deferred outflows related to pension obligations. Total liabilities and deferred inflows decreased slightly by $.3 million.

Condensed Statements of Net Position

		June 30	
	2016	**2015**	**2014**
		(In thousands)	
Assets:			
Current assets	$ 24,568	30,275	28,053
Capital assets, net	244,970	233,345	233,739
Other noncurrent assets	25,345	26,780	29,137
Total assets	294,883	290,400	290,929
Deferred outflows of resources	7,712	3,673	1,320
Total assets and deferred outflows of resources	$ 302,595	294,073	292,249
Liabilities:			
Current liabilities	$ 20,028	22,734	19,166
Noncurrent liabilities	156,774	155,667	110,547
Total liabilities	176,802	178,401	129,713
Deferred inflows of resources	1,492	159	—
Total liabilities and deferred inflows of resources	$ 178,294	178,560	129,713

(Continued)

		June 30	
	2016	2015	2014
		(In thousands)	
Net position:			
Net investment in capital assets	$ 153,049	138,739	139,088
Restricted for expendable purposes	5,491	8,821	8,118
Unrestricted	(34,240)	(32,047)	15,329
Total net position	$ 124,300	115,513	162,535

Statements of Revenue, Expenses, and Changes in Net Position

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

For fiscal year 2016, the operating and nonoperating activities of the Center resulted in an increase in net position of $8.8 million as compared to a decrease of $0.6 million for fiscal year 2015. For fiscal year 2016, operating revenue totaled $63.1 million while operating expenses totaled $65.3 million, resulting in an operating loss of $2.2 million. For fiscal year 2015, operating revenue totaled $60.5 million while operating expenses totaled $65.4 million, resulting in an operating loss of $4.9 million. The decrease in operating loss from fiscal year 2015 to 2016 of $2.7 million was primarily the result of a $2.8 million increase in other operating revenue resulting from the recognition of grant revenue received from the Auraria Foundation for funding the Tivoli Quad project.

Support from the three constituent institutions increased approximately $0.3 million from 2015 to 2016 while revenue from auxiliary enterprises decreased $0.8 million from 2015 to 2016, primarily as a result of declining bookstore textbook sales. In 2016, approximately $2.7 million of auxiliary revenue and auxiliary reserves were used to support general operating costs. For 2016 and 2015, the State of Colorado (State) provided $14.8 million and $8.1 million, respectively, in capital contributions primarily for the Fire Alarm and Sprinkler projects, the Auraria Library Renovation, and Improving ADA accessibility on 10th Street.

(Continued)

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

		Year ended June 30	
	2016	2015	2014
		(In thousands)	
Operating revenue:			
Auxiliary enterprises	$ 31,879	32,700	35,968
Revenue from constituent institutions	22,245	21,897	23,140
Student fees	5,426	5,220	5,263
Other operating revenue	3,546	693	284
Total operating revenue	63,096	60,510	64,655
Operating expenses:			
Auxiliary enterprises	27,934	29,849	32,650
Operation and maintenance of plant	17,569	16,253	17,013
Institutional support	5,072	4,695	3,489
Academic support	1,362	1,317	1,320
Public service	(65)	108	26
Depreciation	13,465	13,200	12,530
Total operating expenses	65,337	65,422	67,028
Operating loss	(2,241)	(4,912)	(2,373)
Nonoperating revenue (expenses):			
Investment income	509	338	431
Interest expense on capital debt	(4,501)	(4,329)	(5,286)
Gain on disposal of capital assets	267	260	181
Total nonoperating expenses, net	(3,725)	(3,731)	(4,674)
Capital contributions, grants, and gifts	14,753	8,060	2,049
Increase (decrease) in net position	8,787	(583)	(4,998)
Net position, beginning of year as previously reported	115,513	162,535	167,533
Cumulative effect of change in accounting principle	—	(46,439)	—
Net position, beginning of year as restated	115,513	116,096	167,533
Net position, end of year	$ 124,300	115,513	162,535

(Continued)

Headcount enrollment (as measured by the student fees paid to the Center) at the constituent institutions showed an average decrease overall between fall 2014 and fall 2015 of 4.8% due to an 8.3% headcount enrollment decrease for Community College of Denver, a 5.1% headcount enrollment decrease for Metropolitan State University of Denver, and a 2.7% headcount enrollment decrease for University of Colorado Denver. Estimates for fall 2016 predict a 4% decline in enrollment for the Community College of Denver, flat enrollment for Metropolitan State University of Denver, and a slight increase in enrollment for University of Colorado Denver.

Capital Assets

At June 30, 2016, the Center had approximately $245.0 million invested in capital assets, net of accumulated depreciation of approximately $225.4 million. At June 30, 2015, the Center had approximately $233.3 million invested in capital assets, net of accumulated depreciation of approximately $212.1 million. For the years ended June 30, 2016 and 2015, depreciation expense was approximately $13.5 million and $13.2 million, respectively.

A summary of capital assets is provided below:

		June 30		
		2016	**2015**	**2014**
			(In thousands)	
Land	$	27,896	27,896	27,896
Land improvements		11,473	5,327	5,962
Buildings and improvements		175,396	183,491	175,357
Equipment		4,855	3,945	3,726
Construction in progress		25,350	12,686	20,797
Total capital assets, net	$	244,970	233,345	233,738

Construction in progress increased approximately $12.7 million during fiscal year 2016 primarily due to ongoing construction of the Auraria Library Renovation project that is expected to be completed late fall 2016.

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 $1,589,231 are currently being held by Wells Fargo Bank, as trustee, until these funds are needed to pay the final debt service obligations on the Series 2008 Land Acquisition Certificates, with final maturity on May 1, 2028.

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, 2016, the Center had approximately $107.3 million of bond and capital lease obligations outstanding as compared to $110.3 million as of June 30, 2015. The table below summarizes this debt by type. The outstanding revenue bonds as of June 30, 2016 comprise Parking Revenue Bonds totaling $42.7 million and Student Fee Revenue Bonds totaling $26.8 million. These debt service requirements are met by pledged revenue from the Center's parking operations and from student fees.

The capital lease obligations as of June 30, 2016 comprise three Certificates of Participation totaling $37.8 million. The constituent institutions share in the cost of debt service of the three Certificates of Participation. During fiscal year 2016, the constituent institutions provided funding of $2.3 million in excess of their annual allocation of state-appropriated funds to help fund these capital lease obligations.

During fiscal year 2016, long-term debt decreased $3.0 million from $110.3 million in 2015 to $107.3 million as the result of scheduled principal payments on the debt described above.

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 totaling $2,322,512 will be requested as final project costs are incurred.

On March 9, 2016, the Center issued Series 2016 Parking Enterprise Revenue Refunding Bonds in the amount of $5,845,000, together with other funds of the Center, for the purpose of current refunding $6,370,000 in Series 2004A Parking Bonds. 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.

On April 7, 2016, the Center issued Series 2016 Student Fee Revenue Refunding Bonds in the amount of $7,415,000, together with other funds of the Center for the purpose of current refunding $8,570,000 in Series 2006 Student Fee Bonds. 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.

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

Long-Term Debt

	June 30		
	2016	2015	2014
		(In thousands)	
Auxiliary enterprise revenue bonds	$ 69,505	70,125	73,067
Capital lease obligations	37,819	40,161	42,057
Total long-term debt	$ 107,324	110,286	115,124

Economic Outlook

During fiscal year 2016, the constituent institutions' allocation to fund the Center's general operations was $18.9 million, as compared to $18.4 million for fiscal year 2015. In addition, the constituent institutions provided an additional $1.9 million in funding to be used exclusively for deferred maintenance projects across the aging campus. The Center's budget for fiscal year 2017 reflects a 4.1% increase to the base allocation of the constituent institutions to fund mandated salary increases for custodial and police staff and to offset a reduction in auxiliary fund operating transfers.

