

Colorado Community College System
Financial Statements and Independent Auditor's Reports
Financial Audit and Compliance Audit
Year Ended June 30, 2023

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The Members of the Legislative Audit Committee and
State Board for Community Colleges and Occupational Education

We have completed the financial statement audit of the Colorado Community College System as of and for the year ended June 30, 2023. Our audit was conducted 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 were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

FORVIS, LLP

Denver, Colorado
December 6, 2023

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Colorado Community College System

June 30, 2023

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Colorado Community College System

Report Summary

Year Ended June 30, 2023

Purpose and Scope of Audit

The Office of the State Auditor of the State of Colorado engaged FORVIS, LLP (FORVIS) to conduct a financial and compliance audit of the Colorado Community College System (CCCS or the System) for the year ended June 30, 2023. FORVIS performed the 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. FORVIS was not engaged to audit the System's aggregate discretely presented component units which includes the Colorado Community College System Office Foundation and 14 college foundations (the Foundations). Except for Friends of TSC, the Foundations were audited by other auditors, as disclosed in the Independent Auditor's Report. The audits of the Foundations were not performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

The purposes and scope of the audit were to:

- Express opinions on the financial statements of the System as of and for the year ended June 30, 2023.
- Issue a report on the System's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2023.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal funds for the year ended June 30, 2023.
- Evaluate progress in implementing prior year audit recommendations.

The System's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, are included in the Statewide Single Audit Report issued under separate cover.

Audit Opinions and Reports

The independent auditor's reports included herein expressed unmodified opinions on the System's financial statements as of and for the year ended June 30, 2023. FORVIS' report included a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, except for Friends of TSC, as described in their report on the System's financial statements.

One material weakness and one significant deficiency in internal control over financial reporting were identified.

No instances of noncompliance considered material to the financial statements were disclosed by the audit.

Significant Audit Adjustments

There were no proposed audit adjustments recorded as a result of the audit.

Colorado Community College System

Report Summary

Year Ended June 30, 2023

Summary of Audit Findings and Recommendations

Pueblo Community College (PCC) Internal Controls Over Financial Reporting

Several of PCC's internal controls were not being performed as designed and System policies and procedures were not followed in fiscal year 2023. Specifically, PCC did not perform required reconciliations, effective secondary reviews, did not have proper support for recorded transactions as required by System Policies and did not follow cash on hand procedures. PCC also did not fully implement the prior audit recommendation. PCC should enforce the implementation of the System's required internal controls over financial and reporting activities by following the existing policies and procedures relating to the performance of internal control activities. This includes ensuring that staff perform all required reconciliations and secondary reviews on a timely basis, maintain underlying documentation supporting recorded transactions and ensuring appropriate segregation of duties is maintained.

Banner and Operational Data Store – Information Security

Problems were identified related to CCCS' information security over Banner and Operational Data Store (ODS). In addition, CCCS has not fully implemented the information security prior audit recommendations. The System should improve information security IT general controls over Active Directory, Banner and ODS by implementing the recommendations noted in the confidential IT finding.

Higher Education Emergency Relief Fund (HEERF) Compliance

There were two findings identified in testing of the Higher Education Emergency Relief Funds (HEERF) program under Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The findings are as follows:

Allowable Activities and Allowable Costs

Community College of Aurora (CCA) and Pueblo Community College (PCC) did not have adequate internal controls in place to ensure they complied with HEERF allowable activities and allowable cost requirements. Specifically, CCA incorrectly applied its indirect cost to the wrong direct cost base and PCC changed the baseline used in the lost revenue calculation creating inconsistencies between the current and prior lost revenue calculations. CCA and PCC should strengthen their internal controls over, and ensure they comply with, HEERF program requirements by performing adequate reviews to ensure CCA applies the indirect cost rate to only to salaries and benefits, as defined in its federal indirect cost rate agreement and PCC uses the appropriate base in all future lost revenue calculations.

Procurement, Suspension and Debarment

Community College of Denver (CCD), Front Range Community College (FRCC) and Pikes Peak State College (PPSC) could not provide documentation to support that suspension and debarment verification procedures were performed. CCD, FRCC and PPSC should strengthen their internal controls over and ensure they comply with suspension and debarment requirements for the HEERF grant by developing, documenting, and implementing a policy to comply with suspension and debarment using one of the three allowable methods: 1) checking the federal System of Award Management (SAM) website exclusions, (2) collecting a certification from that entity, or (3) adding a clause or condition to the covered transaction with that entity and by providing training and cross-training to existing employees over the new policies and procedures to reduce impacts of turnover.