An extensive master plan study for the entire campus had been completed in 2012 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, during the last several years, 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 (CCD) 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 adds 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. The Center is nearing completion of the $26.8 million Auraria Library renovation that began in May 2014 and is expected to be completed by November 2016. 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.

(Continued)

Finally, construction of two new institutional buildings and renovations to the North Classroom are underway or soon scheduled to begin. MSU Denver's Aerospace and Engineering Sciences (AES) Building broke ground in October 2015 and will contain an estimated 142,000 square feet of campus space and will provide MSU Denver with a state-of-the-art building to support their new Aerospace and Engineering Sciences (AES) initiative, which will foster 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. This new building is expected to be completed in summer 2017. The new CU Denver Wellness Center was an initiative of the CU Denver student government and will include fitness facilities such as a lap pool, gymnasium, a "commuter haven" lounge for CU Denver students between classes and other features. The building is expected to begin construction in September 2016 and open in 2018. CU Denver is funding a $33.5 million renovation to the North Classroom, which is expected to begin in September 2016 and will upgrade virtually all building mechanical and electrical systems and also includes the renovation of 32 existing classrooms and other cosmetic improvements throughout the building. The renovations are expected to be completed by late 2017 or early 2018.

In addition to adding new buildings on the Auraria Campus, MSU Denver began construction in February 2013 of a new 12.5-acre athletic complex that was built in phases and completed in February 2015. The new 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 provide 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 new 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 fund the debt issued to finance the remaining construction cost of this $7.7 million project.

The Center's budget for fiscal year 2017 includes a $0.25 parking rate adjustment approved by the Auraria board of directors at their May 25, 2016 meeting. At that meeting, the Board also approved a $0.25 parking rate adjustment, effective July 1, 2017. The last rate adjustment occurred July 2013.

From the fall 2010 to the spring 2016, parking capacity declined almost 800 spaces, from 6,858 to 6,084 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 upcoming construction of the CU Denver Wellness Center will result in the loss of the Redwood parking lot and approximately 105 parking spaces, reducing capacity for fall 2016 to just under 6,000 spaces.

The Center's auxiliary enterprise facilities are funded with student fees and user charges. This revenue is currently sufficient to maintain adequate levels of maintenance for the Tivoli Student Union, the childcare center, and all parking facilities. However, these fees and charges are not sufficient to cover the ongoing maintenance needs of the general classroom facilities built approximately 40 years ago. The campus has one of the highest classroom utilization rates in the nation. State funding for maintenance projects has been limited and inadequate to meet the ever-increasing needs of the Center's aging campus infrastructure. Therefore, recognizing that reliance on the State is unrealistic given the current economic conditions, the Center prepared an eight-year deferred maintenance plan, totaling over $28.8 million, for the review and consideration of the constituent institutions. 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 have continued that annual additional commitment of $1.9 million toward deferred maintenance over the last three fiscal years, 2014, 2015, and 2016, with a total of $9.5 million provided to date. As part of the Center's fiscal year 2017 budget, the three institutions committed and funded an additional appropriation, over and above the $10.1 million for general campus operations, of $1.67 million, which was earmarked exclusively for deferred maintenance projects. To date, the deferred maintenance plan has focused on maintenance projects primarily tied to life safety and critical campus operations. During future budget discussions, the Center will work closely with the constituent institutions to continue to secure funding for the deferred maintenance plan.

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, 2016 and 2015

Assets and Deferred Outflows of Resources	**2016**	**2015**
Current assets:		
Cash and cash equivalents	$ 16,775,457	20,463,027
Accounts receivable, net	5,058,983	7,054,504
Notes receivable, current	851,285	813,025
Inventories	1,733,535	1,847,061
Prepaid expenses	148,961	97,446
Total current assets	24,568,221	30,275,063
Noncurrent assets:		
Restricted cash and cash equivalents	7,590,371	7,941,870
Restricted investments	4,510,952	4,699,878
Notes receivable	12,940,735	13,792,020
Prepaid bond costs	302,898	346,122
Capital assets, net	244,970,413	233,344,621
Total noncurrent assets	270,315,369	260,124,511
Total assets	294,883,590	290,399,574
Deferred outflows of resources:		
Deferred amount on refunding	1,306,937	1,354,279
Deferred amount on pension obligations	6,404,569	2,318,392
Total deferred outflows of resources	7,711,506	3,672,671
Total assets and deferred outflows of resources	$ 302,595,096	294,072,245
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and accrued liabilities	$ 8,785,334	9,089,381
Interest payable	538,056	618,811
Deposits held for others	1,435,275	1,411,026
Unearned revenue	2,186,686	5,289,908
Long-term debt, current	6,945,913	6,214,922
Compensated absences liability, current	136,941	110,124
Total current liabilities	20,028,205	22,734,172
Noncurrent liabilities:		
Long-term debt	100,377,605	104,071,013
Pension obligations	54,777,089	50,094,957
Compensated absences liability	1,619,740	1,500,644
Total noncurrent liabilities	156,774,434	155,666,614
Total liabilities	176,802,639	178,400,786
Deferred inflows of resources:		
Deferred amount on pension obligations	1,492,239	158,708
Total liabilities and deferred inflows of resources	$ 178,294,878	178,559,494
Net Position		
Net position:		
Net investment in capital assets	$ 153,048,750	138,738,894
Restricted for expendable purposes	5,491,100	8,821,195
Unrestricted	(34,239,632)	(32,047,338)
Total net position	$ 124,300,218	115,512,751

See accompanying notes to financial statements.

AURARIA HIGHER EDUCATION CENTER

Discretely Presented Component Unit

Statements of Financial Position

June 30, 2015

Assets		Inn at Auraria, LLC	The Auraria Foundation	Total
Cash and cash equivalents	$	—	30,504	30,504
Investments		—	1,694,000	1,694,000
Prepaid expenses and other		—	3,430	3,430
Total assets	$	—	1,727,934	1,727,934
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$	—	25,454	25,454
Grants payable		—	1,699,345	1,699,345
Total liabilities		—	1,724,799	1,724,799
Net assets – unrestricted		—	3,135	3,135
Total liabilities and net assets	$	—	1,727,934	1,727,934

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, 2016 and 2015

		2016	2015
Operating revenue:			
Auxiliary enterprises	$	31,879,438	32,700,376
Revenue from constituent institutions		22,244,500	21,896,643
Student fees		5,426,189	5,219,846
Other operating revenue		3,545,985	693,373
Total operating revenue		63,096,112	60,510,238
Operating expenses:			
Auxiliary enterprises		27,934,039	29,849,560
Operation and maintenance of plant		17,569,418	16,252,527
Institutional support		5,071,953	4,694,835
Academic support		1,361,777	1,316,991
Public service		(64,716)	107,842
Depreciation		13,465,326	13,199,964
Total operating expenses		65,337,797	65,421,719
Operating loss		(2,241,685)	(4,911,481)
Nonoperating revenue (expenses):			
Investment income		509,144	337,949
Interest expense on capital debt		(4,500,619)	(4,329,383)
Gain on disposal of capital assets		267,377	260,460
Nonoperating expenses, net		(3,724,098)	(3,730,974)
Loss before other revenue, expenses, gains, or losses		(5,965,783)	(8,642,455)
Other revenue, expenses, gains, or losses:			
State capital contributions		14,753,250	8,059,672
Increase (decrease) in net position		8,787,467	(582,783)
Net position, beginning of year as previously reported		115,512,751	162,535,082
Cumulative effect of change in accounting principle (note 1b)		—	(46,439,548)
Net position, beginning of year as restated		115,512,751	116,095,534
Net position, end of year	$	124,300,218	115,512,751

See accompanying notes to financial statements.

AURARIA HIGHER EDUCATION CENTER

Discretely Presented Component Unit

Statements of Activities

Year ended June 30, 2015

	Inn at Auraria, LLC	The Auraria Foundation	Total
Revenue and other support:			
Rental income	$ 126,741	—	126,741
Investment income	—	152,663	152,663
Miscellaneous income	10,914	2,000	12,914
Total revenue and other support	137,655	154,663	292,318
Expenses:			
Inn at Auraria, LLC operations	788,202	—	788,202
Donations to AHEC	—	3,604,345	3,604,345
General and administrative	2,289,867	87,375	2,377,242
Total operating expenses	3,078,069	3,691,720	6,769,789
Decrease in net assets before write-off	(2,940,414)	(3,537,057)	(6,477,471)
Write-off of intercompany accounts:			
Auraria Foundation	30,752	—	30,752
Total write-off of intercompany accounts	30,752	—	30,752
Gain on sale of Inn at Auraria, LLC:			
Debt forgiveness	9,276,457	—	9,276,457
Sale of property and equipment	7,469,125	—	7,469,125
Change in net assets	13,835,920	(3,537,057)	10,298,863
Unrestricted net assets (deficit), beginning of year	(13,835,920)	3,540,192	(10,295,728)
Unrestricted net assets, end of year	$ —	3,135	3,135

See accompanying notes to financial statements.

AURARIA HIGHER EDUCATION CENTER

Business-Type Activities

Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Cash received:			
Student fees	$	5,480,836	5,212,668
Revenue from constituent institutions		22,456,146	22,071,028
Sales of products and services		34,710,537	36,616,700
Cash payments:			
Payments for employees		(24,367,801)	(22,598,774)
Payments to suppliers		(25,867,532)	(26,441,835)
Net cash provided by operating activities		12,412,186	14,859,787
Cash flows from noncapital financing activities:			
Receipts of deposits held in custody		10,531,433	12,798,606
Disbursements of deposits held in custody		(10,494,662)	(14,401,968)
Net cash provided by (used in) noncapital financing activities		36,771	(1,603,362)
Cash flows from capital and related financing activities:			
State appropriations		14,987,311	7,825,610
Capital grants and gifts		1,650,000	1,680,616
Proceeds from capital debt		16,237,488	19,954,213
Acquisition and construction of capital assets		(27,183,207)	(13,067,031)
Principal received on notes receivable		813,025	774,765
Principal paid on debt refunding		(14,940,000)	(19,185,000)
Principal paid on long-term debt		(4,754,922)	(6,246,547)
Interest paid on long-term debt		(3,995,791)	(3,705,084)
Net cash used in capital and related financing activities		(17,186,096)	(11,968,458)
Cash flows from investing activities:			
Sales of investments		177,589	1,148
Investment income		520,481	321,670
Net cash provided by investing activities		698,070	322,818
Net (decrease) increase in cash and cash equivalents		(4,039,069)	1,610,785
Cash and cash equivalents, beginning of year		28,404,897	26,794,112
Cash and cash equivalents, end of year	$	24,365,828	28,404,897

(Continued)

AURARIA HIGHER EDUCATION CENTER

Business-Type Activities

Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(2,241,685)	(4,911,481)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		13,465,326	13,199,964
Bad debt expense		21,174	(3,109)
Decrease (increase) in assets:			
Accounts receivable		77,763	2,655,187
Inventories		113,526	153,209
Prepaid expenses		(51,515)	54,075
Deferred outflows		(4,086,177)	(2,318,392)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities		(1,047,196)	1,628,724
Unearned revenue		(605)	468,035
Compensated absences liability		145,913	119,458
Pension liability		4,682,132	3,655,409
Deferred inflows		1,333,530	158,708
Net cash provided by operating activities	$	12,412,186	14,859,787
Supplemental cash flow information:			
Accounts payable related to capital asset purchases	$	743,149	1,879,241
Parking Bond Funding used to construct new garage		—	793,029

See accompanying notes to financial statements.

(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, 2016 and 2015, 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.

During the fiscal year ended June 30, 2016, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application,* which provides guidance on how to measure an asset or liability at fair value, and when governments should measure investments at fair value. The Statement establishes a three-level hierarchy of inputs to valuation techniques in which to measure fair value of investments. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are significantly observable for the asset or liability, either directly or indirectly. Level 3 inputs are significantly unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-back security.

During the fiscal year ended June 30, 2015, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Center provides most of its employees with pension benefits through the state's multiple-employer cost sharing Public Employee's Retirement Association (PERA) defined-benefit retirement program. Statement No. 68 requires cost sharing employers participating in the PERA program, such as the Center, to record their proportionate share, as defined in Statement No. 68, of PERA's net pension obligation. The Center has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA and the General Assembly. The requirement of Statement No. 68 to record a portion of PERA's net pension obligation has negatively impacted the Center's future unrestricted net position. The cumulative effect of this accounting change for the year ended June 30, 2015 reduced the total beginning net position by $46,439,548 from $162,535,082 to $116,095,534. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

(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, 2016 and 2015, 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 are carried at fair value. Fair value is determined using quoted market prices. Investments in commercial paper are carried at cost, which approximates market.

Investment income consists of interest and dividend income, and realized and unrealized gains and losses.

(Continued)

(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:

		2016	2015
Constituent institutions	$	3,016,184	2,749,767
State of Colorado central collections		757,727	675,215
Book Center credit memos due from vendors		616,797	1,162,513
Auxiliary enterprises		801,488	740,976
Other		716,591	2,470,412
		5,908,787	7,798,883
Less allowance for doubtful accounts		(849,804)	(744,379)
Accounts receivable, net	$	5,058,983	7,054,504

Accounts receivable are recorded net of an allowance for doubtful accounts. The allowance is based on past experience and analysis of the collectibility of current accounts receivable. 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.

(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:

		2016	2015
Science building – receivable from constituent institutions, current	$	851,285	813,025
Science building – receivable from constituent institutions, long term		12,940,735	13,792,020
Total notes receivable	$	13,792,020	14,605,045

The notes receivable balances are considered to be fully collectible as of June 30, 2016 and 2015.

(i) Inventories

The Campus provides an academic bookstore utilized by the three constituent institutions, consisting of new and used textbooks, insignia items, apparel, electronics, convenience items, and other supplies. The Center is responsible for managing and maintaining the bookstore and carries the inventory at the lower of market or cost method. Provisions are made for obsolete inventory on a periodic basis. Provisions recorded for the years ended June 30, 2016 and 2015 totaled $11,255 and $48,665, respectively.

(j) Capital Assets, Net

Capital assets, net, are recorded at cost at the date of acquisition, or fair 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	$	5,000
Purchased software		5,000
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. As of June 30, 2016 and 2015, capitalized interest amounted to $0 and $74,247, respectively. 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 2016.

(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 deferred and 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.

The deferred outflow balances are amortized as a component of interest 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 (PERA).
- The net difference between projected and actual earnings on pension plan investments.

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

- Pension plan differences between expected and actual experience.
- Changes in proportion and differences between 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, 8, and 9.

(n) Accrued Salaries

State Senate Bill 03-197 requires salaries that would normally be paid at the end of June to be paid in July. In FY 2013, State House Bill 12-1246 was implemented, which excluded biweekly payroll amounts from this requirement. This resulted in an accrual of $1,979,287 and $1,665,254 that was included in accounts payable and accrued liabilities at June 30, 2016 and 2015, respectively.

(o) 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, 2016 and 2015 is $1,756,681 and $1,610,768, respectively. Operating expenses for the years ended June 30, 2016 and 2015 include $145,913 and $119,458, respectively, representing the annual increase in the estimated compensated absences liability.

(Continued)

(p) 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:

		2016	2015
Student fees for the summer semester	$	337,804	327,425
Childcare tuition collected in advance		2,859	2,859
Foundation Grant – Tivoli Quad Project		250,000	3,352,616
Early Learning Center grants		55,000	55,000
Media Center (Channel 54/Studio) – City & County of Denver		—	365,944
Deferred maintenance		1,111,384	905,876
Parking		8,540	8,540
Lot I Modular build-out fee		213,755	271,648
Campus damage		124,007	—
Student spaces fees		26,599	—
Colorado Historical Society		56,738	—
	$	2,186,686	5,289,908

(q) 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 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.