Colorado Community College System

Report Summary

Year Ended June 30, 2023

Recommendations and Responses

A summary of FORVIS' recommendations and responses from the System can be found in the Recommendation Locator Section of this report. The System's response to the findings has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, no opinion is expressed on them.

Summary of Progress in Implementing Prior Audit Recommendations

For the fiscal year 2023 audit, FORVIS performed test work to determine the disposition of the prior year recommendations relating to fiscal year 2022. FORVIS found that the recommendations for the fiscal year ended June 30, 2022 were either not implemented, partially implemented or implemented. See the Disposition of Prior Audit Findings and Recommendations section of this report for further information.

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Colorado Community College System

Recommendation Locator

Year Ended June 30, 2023

Recommendation Number	Page Number	Recommendation Summary	Agency Addressed	Response	Implementation Date
2023-001	9	Pueblo Community College should enforce the implementation of Colorado Community College System’s required internal controls over financial and reporting activities by following the existing policies and procedures relating to the performance of internal control activities. This includes ensuring that staff perform all required reconciliations and secondary reviews on a timely basis, maintaining underlying documentation supporting recorded transactions, and ensuring appropriate segregation of duties is maintained.	PCC	Agree	May 2024
2023-002	14	The Colorado Community College System (CCCS) should improve information security IT general controls over Active Directory, Banner, and Operational Data Store (ODS) by: a. Implementing recommendation Part A as noted in the confidential finding. b. Implementing recommendation Part B as noted in the confidential finding. c. Implementing recommendation Part C as noted in the confidential finding.	CCCS	Agree	a. March 2024 b. October 2023 c. December 2023
2023-003	16	a. The Community College of Aurora (CCA) should strengthen its internal controls over, and ensure it complies with, the Higher Education Emergency Relief Fund (HEERF) program requirements by performing adequate reviews over costs charged to the HEERF grant to ensure it applies the indirect cost rate only to salaries and benefits, as defined in its federal indirect cost rate agreement. b. Pueblo Community College (PCC) should strengthen its internal controls over, and ensure it complies with, the Higher Education Emergency Relief Fund (HEERF) program requirements by performing adequate reviews over its lost revenue calculations to ensure it uses the appropriate base in all future calculations.	CCA, PCC	Agree	a. November 30, 2023 b. June 30, 2024
2023-004	20	Community College of Denver (CCD), Front Range Community College (FRCC) and Pikes Peak State College (PPSC) should strengthen their internal controls over and ensure they comply with suspension and debarment requirements for the Higher Education Emergency Relief Fund (HEERF) grant by: a. Developing, documenting, and implementing a policy to comply with suspension and debarment using one of the three allowable methods: 1) checking the federal System of Award Management (SAM) website exclusions, (2) collecting a certification from that entity, or (3) adding a clause or condition to the covered transaction with that entity. b. Providing training and cross-training to existing employees over the new policies and procedures to reduce impacts of turnover.	CCD, FRCC and PPSC	Agree	December 31, 2023

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Colorado Community College System

Financial and Compliance Audit

Description of the Colorado Community College System

Year Ended June 30, 2023

Organization

The State Board for Community Colleges and Occupational Education (SBCCOE or the Board) was established by the *Community College and Occupational Education Act of 1967*, Title 23, Article 60 of the Colorado Revised Statutes. The Board functions as a separate entity and, as such, may hold money, land, or other property for any educational institution under its jurisdiction. The statute assigns responsibility and authority to the Board for three major functions, as follows:

- The Board is the governing board of the state system of community colleges.
- The Board administers the occupational education programs of the state at both secondary and postsecondary levels.
- The Board administers the State’s program of appropriations to Local District Colleges (LDCs) and Area Vocational Schools (AVSs).

The Board consists of ten members appointed by the governor to four-year staggered terms of service. The statute requires that board members be selected so as to represent certain economic, political, and geographical constituencies. In addition, there are two nonvoting members consisting of a student representative and a community faculty member.