(r) 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.

(Continued)

(s) 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 year 2016 and 2015 was earned in the exercise of the Center’s essential government functions.

(2) Deposits, Investments, and Investment Return

(a) Deposits and Cash Equivalents

At June 30, 2016 and 2015, the carrying value of the Center’s deposits was $24,244,468 and $28,331,788, respectively. At June 30, 2016 and 2015, balances consist of deposits with the Treasurer, as described below, $5,355,236 and $7,493,234 in bank deposits, and $146,583 and $74,378 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 Treasurer as required by C.R.S. The Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited with the Treasury are invested until the cash is needed. Earnings are allocated in proportion to the average daily cash balance for all participants in the pool. As of June 30, 2016 and 2015, the Center had cash on deposit, including restricted cash and cash equivalents, with the Treasurer of $18,242,346 and $20,837,285, respectively, which represented approximately 0.24% of the total $7,408,500,000 and approximately 0.27% of the total $7,661,800,000, respectively, in deposits in the Treasurer’s Pool (Pool).

For financial reporting purposes, all of the Treasurer’s investments are reported at fair value, which is determined based on quoted prices in active markets for identical assets ($230 million) and significant other observable inputs ($7,178.5 million) at fiscal year-end. 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 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 investment income reflect only the change in fair value for the fiscal year.

For the Center’s deposits with the Treasurer, the net unrealized gains for fiscal year 2016 and 2015 were $109,250 and $67,976, respectively. These unrealized gains are included in cash and cash equivalents on the statements of net position.

(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, 2016 and 2015, the Center has no investments that are subject to custodial risk.

(Continued)

(d) Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2016 and 2015, approximately 83.9% and 88.0%, respectively, of investments in the Pool are subject to credit quality risk reporting. Except for $77,761,610 and $87,396,440 in 2016 and 2015, respectively, of corporate bonds rated lower-medium and $0 and $25,018,750 in 2016 and 2015, respectively, of corporate bonds rated very speculative, these investments are rated from upper-medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

(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.

In addition to statutory limitations on the types of investments, the Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. The weighted average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in terms of years, weighted to reflect the dollar size of individual investments within an investment type. The overall portfolio WAM is derived by dollar weighting the WAM for each investment type. The State has selected WAM as the primary method for reporting interest rate risk. The WAM of investments in the Treasurer's Pool is as follows:

Investment type	Weighted avg maturity	Maturity amount	Percent of pool
June 30, 2016:			
Asset-backed securities	2.585	$ 1,026,821,023	14.0
Corporate bonds	1.985	1,645,938,000	22.4
U.S. government securities	1.343	3,608,040,000	49.0
Commercial paper	0.094	847,000,000	11.5
Money market mutual funds	—	230,000,000	3.1
Total	6.017	$ 7,357,799,023	100.0

Investment type	Weighted avg maturity	Maturity amount	Percent of pool
June 30, 2015:			
Asset-backed securities	2.528	$ 1,414,688,202	18.5
Corporate bonds	2.196	1,734,777,000	22.9
U.S. government securities	1.339	3,629,340,000	47.5
Commercial paper	0.063	485,000,000	6.3
Money market mutual funds	0.010	370,000,000	4.8
Total	6.136	$ 7,633,805,202	100.0

The Pool was not subject to foreign currency risk or concentration of credit risk in fiscal year 2016 and 2015.

The following table lists the Center's investments, by investment type, as of June 30, 2016 and 2015 for those investments not part of the Pool. The fair value amount is shown along with the credit quality rating and WAM:

Investment type	Fair value amount	Credit rating	Weighted average maturity
June 30, 2016:			
U.S. government agencies – explicitly guaranteed	$ 2,510,476	Not rated	Not applicable
Commercial paper	2,000,476	Highest	0.50
Total investments	$ 4,510,952		
June 30, 2015:			
U.S. government agencies – explicitly guaranteed	$ 2,698,026	Not rated	Not applicable
Commercial paper	2,001,852	Highest	0.5000
Total investments	$ 4,699,878		

(f) Fair Value of Investments

The following table lists the Center's investment types as of June 30, 2016, using the fair market input to valuation technique, which determines the hierarchy of fair market value of the investments 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, 2016:				
U.S. government securities – explicitly guaranteed	$	—	2,510,476	
Commercial paper		—	2,000,476	
Total investments	$	—	4,510,952	—
June 30, 2015:				
U.S. government securities – explicitly guaranteed	$	—	2,698,026	—
Commercial paper		—	2,001,852	—
Total investments	$	—	4,699,878	—

The Center has two investment types consisting of U.S. government securities and commercial paper. Both investment types totaling $4,510,952 and $4,699,878 for 2016 and 2015, respectively, are considered Level 2 investments.

(g) Investment Income

Investment income consisted of the following for the years ended June 30, 2016 and 2015:

		2016	2015
Interest and dividend income	$	481,868	315,011
Net increase in fair value of investments		27,276	22,938
	$	509,144	337,949

(3) Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

		Beginning balance	Additions	Disposals	Transfers	Ending balance
Land	$	27,895,650	—	—	—	27,895,650
Land improvements		24,700,483	—	—	6,842,567	31,543,050
Buildings and improvements		370,646,258	—	—	3,987,563	374,633,821
Equipment		9,552,784	917,873	(239,217)	684,127	10,915,567
Construction in progress, net		12,686,249	24,177,792	—	(11,514,257)	25,349,784
Total capital assets		445,481,424	25,095,665	(239,217)	—	470,337,872
Less accumulated depreciation:						
Land improvements		19,374,440	695,398	—	—	20,069,838
Buildings and improvements		187,154,710	12,083,168	—	—	199,237,878
Equipment		5,607,653	686,761	(234,671)	—	6,059,743
Total accumulated depreciation		212,136,803	13,465,327	(234,671)	—	225,367,459
Total capital assets, net	$	233,344,621	11,630,338	(4,546)	—	244,970,413

As of June 30, 2016, the construction in progress primarily consisted of the Fire Sprinkler and Alarm System Upgrades, the 10th Street ADA Access, the Auraria Library Renovation, the 11th Street Intersection, and smaller internal building improvement projects.

Capital asset activity for the year ended June 30, 2015 is as follows:

		Beginning balance	Additions	Disposals	Transfers	Ending balance
Land	$	27,895,650	—	—	—	27,895,650
Land improvements		24,643,943	56,540	—	—	24,700,483
Buildings and improvements		350,570,100	10,291	—	20,065,867	370,646,258
Equipment		8,850,484	538,189	(114,986)	279,097	9,552,784
Construction in progress, net		20,797,570	12,240,993	(7,350)	(20,344,964)	12,686,249
Total capital assets		432,757,747	12,846,013	(122,336)	—	445,481,424
Less accumulated depreciation:						
Land improvements		18,681,869	692,571	—	—	19,374,440
Buildings and improvements		175,213,344	11,941,366	—	—	187,154,710
Equipment		5,124,178	566,027	(82,552)	—	5,607,653
Total accumulated depreciation		199,019,391	13,199,964	(82,552)	—	212,136,803
Total capital assets, net	$	233,738,356	(353,951)	(39,784)	—	233,344,621

(4) Deferred Outflows/Inflows of Resources

The deferred outflows of resources represent the remaining unamortized deferral balances from losses on refunding of debt and amounts on pension obligations. The June 30, 2016 and 2015 debt-related deferral balances of $1,306,937 and $1,354,279, respectively, are included within the net investment in capital assets component of net position. The June 30, 2016 and 2015 pension obligations-related balances for deferred outflows of $6,404,569 and $2,318,392, respectively, and deferred inflows of $1,492,239 and $158,708, respectively, are included within the unrestricted component of net position.

A summary of deferred outflows/inflows of resources as of June 30, 2016 and 2015 is as follows:

		2016	2015
Deferred refunding – Series 2006 Student Fee Bonds	$	—	167,643
Deferred refunding – Series 2013 Student Fee Bonds		126,013	140,279
Deferred refunding – Series 2016 Student Fee Bonds		186,932	—
Deferred refunding – Series 2006 Parking Bonds		—	276,178
Deferred refunding – Series 2015 Parking Bonds		47,776	51,523
Deferred refunding – Series 2016 Parking Bonds		283,560	—
Deferred refunding – Series 2015 Admin COP		662,656	718,656
Deferred outflow on refunding	$	1,306,937	1,354,279
Deferred pension – pension investments	$	4,145,254	1,021,443
Deferred pension – experience gains and losses		797,646	—
Deferred pension – contributions after measurement date		1,461,669	1,296,949
Deferred outflow on pension obligations	$	6,404,569	2,318,392
Deferred pension – experience gains and losses	$	1,731	3,712
Deferred pension – changes in assumptions		648,404	—
Deferred pension – proportionate share		842,104	154,996
Deferred inflow on pension obligations	$	1,492,239	158,708

(5) Long-Term Debt

The following is a summary of long-term debt for the Center for the year ended June 30, 2016:

	Beginning balance	Additions	Deductions	Ending balance	Current portion
Revenue bonds payable:					
Series 2004 parking	$ 14,786,441	697,640	(1,605,000)	13,879,081	1,605,000
Series 2006 parking	6,374,681	—	(6,374,681)	—	—
Series 2006 student fee	8,559,953	10,047	(8,570,000)	—	—
Series 2013 student fee	17,297,656	—	(605,609)	16,692,047	665,000
Series 2013A parking	16,347,105	—	(98,512)	16,248,593	65,000
Series 2015 parking	6,758,758	—	(61,364)	6,697,394	—
Series 2015 student fee	—	2,977,488	(250,000)	2,727,488	250,000
Series 2016 parking	—	5,845,000	—	5,845,000	480,000
Series 2016 student fee	—	7,415,000	—	7,415,000	1,435,000
Total revenue bonds payable	70,124,594	16,945,175	(17,565,166)	69,504,603	4,500,000

	Beginning balance	Additions	Deductions	Ending balance	Current portion
Capital lease obligations:					
Land acquisition, Series 2008	$ 12,702,549	2,496	(675,000)	12,030,045	715,000
State capital construction financing, Series 2008	15,293,792	—	(849,922)	14,443,870	890,913
Administration facility, Series 2015	12,165,000	—	(820,000)	11,345,000	840,000
Total capital lease obligations	40,161,341	2,496	(2,344,922)	37,818,915	2,445,913
Total long-term debt	$ 110,285,935	16,947,671	(19,910,088)	107,323,518	6,945,913

The following is a summary of long-term debt for the Center for the year ended June 30, 2015:

		Beginning balance	Additions	Deductions	Ending balance	Current portion
Revenue bonds payable:						
Series 2004 parking	$	22,160,201	786,240	(8,160,000)	14,786,441	1,605,000
Series 2006 parking		6,770,115	—	(395,434)	6,374,681	415,000
Series 2006 student fee		9,803,231	1,722	(1,245,000)	8,559,953	1,295,000
Series 2013 student fee		17,893,265	—	(595,609)	17,297,656	495,000
Series 2013A parking		16,440,617	—	(93,512)	16,347,105	60,000
Series 2015 parking		—	6,894,213	(135,455)	6,758,758	—
Total revenue bonds payable		73,067,429	7,682,175	(10,625,010)	70,124,594	3,870,000
Capital lease obligations:						
Administration facility, Series 2005		12,616,409	18,591	(12,635,000)	—	—
Land acquisition, Series 2008		13,335,053	2,496	(635,000)	12,702,549	675,000
State capital construction financing, Series 2008		16,105,339	—	(811,547)	15,293,792	849,922
Administration facility, Series 2015		—	13,060,000	(895,000)	12,165,000	820,000
Total capital lease obligations		42,056,801	13,081,087	(14,976,547)	40,161,341	2,344,922
Total long-term debt	$	115,124,230	20,763,262	(25,601,557)	110,285,935	6,214,922

(a) Revenue Bonds Payable

The Center had the following bonds outstanding at June 30, 2016:

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

(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.

Interest on the Series 2004A bonds is payable in semiannual installments commencing on April 1, 2004. The principal amount of $6,550,000 is payable in two annual installments of $2,220,000 and $4,330,000 due on April 1, 2028 and 2029, respectively. 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 2004A and 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. Series 2004A Bonds were paid off on April 1, 2015 with the proceeds of the Series 2015 Parking Enterprise Revenue Refunding Bonds.

At June 30, 2016 and 2015, the Series 2004 Parking Bonds accreted interest of $697,640 and $730,744, respectively, and have related prepaid bond costs of $109,329 and $117,960, respectively.

(c) Series 2006 Parking Bonds

On April 20, 2006, the Center issued Series 2006 Parking Bonds in the amount of $7,565,000 for the purpose of advance refunding $7,020,000 in Series 2000 Parking Bonds. The Center refunded those bonds by placing the proceeds of the Series 2006 Parking Bonds and amounts held in reserve related to the Series 2000 Bonds (total: $7,281,623) in an irrevocable trust to provide for the early redemption of the Series 2000 Bonds. The Series 2000 Parking Bonds were redeemed on April 1, 2010. As a result, the Series 2000 Bonds are considered defeased and the liability for those bonds has been removed from the Center's statements of net position. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $511,679, 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 2026. Bonds maturing on or after April 1, 2017 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 advance refunding to reduce its total debt service payments by $338,035 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $340,075.

The Series 2006 Bonds are payable in semiannual installments with annual principal payments beginning on April 1, 2012 ranging from $55,000 to $1,335,000 and interest ranging from 4.0% to 4.5%. The final installment is due April 1, 2026. The Series 2006 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. The bonds were paid off on April 1, 2016 with the proceeds of the Series 2016 Parking Enterprise Revenue Refunding Bonds.

At June 30, 2016 and 2015, the Series 2006 Bonds are shown net of a premium of $0 and $4,680, respectively, an unamortized deferred loss on refunding of $0 and $276,178, respectively, and have related prepaid bond costs of $0 and $41,233.

(Continued)

(d) Series 2006 Student Fee Bonds

On February 16, 2006, the Center issued $15,315,000 in Series 2006 Bonds for the purpose of advance refunding $18,030,000 of Student Fee 1996 Refunding Bonds. These bonds were redeemed on May 1, 2006. As a result, the Series 1996 Bonds are considered defeased and the liability for those bonds has been removed from the Center's statements of net position. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $435,873, 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. Bonds maturing on or after May 1, 2017 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 advance refunding to reduce its total debt service payments by $1,152,780 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1,061,093.

The Series 2006 Bonds are payable in semiannual installments with annual principal payments ranging from $180,000 to $1,575,000 and interest ranging from 3.5% to 4.1%. The final installment is due April 1, 2021. The Series 2006 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. The bonds were paid off on May 1, 2016 with the proceeds of the Series 2016 Student Fee Revenue Refunding Bonds.

At June 30, 2016 and 2015, the Series 2006 Bonds are shown net of a discount of $0 and $10,047, respectively, an unamortized deferred loss on refunding of $0 and $167,643, respectively, and have related prepaid bond costs of $0 and $48,112.

(e) 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, 2016 and 2015, the Series 2013 Bonds are shown net of a premium of $977,047 and $1,087,656, respectively, and an unamortized deferred loss on refunding of $126,013 and $140,279, respectively.

(f) 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, 2016 and 2015, the Series 2013A Parking Revenue Bonds are shown net of a premium of $683,593 and $722,105, respectively, and have related prepaid bond costs of $111,136 and $117,396, respectively.