Colorado Community College System’s (CCCS or the System) operations and activities are funded primarily through tuition and fees; federal, state, and local grants (including Coronavirus State and Local Fiscal Recovery Funds (SLFRF) and HEERF funding); the College Opportunity Fund stipends; a fee-for-service contract with the Department of Higher Education; and Amendment 50 funding (extended limited game proceeds). In addition, the SBCCOE receives and distributes state appropriations for LDCs, AVSs, and school districts offering vocational programs.

The 13 colleges in the community college system are as follows:

College	Main Campus Location
Arapahoe Community College (ACC)	Littleton
Colorado Northwestern Community College (CNCC)	Rangely
Community College of Aurora (CCA)	Aurora
Community College of Denver (CCD)	Denver
Front Range Community College (FRCC)	Westminster
Lamar Community College (LCC)	Lamar
Morgan Community College (MCC)	Fort Morgan
Northeastern Junior College (NJC)	Sterling
Otero College (OC)	La Junta
Pikes Peak State College (PPSC)	Colorado Springs
Pueblo Community College (PCC)	Pueblo
Red Rocks Community College (RRCC)	Lakewood
Trinidad State College (TSC)	Trinidad

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Enrollment and faculty and staff information are presented below. Enrollment information was obtained from the Colorado Commission on Higher Education (CCHE), Final Student Full-Time Equivalent (FTE) Enrollment Report. Staff information was obtained from Format 10 and 40 within the Budget Data Book for fiscal years 2023 and 2022 that is prepared by higher education institutions for CCHE.

CCCS reports FTE student and faculty and staff for two continuous fiscal years as follows:

FTE Student Enrollment

	Resident	Nonresident	Total
Fiscal year:			
2022-2023	43,197	1,839	45,036
2021-2022	41,895	1,819	43,714

FTE Faculty and Staff

	Faculty	Staff	Total
Fiscal year:			
2022-2023	3,306	2,016	5,322
2021-2022	3,361	2,023	5,384

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Findings and Recommendations

Year Ended June 30, 2023

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the System as of and for the year ended June 30, 2023, 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 considered the System's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness and a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the System's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be a significant deficiency or material weakness.

PCC Internal Controls Over Financial Reporting

Internal controls are the mechanisms, rules, and procedures implemented by an entity to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud. Internal controls are typically comprised of control activities such as authorization, documentation, reconciliation, security, and the separation of duties.

Each individual college Controller's Office is responsible for the implementation and operation of internal controls over the College's financial accounting and reporting to ensure the accurate and timely entry, reconciliation, and approval of financial transactions in the System's accounting system, Banner. The System's Controller's Office is responsible for oversight of the colleges and for compiling the information from each college to prepare the System's financial statements.

The Colorado Operations Resource Engine (CORE) is a financial management system that is the single source of data for the majority of the State's financial operations, with the exception of some institutions of higher education. The System, including all campuses, uses Banner as their enterprise resource planning system for accounts receivable, accounts payable, capital assets, finance, financial aid, human resources, payroll, and student records. On a daily basis, the System and all campuses feed the financial activity from Banner to CORE. As the System does not operate directly in CORE, the System and each

Colorado Community College System

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of its campuses are required to complete quarterly reconciliations between Banner and CORE for all reportable data elements as prescribed by the Office of the State Controller (OSC).

For fiscal year 2023, PCC accounted for approximately 15% of the System's total financial activity. Total assets for PCC were \$90.8 million as of June 30, 2023, which included \$23.0 million of cash and cash equivalents and \$49.6 million of capital assets comprised of land, building, equipment, and construction in progress. In addition, for the year ended June 30, 2023, PCC reported operating revenue of \$53.1 million and operating expenses of \$58.4 million.

What was the purpose of our audit work and what work was performed?

The purpose of the audit work was to determine whether PCC had adequate internal controls in place over, and complied with the System's policies and procedures related to its financial accounting and reporting processes during fiscal year 2023. In addition, we tested to determine PCC's progress in implementing our fiscal year 2022 audit recommendation related to its internal controls over its financial and reporting activities. As a result of our fiscal year 2022 audit we recommended PCC enforce the implementation of the System's required internal controls over financial and reporting activities by following existing policies and procedures. This included ensuring that staff perform all required reconciliations and secondary reviews on a timely basis, and ensuring appropriate segregation of duties is maintained. PCC agreed with this recommendation and planned to implement it by September 2023.