(g) 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

(Continued)

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, 2016 and 2015, the Series 2015 Bonds are shown net of a premium of $782,394 and $843,758, respectively, an unamortized deferred loss on refunding of $47,776 and $51,523, respectively, and related prepaid bond costs of $19,863 and $21,421, respectively.

(h) 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 totaling $2,322,512 will be requested as final project costs are incurred.

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.

(i) 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 the 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

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, 2016 and 2015, the Series 2016 Bonds have an unamortized deferred loss on refunding of $283,560 and $0, respectively.

(j) 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, 2017 through April 30, 2018	103%
May 1, 2018 through April 30, 2019	102
May 1, 2019 through the Maturity Date	101

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

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

At June 30, 2016 and 2015, the Series 2016 Bonds have an unamortized deferred loss on refunding of $186,932 and $0, respectively, and related prepaid bond costs of $62,571 and $0, respectively.

(k) Bond Maturity Schedule

Debt service to maturity for all bonds as of June 30, 2016 is as follows:

	Principal	Interest	Total
Year(s) ending June 30:			
2017	$ 4,500,000	1,744,347	6,244,347
2018	4,585,000	1,678,016	6,263,016
2019	4,655,000	1,622,907	6,277,907
2020	4,725,000	1,555,689	6,280,689
2021	4,805,000	1,486,527	6,291,527
2022–2026	25,237,488	5,876,800	31,114,288
2027–2031	14,020,000	3,737,050	17,757,050
2032–2034	9,035,000	887,900	9,922,900
	71,562,488	18,589,236	90,151,724
Add premiums, net of discounts	2,443,034	—	2,443,034
Less unaccreted principal on Series 2004 Parking Bonds	(4,500,919)	—	(4,500,919)
	$ 69,504,603	18,589,236	88,093,839

Reserve balances and requirements for outstanding bond issues at June 30, 2016 are as follows:

	Reserve balance	Required reserve
Series 2004 and Series 2016 Parking Bonds:		
Debt service reserve	$ 2,541,308	2,540,740
Repair and replacement reserve	855,944	657,294
2013 Student Fee Bonds:		
Debt service reserve	$ 1,901,616	1,838,574
Repair, replacement, and operation and maintenance reserve	350,000	350,000

As of June 30, 2016 and 2015, the Center believes it was in compliance with all bond covenants and related reserve requirements.

Student bond fees and parking revenue were pledged as follows:

		2016	2015
Revenue source:			
Student fees pledged for bond payments	$	5,426,189	5,219,846
Interest earned on student fees pledged for bond payments		20,862	23,516
Parking revenue		9,842,216	9,623,963
Interest earned on parking revenue		335,038	179,853
Total pledged revenue	$	15,624,305	15,047,178

(l) 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, 2016 and 2015 as follows:

June 30, 2016		Cost	Accumulated depreciation	Carrying value
Administrative building	$	15,518,172	9,328,138	6,190,034
Land		14,983,536	—	14,983,536
Science building		97,807,826	21,709,604	76,098,222
Science building equipment		1,050,330	634,807	415,523
Total capitalized leases	$	129,359,864	31,672,549	97,687,315

June 30, 2015		Cost	Accumulated depreciation	Carrying value
Administrative building	$	15,518,172	8,762,028	6,756,144
Land		14,983,536	—	14,983,536
Science building		97,807,826	17,883,149	79,924,677
Science building equipment		1,050,330	540,768	509,562
Total capitalized leases	$	129,359,864	27,185,945	102,173,919

(m) Administrative Facility Series 2005

On May 1, 1998, the Center entered into an agreement with the Foundation to finance the acquisition, construction, and equipping of an administrative office facility. The Foundation acted as an intermediary in the issuance of Certificates of Participation (Administrative Facility Certificates) in the amount of $16,905,000 to fund the project. The Administrative Facility Certificates and the interest thereon are payable solely from annually appropriated base rentals to be paid by the Center. Upon full payment of the base rentals or the purchase option price, the Foundation will transfer and convey the office facility to the Center. Approximately 75% of the Administrative Office Facility is occupied by the Center's three constituent institutions. The institutions share in the costs of debt service and operations of the facility through their annual allocation of state-appropriated funds to the Center.

On September 29, 2005, the Center issued Series 2005 Certificates of Participation (Administrative Office Facility Refunding Project) in the amount of $17,520,000 for the purpose of advance refunding the 1998 Administrative Facility Certificates. The 1998 Administrative Facility Certificates were fully redeemed on May 1, 2008.

The advance refunding of the 1998 Administrative Facility Certificates resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,422,087, and was recorded as a loss on the refunding of the certificates. 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 year 2028. The Center completed the advance refunding to reduce its total debt service payments by $722,936 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $704,397.

The Series 2005 Certificates were payable in semiannual installments with annual principal payments ranging from $145,000 to $1,170,000, maturing on May 1, 2028, and have interest rates ranging from 3.3% to 4.5%. Series 2005 Certificates of Participation were paid off on May 1, 2015 with the proceeds of the Series 2015 Certificates of Participation.

(n) Administrative Facility Series 2015

On March 26, 2015, the Center issued Series 2015 Certificates of Participation (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. The Series 2015 COP 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, 2016 and 2015, the Series 2015 COP have an unamortized deferred loss on refunding of $662,656 and $718,656, respectively.

(o) 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 campuswide 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, 2016 and 2015, the Series 2008 Land Acquisition Certificates are shown net of an unamortized discount of $29,954 and $32,450, respectively.

(p) 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 (FML) 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.

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%

(q) Future Minimum Lease Payments

The following is a schedule of future minimum lease payments under all capital leases for the year ended June 30, 2016:

	Principal	Interest	Total
Year(s) ending June 30:			
2017	$ 2,445,913	1,728,952	4,174,865
2018	2,551,266	1,621,594	4,172,860
2019	2,659,001	1,513,986	4,172,987
2020	2,774,820	1,394,793	4,169,613
2021	2,901,946	1,264,473	4,166,419
2022–2026	16,679,313	4,179,931	20,859,244
2027–2031	7,836,610	511,742	8,348,352
	37,848,869	12,215,471	50,064,340
Less unamortized discount	(29,954)	—	(29,954)
	$ 37,818,915	12,215,471	50,034,386

(r) 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 fifty (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.

The term of this lease shall be fifty (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 fifty (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 fifty (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 fifty (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 Building (AES) 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.

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The term of this lease shall be fifty (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 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 is being constructed. The new building will add an estimated 85,000 square feet of space on campus and will include weight and fitness studios, basketball courts, a rock climbing wall, wellness and information center, training and assessment rooms, social lounge, locker rooms, a multiactivity court, and a six-lane indoor swimming pool.

The term of this lease shall be fifty (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.

(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, 2016, appropriated current fund expenditures were within the authorized spending authority. The Center had total current funds appropriations of $18,852,754 for which the constituent institutions funded $18,852,754. The constituent institutions also provided nonappropriated funding of $1,900,000 for various deferred maintenance projects. An additional amount of $1,576,360 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 $719,508 to fund a portion of the debt service payments on the additional 13 acres of land purchased in December 2008.

For the year ended June 30, 2015, appropriated current fund expenditures were within the authorized spending authority. The Center had total current funds appropriations of $18,376,048 for which the constituent institutions funded $18,376,048. The constituent institutions also provided nonappropriated funding of $1,900,000 for various deferred maintenance projects. An additional amount of $1,575,762 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 $718,600, 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.

(7) The Auraria Foundation and Inn at Auraria, LLC

(a) The Auraria Foundation

The Foundation was a legally separate, tax-exempt component unit of the Center until dissolved on June 30, 2015. The Foundation was organized and incorporated in 1983 for the purpose of receiving gifts, legacies, and grants of money and property and administering those exclusively for educational purposes entirely benefiting the Center and its constituent institutions. Although the Center did not control the timing or amount of receipts from the Foundation, the majority of resources that the Foundation held and invested were restricted to the activities of the Center. Therefore, the Foundation was considered a component unit of the Center and is discretely presented in the Center's financial statements.

The Foundation dissolved effective June 30, 2015. On May 31, 2015, a Memorandum of Agreement (MOA) was entered into between the board of directors of the Center (Auraria Board) and the Foundation concerning their dissolution. Under the terms of the agreement all of the Foundation's assets remaining, after payment of or provision for all of its dissolution costs and expenses and other liabilities, shall be paid over or transferred to the Auraria Board for the exclusive use and benefit of the Center. The Foundation designated the Auraria Board as the custodian of its records, and the Auraria Board agreed to the custodianship. Funds transferred from the Foundation in excess of a $3,550,000 grant for Tivoli Park are to be used for liquidation expenses with the remaining amount restricted for the Center's staff appreciation events. Custody and control of Foundation records was taken by the Auraria Board following the dissolution of the Foundation and they will maintain them for a period of at least ten (10) years or longer if legally required. The Foundation's Statement of Activities reflected unrestricted net assets of $3,135 for the year ended June 30, 2015, which rolled forward to the fiscal year 2016 Statement of Activities. The amount was cleared in fiscal year 2016 when expenditures for General and Administrative costs were received post dissolution. The additional expense resulted in unrestricted net assets of $0 for the year ended June 30, 2016. All records in the custody and control of the Auraria Board are considered public records as defined in the Colorado Open Records Act. Any request for the inspection of the Foundation records shall be addressed or referred to the Center's Executive Officer.

On August 26, 2014, the Auraria Foundation's board of directors voted unanimously to approve a grant request for the Auraria Campus for the initial phase development of the Tivoli Park area in the amount of $3.30 million and was subsequently increased to $3.55 million in the aforementioned Memorandum of Agreement.

Transactions between the Center and the Foundation are considered to be related-party transactions. Amounts reported may differ from the Foundation's notes to the financial statements based on various timing differences, all of which have been substantially reconciled to the Foundation's balances.

(b) Inn at Auraria, LLC

The Inn was a limited liability corporation that was legally, financially, and operationally independent of the Foundation and the Center. The Foundation was the sole member of the Inn until the Inn dissolved on July 15, 2014. The Inn was created to provide housing for the students of the Auraria institutions. In July 2005, the Inn received a $37,280,000 loan from the Colorado Educational and Cultural Facilities Authority through the issuance of long-term serial bonds and purchased the top 14 floors (floors 17 through 30) of the former Executive Tower Inn building to create 125-apartment-style units to provide housing for 439 students. The Executive Tower Inn was built in 1972 and is located in downtown Denver, Colorado, a few blocks from the Campus. The facility opened to student residents on August 19, 2006.

On July 15, 2014, the Inn sold the property for approximately $36,000,000. In connection with the sale, a portion of the bond principal and accrued interest was paid off totaling approximately $28,000,000 and $6,000,000, respectively. The remaining unpaid principal balance totaling approximately $9,000,000 was forgiven by bondholders. This resulted in a gain on sale of approximately $7,000,000 and a gain on forgiveness of debt, net of bond issuance costs, of approximately $8,400,000 that was recorded in July 2014.

(8) Pension Plan

(a) Summary of Significant Accounting Policies

The Center participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined-benefit pension fund administered by the PERA of Colorado. 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.

(b) Plan Description

Most of the Center’s employees participate and are provided with pensions through the State Division Trust Fund (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 that can be obtained at www.copera.org/investments/pera-financial-reports.

(c) Benefits Provided

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% and then multiplied by years of service credit
- The value of the retiring employee’s member contribution account plus a 100% 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.

In all cases, the service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained, and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive postretirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the SDTF.

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 retirement benefit formula 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.

(Continued)

(d) Contributions

Eligible employees and the Center are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees with the exception of State Troopers are required to contribute 8% of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	Fiscal year 2014		Fiscal year 2015		Fiscal year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16
Employer contribution rate	10.15 %	10.15 %	10.15 %	10.15 %	10.15 %	10.15 %
Amount of Employer Contribution Apportioned to the HealthCare Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)	(1.02)	(1.02)	(1.02)	(1.02)	(1.02)
Amount Apportioned to the SDTF	9.13	9.13	9.13	9.13	9.13	9.13
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.40	3.80	3.80	4.20	4.20	4.60
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411	3.00	3.50	3.50	4.00	4.00	4.50
Total Employer Contribution Rate to the SDTF	15.53	16.43	16.43	17.33	17.33	18.23

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

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 for the years ended 2016 and 2015 were $2,805,437 and $2,550,251, respectively.

(9) Pension Obligations, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

(a) General Information

At June 30, 2016 and 2015, the Center reported a liability of $54,777,089 and $50,094,957, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Center's proportion of the net pension liability was based on the Center's contributions to the SDTF for the calendar year 2015 relative to the total contributions of participating employers to the SDTF.

At December 31, 2015, the Center's proportion was 0.52%, which was a decrease of 0.01% from its proportion measured as of December 31, 2014. At December 31, 2014, the Center's proportion was 0.53%, which was a decrease of 0.01% from its proportion measured as of December 31, 2013.

For the years ended June 30, 2016 and 2015, the Center recognized pension expense of $1,929,486 and $1,495,725, respectively, which is allocated to the appropriate functional expense categories.

At June 30, 2016, 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
Difference between expected and actual experience	$	797,646	1,731
Changes of assumptions or other inputs		—	648,404
Net difference between projected and actual earnings on pension plan investments		4,145,254	—
Changes in proportion and differences between contributions recognized and proportionate share of contributions		—	842,104
Contributions subsequent to the measurement date		1,461,669	—
Total	$	6,404,569	1,492,239

At June 30, 2015, 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
Difference between expected and actual experience	$	—	3,712
Changes of assumptions or other inputs		—	—
Net difference between projected and actual earnings on pension plan investments		1,021,443	—
Changes in proportion and differences between contributions recognized and proportionate share of contributions		—	154,996
Contributions subsequent to the measurement date		1,296,949	—
Total	$	2,318,392	158,708

(Continued)

For the fiscal years ended June 30, 2016 and 2015, $1,461,668 and $1,296,949, respectively, were 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 for the years ended June 30, 2016 and 2015. 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		FY15	FY16	Total
2017	$	181,519	505,585	687,104
2018		255,361	563,250	818,611
2019		255,361	844,793	1,100,154
2020		—	844,793	844,793

(b) Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90–9.57%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50%
Future postretirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007; and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the annual increase reserve

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Reflection of the 18-month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund, and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	10-Year expected geometric real rate of return
U.S. equity – large cap	26.76%	5.00%
U.S. equity – small cap	4.40	5.19
Non-U.S. equity – developed	22.06	5.29
Non-U.S. equity – emerging	6.24	6.76
Core fixed income	24.05	0.98
High yield	1.53	2.64
Long duration government/credit	0.53	1.57
Emerging market bonds	0.43	3.04
Real estate	7.00	5.09
Private equity	7.00	7.15
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

(c) Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 3.90%.
- Employee contributions were assumed to be made at the current contribution rate. 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, including current and estimated future Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED), until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. AED and SAED are additional employer contributions required by law that are

(Continued)

designed to reduce PERA's unfunded liability and amortization period. Additionally, estimated employer contributions included reductions for the funding of PERA's Annual Increase Reserve (AIR) and retiree healthcare 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.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return 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. There was no change in the discount rate from the prior measurement date.

(Continued)

(d) 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Year ended June 30, 2016		1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$	69,203,153	54,777,089	42,710,167

Year ended June 30, 2015		1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$	64,233,851	50,094,957	38,202,257

(e) Pension plan fiduciary net position

Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report, which can be obtained on the following Web site: www.copera.org/investments/pera-financial-reports.

(10) Other Retirement Plans

(a) Defined-Contribution Retirement 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). 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 PERA DC Plan is also included in PERA's comprehensive annual financial report as referred to above.