To assess PCC's controls in place during fiscal year 2023, we reviewed the System's policies and procedures and PCC's documented internal controls. We gained an understanding of PCC's key internal controls over the cash receipts, cash disbursements, tuition and grant revenue, payroll, and investing and financing processes. We made inquiries on key internal controls, and we performed physical walkthroughs of PCC's processes related to various transactions in order to determine whether the internal controls were being performed as designed and in accordance with the System's policies and procedures. In addition, we analyzed and performed testing of 10 journal entries totaling \$18.6 million recorded by PCC during fiscal year 2023 to determine if PCC maintained supporting documentation to support the journal entry and determine if there was evidence of a secondary review.

How were the results of the audit work measured?

We measured our results against the following:

- State Fiscal Rule 1-2, Rule 3.5, requires that institutions of higher education shall "implement internal accounting and administrative controls that reasonably ensure that financial transactions are accurate, reliable, conform to the Fiscal Rules, and reflect the underlying realities of the accounting transaction (substance rather than form)."
- The U.S. Government Accountability Office's Standards for Internal Control in the Federal Government (Green Book), which has been established by the OSC as the internal control framework to be used by state agencies and institutions of higher education, notes that management demonstrates the importance of integrity and ethical values through their directives, attitudes, and behavior (the "tone at the top"). Management sets the tone at the top and throughout the organization by their example, which is fundamental to an effective internal control system (paragraph 1.03). Management should hold individuals accountable for their internal control responsibilities, and that accountability is driven by the tone at the top (paragraph 5.02).

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- System Board Policies, Board Policy 8-61 (the Board Policy) states “The State Board for Community Colleges and Occupational Education has an obligation to implement internal accounting and administrative controls in order to reasonably ensure that financial transactions are accurate, reliable, and conform to the State of Colorado, Office of the State Controller Fiscal Rules, and reflect the underlying realities of the accounting transaction.” The Board Policy applies to all 13 colleges within the System and the System office.
- As a result of the Board Policy, the System has adopted the System Accounting Procedures (SAP) to establish consistent policies and procedures and internal controls at all colleges for accounting and financial reporting. The internal controls that the colleges must establish include maintaining appropriate supporting documentation for financial transactions, performing account reconciliations over all key transaction cycles, developing procedures regarding the disposal of assets, performing effective secondary reviews and maintaining evidence that the review occurred (*i.e.*, signoff and date on the item reviewed), and maintaining proper segregation of duties. Examples of account reconciliations required to be performed include:
 - On a weekly basis, campuses must reconcile a listing of payments to vendors and submit these payments centrally to the System office for processing. The reconciliation is intended to ensure proper invoice, approvals, and payment amounts.
 - Each month, an employee from each campus’ Payroll Department must reconcile the monthly payroll and run control reports to ensure accuracy and existence of employees being paid. An employee in the campus’ Human Resources Department then must review the payroll reports to ensure that the information agrees with employment details and finally, the campus Controller must review the payroll before submitting it to the System Payroll Office for processing.
 - On a quarterly basis, the campus is required to perform a reconciliation between the general ledger and the fixed asset subsidiary ledger. The fixed asset subsidiary ledger records the transactions for all capital assets, including the campus’ land, buildings, equipment, and construction in progress.
- The System’s SAP-29: Petty Cash, Change Funds and Cash on Hand (SAP-29) establishes and documents processes and procedures that are to be consistently applied across the System in regards to handling cash on hand, change funds and petty cash. SAP-29 defines Cash on Hand as cash and deposits held in a college’s safe temporarily or in the sweep account until transferred to the State’s Treasury Department. This type of cash and deposit account is required to be recorded at fiscal year-end and any amounts reported as Cash on Hand must be deposited in the bank or swept to the State Treasury within three days following fiscal year-end. This SAP was established to comply with Office of the State Controller Fiscal Rule 6-1: Cash Receipts and Deposits.
- The System Office has adopted a separate “Monitoring Policy” which requires the colleges to provide certain reconciliations and analysis to the System Office for monitoring throughout the fiscal year, including:
 - Monthly reconciliations over accounts receivables, bank reconciliations, procurement card activity, and reconciliations between Banner and CORE;

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- Quarterly reconciliations of the financial statements, cash flow activity, and variance analysis of account balances meeting specified thresholds;
- At the completion of each semester, tuition analytics that compare student tuition to the number of student credit hours for the term.

What problems did the audit work identify?

We determined that PCC was not performing several of their internal controls as designed during the fiscal year 2023 audit and PCC did not fully implement our prior audit recommendation. Specifically, we identified the following:

- PCC did not prepare any monthly bank reconciliations during fiscal year 2023.
- PCC did not perform any monthly reconciliations between Banner and CORE during fiscal year 2023.
- For 2 out of 10 (20%) journal entries selected for testing totaling \$12.5 million, PCC did not have evidence of a secondary review. The journal entries did contain underlying documentation to support the propriety of the entries.
- The monthly capital asset reconciliation was completed by the Controller but was not reviewed by a second individual.
- PCC improperly expensed and did not capitalize approximately \$100,000 of capital assets. PCC determined not to make a correcting entry, because the amount was insignificant to the financial statements.
- PCC did not maintain the required documentation to support the removal of a \$26,000 asset from the general ledger. The capital asset inventory completed by PCC supported the asset was no longer owned by PCC.

In addition, we identified one issue not related to the prior recommendation. Specifically, PCC sent cash in its sweep accounts totaling \$4.5 million to the State Treasury 42 days after fiscal year-end, or 39 days after the required time frame of three days.

PCC indicated that it implemented a portion of the prior audit recommendation at various points in time throughout fiscal year 2023. As part of our test work, we noted the following items were corrected:

- The PCC Controller reviewed weekly cash disbursements to vendors prior to sending them to the System Office for final processing.
- PCC documented when they prepared and reviewed the monthly payroll reconciliations.
- PCC prepared the tuition analytics for each semester in fiscal year 2023 by year end.

Why did these problems occur?

PCC's tone at the top did not require and enforce that PCC should follow established policies and procedures and internal controls as they were designed to ensure that financial transactions are accurate, reliable, and conform to the State's Fiscal Rules, the Board Policy, and the System's Accounting Procedures. This included PCC not performing all required reconciliations and effective secondary

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reviews on a timely basis, maintaining supporting documentation for recorded transactions, not following SAPs relating to Cash on Hand and ensuring appropriate segregation of duties is maintained. The System Office notified PCC on several different occasions about PCC's noncompliance with System policies and procedures; however, PCC's management has not been able to resolve the problems identified. This has been further complicated by PCC's continued staff turnover occurring in fiscal year 2023.

Why do these problems matter?

Without controls operating over financial and reporting activities, PCC cannot ensure the accuracy and completeness of its financial records, which may result in a material misstatement of the System's and the State's financial statements and fraudulent activity may go undetected. Ultimately, PCC's failure to perform the internal controls on a timely basis resulted in the System Office having to intervene and assist PCC in fiscal year-end close to ensure that all transactions were properly recorded and supported for Fiscal Year 2023. As a result, no material misstatements were identified as part of the fiscal year 2023 audit.

Classification of Finding: Material Weakness

Recommendation No. 1:

Pueblo Community College should enforce the implementation of the Colorado Community College System's required internal controls over financial and reporting activities by following the existing policies and procedures relating to the performance of internal control activities. This includes ensuring that staff perform all required reconciliations and secondary reviews on a timely basis, maintaining underlying documentation supporting recorded transactions, and ensuring appropriate segregation of duties is maintained.

PCC Response:

Recommendation No. 1:

Agree. Implementation date: May 2024.

PCC acknowledges and understands the material weakness finding. PCC has hired a new Vice President of Administration and Finance, a Senior Director of Accounting, and a Controller, all with accounting experience, in an effort to provide the needed manpower and experience to reimplement and maintain the needed controls. These filled positions will allow for proper segregation of duties moving forward.

PCC has implemented cash control procedures and review of fixed asset purchases and disposals to remain compliant with System Accounting Procedures. Implementation occurred as of September 30, 2023.

PCC has been completing the reconciliations, with the exception of bank reconciliations, in a timely manner under the requirements of CCCS' monitoring policy as of September 30, 2023. The bank reconciliations will be completed timely as of May 31, 2024, and within required timelines going forward. All reviewers of transactions, including journal entries, and reconciliations are verifying accuracy of supporting documentation, dating and providing their signature approval.

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Banner and Operational Data Store - Information Security

Government Auditing Standards allow for information that is considered sensitive in nature, such as detailed information related to information technology system security, to be issued through a separate “classified or limited use” report because of the potential damage that could be caused by the misuse of this information. We consider the specific technical details of this finding, along with the response, to be sensitive in nature and not appropriate for public disclosure. Therefore, the details of the following finding and responses have been provided to the System in a separate, confidential memorandum.