Funding Policy – All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00% of their PERA-includable salary and the State of Colorado is required to contribute 10.15% of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00% of their PERA-includable salary and the State of Colorado is required to contribute 12.85% of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	Fiscal year 2014		Fiscal year 2015		Fiscal year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411	3.00	3.50	3.50	4.00	4.00	4.50
Total Employer Contribution Rate to the SDTF	6.40%	7.30%	7.30%	8.20%	8.20%	9.10%

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. Total employer contributions for the years ended June 30, 2016 and 2015 were $15,846,351 and $15,033,813, respectively. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 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.

(b) 401(k) Defined-Contribution 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 comprehensive annual financial report for the 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. Employees are immediately vested in their own contributions and investment earnings.

(c) 457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) 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 2014, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8.0% PERA contribution) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $6,000 contribution in 2015, for total contributions of $24,000. Contributions and earnings are tax deferred. At December 31, 2015, the plan had 17,814 participants.

(d) 403(b) Retirement Savings Plan

The Center offers a tax-sheltered 403(b) plan through Valic Life Insurance Company to employees. The Center does not contribute to the 403(b) plan and, as such, does not incur any expense with regard to the plan.

(11) Other Postemployment Benefits and Life Insurance

(a) Health Care Trust Fund

Plan Description – 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. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and 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 healthcare subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Center is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Center are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended June 30, 2016, 2015, and 2014, the Center's contributions to the HCTF were $148,652, $141,758, and $140,109, respectively, equal to their required contributions for each year.

(b) Other Programs

Nonclassified administrative staffs are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiemployer insurance purchasing pool, which allows for postemployment health coverage until the retiree is eligible for Medicare. For fiscal year 2016, the Center has no retiree participants under CHEIBA; as of December 31, 2015, CHEIBA is no longer offering this program.

 (Continued)

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States of America using the accrual basis of accounting following governmental accounting standards for a business-type activity. The financial statements can be obtained by contacting the Center at 303-556-2232. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of the CHEIBA's investments is based on quoted market prices from national securities exchanges.

There are no long-term contracts for contributions to the plan. Participating institutions can withdraw their participation in the plan with at least one-year notice to the CHEIBA board.

(12) 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.

Net proceeds from the land condemnation with interest and gains in the amount of $1,589,231 are currently being held by Wells Fargo Bank, as trustee, until these funds are needed to pay the final debt service obligations on the Series 2008 Land Acquisition Certificates, with final maturity on May 1, 2028. These proceeds are included in restricted cash and cash equivalents at June 30, 2016.

(13) 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.

(Continued)

(14) Concentrations of Credit Risk

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

(15) 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.

(16) Subsequent Events

On July 8, 2016, a third advance of $1,720,903 was made from Series 2015 Student Fee Tax-Exempt Bonds to reimburse construction costs of the Tivoli Park/Quadrangle project. The fourth and final advance of $601,609 was made on August 31, 2016 to bring the total bond proceeds to $5,050,000, the original issue price of the Series 2015 Tax-Exempt Bonds. Additional information on these bonds is contained in note 5(h).

AURARIA HIGHER EDUCATION CENTER

Required Supplementary Information

June 30, 2016 and 2015

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 years ended December 31, 2015 and 2014:

Schedule of proportionate share of the net pension liability		2015	2014
AHEC's proportion of the net pension liability		0.52015%	0.53256%
AHEC's proportionate share of the net pension liability	$	54,777,089	50,094,957
AHEC's covered-employee payroll		15,222,897	15,070,368
AHEC's proportionate share of the net pension liability as a percentage of its covered-employee payroll		359.8%	332.4%
Plan fiduciary net position as a percentage of the total pension liability		56.1	59.8

Schedule of employer contributions		2015	2014
Statutorily required contribution	$	2,505,828	2,355,939
Contributions in relation to the statutorily required contribution		(2,505,828)	(2,355,939)
Contribution deficiency (excess)	$	—	—
AHEC's covered-employee payroll	$	15,222,897	15,070,368
Contributions as a percentage of covered-employee payroll		16.5%	15.5%

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

See accompanying auditors' report

KPMG LLP
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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the
Legislative Audit Committee:

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 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, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 1, 2016. We have also audited the accompanying financial statements of the discretely presented component unit of the Center as of and for the year ended June 30, 2015. Our report includes a reference to other auditors who audited the 2015 consolidated financial statements of the Auraria Foundation, a discretely presented component unit, as described in our report on the Center's financial statements. The consolidated financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Our report stated that a qualified opinion was issued over the discretely presented component unit's reporting of discontinued operations as of June 30, 2015. The Inn at Auraria, LLC (the Inn) sold all of its property and equipment in July 2014. The Foundation consolidated and presented the Inn as a continuing component in the accompanying consolidated financial statements as of June 30, 2015. Under U.S. generally accepted accounting principles, the Foundation should present the Inn as a discontinued component, which would result in the presentation of the Inn's results of discontinued operations as single line items in the statement of activities for the year ended June 30, 2015.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 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 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 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.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, and 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.

KPMG LLP

Denver, Colorado
December 1, 2016

KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

December 1, 2016

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

Legislative Audit Committee and Auraria Higher Education Center Board of Directors:

We have audited the 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, 2016 and 2015, and have issued our report thereon dated December 1, 2016. We have also audited the accompanying financial statements of the discretely presented component unit of the Center as of and for the year ended June 30, 2015. Our report was modified to include a reference to other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the 2015 consolidated financial statements of the Auraria Foundation (the Foundation) discretely presented component unit, and the Foundation's 2015 financial statements were not audited in accordance with *Government Auditing Standards*. Under our professional standards, we are providing you with the accompanying information related to the conduct of our 2016 audit.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, which have been prepared by management with the oversight of the Center's board of directors, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audits do not relieve management or the board of directors of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the board of directors in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

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The Members
Legislative Audit Committee
Auraria Higher Education Center
December 1, 2016

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.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the Center are described in note 1 to the financial statements.

Unusual Transactions

We are not aware of any transactions entered into by the Center during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance.

Qualitative Aspects of Accounting Practices

We have discussed with the board of directors and management our judgments about the quality, not just the acceptability, of the Center's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the Center's accounting policies and their application, and the understandability and completeness of the Center's financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the Center to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period.

Management's estimates include the allowance for uncollectible receivables, the period to depreciate capital assets owned by the Center, accrued compensated absences, and the net pension 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.

Uncorrected Misstatements

In connection with our audit of the Center's financial statements, we have discussed with management certain financial statement misstatements that have not been corrected in the Center's books and records as of and for the year ended June 30, 2016. We have reported such misstatements to management on a Summary of Unadjusted Audit Misstatements and have received written representations from management that management believes that the effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Page 68 includes a copy of the summary that has been provided to, and discussed with, management.

KPMG

The Members
Legislative Audit Committee
Auraria Higher Education Center
December 1, 2016

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, 2016.

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

2. Management representation letter

Significant Difficulties Encountered during the Audit

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

Independence

Confirmation of Audit Independence

We hereby confirm that as of December 1, 2016, we are independent accountants with respect to the Center under relevant professional and regulatory standards.

* * * * * * *

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

Very truly yours,

KPMG LLP

AURARIA HIGHER EDUCATION CENTER

Summary of Unadjusted Audit Misstatements

Year ended June 30, 2016

Adj. No.	Description		Change in net position for unadjusted audit differences arising in current period	Statement of net position			Statement of revenue, expenses, and changes in net position	
				Net position	Assets	Liabilities	Revenue	Expenses
1	Other operating revenues	$	(3,330,616)				(3,330,616)	
	Restricted for expendable purposes			(3,330,616)				
	To reverse other operating revenue recorded in fiscal year 2016; which was earned in fiscal year 2015							
		$	(3,330,616)	(3,330,616)	—	—	(3,330,616)	—