The Colorado Community College System (CCCS or System) utilizes Banner as its enterprise resource planning system for recording and tracking a variety of financial, human resources, and student records. In addition, CCCS utilizes a separate Operational Data Store (ODS) data warehouse for storing Banner data that is subsequently transmitted to CCCS’ financial reporting tool. The System’s IT Division (CCCS IT) and Institutional Research Business Intelligence Department (IRBI) are responsible for information security to the Banner application and the ODS data warehouse, respectively. In addition, Banner’s information security also relies on timely communications between campus staff and the individual campus IT departments.

What was the purpose of our audit work and what work was performed?

The purpose of our audit work was to determine whether CCCS IT and IRBI’s information security controls for Banner and ODS, individually or in combination with other controls, were properly designed, implemented, and operating effectively during fiscal year 2023. Additionally, we sought to determine CCCS’ progress in implementing our fiscal year 2022 information security audit recommendation.

As part of our audit work, we reviewed and tested certain information security controls for Banner and ODS and inquired with CCCS staff regarding the status on implementing our prior audit recommendation.

How were the results of the audit work measured?

We measured the results of our audit work against requirements contained in CCCS’ IT System Procedures, and with leading industry standards.

What problems did the audit work identify and how were the results of the audit work measured?

We identified information security problems related to Banner and ODS. In addition, we found that CCCS has not fully implemented our information security prior audit recommendation.

Why did these problems occur?

CCCS management stated that its information security communication processes failed; that staff lacked awareness of specific CCCS’ IT System Procedures; and that CCCS had to first secure funding, through the budget process, to continue working toward fully implementing the prior audit recommendation.

Why do these problems matter?

By not following established IT procedures, staff are not performing their IT internal control responsibilities in accordance with management’s expectations. In addition, the lack of strong IT controls increases the risk to reliability of the data stored and processed in the systems, and impact to the financial statements.

Classification of Finding: Significant Deficiency

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Recommendation No. 2:

The Colorado Community College System (CCCS) should improve information security IT general controls over Active Directory, Banner, and Operational Data Store (ODS) by:

- a. Implementing recommendation Part A as noted in the confidential finding.
- b. Implementing recommendation Part B as noted in the confidential finding.
- c. Implementing recommendation Part C as noted in the confidential finding.

CCCS Response:

Recommendation No. 2:

- a. Agree. Implementation Date: March 2024.
CCCS System IT agrees with this recommendation as noted in the confidential finding.
- b. Agree. Implementation Date: October 2023.
CCCS System IT agrees with this recommendation as noted in the confidential finding.
- c. Agree. Implementation Date: December 2023.
CCCS System IT Agrees with this recommendation as noted in the confidential finding.

INTERNAL CONTROL OVER COMPLIANCE

In planning and performing our audit, we considered the System's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

We identified certain deficiencies in internal control that we consider to be significant deficiencies.

Higher Education Emergency Relief Fund (HEERF) Allowable Costs and Activities Compliance

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was signed into law on March 27, 2020 and appropriated federal funds to provide economic aid to the American people negatively impacted by the COVID-19 pandemic. As part of the CARES Act, funds were given to the System under the Higher Education Emergency Relief Fund (HEERF) Program. The *Coronavirus Response and Relief Supplemental Appropriations Act, 2021* (CRRSAA), was signed into law on December 27, 2020, and authorized additional funding under the HEERF program (HEERF II). Finally, the *American Rescue Plan Act of 2021* (ARP), enacted on March 11, 2021, authorized a third round of funding (HEERF III) in order for higher education institutions to serve students and ensure learning continues during the COVID-19 pandemic. The HEERF Program is one of the subprograms of the federal Education Stabilization Fund (Assistance Listing No. 84.425). The HEERF program contains two portions: the Student Aid portion (Assistance Listing No. 84.425E) and the Institutional portion, which is made up of the following:

- HEERF Institutional Aid Portion (Assistance Listing No. 84.425F);
- HEERF Minority Serving Institutions (Assistance Listing No. 84.425L);
- HEERF Strengthening Institutions Program (Assistance Listing No. 84.425M);
- Institutional Resilience and Expanded Postsecondary Opportunity (Assistance Listing No. 84.425P);
- HEERF Supplemental Assistance to Institutions of Higher Education program (Assistance Listing No. 84.425S).

Since April 2020, the System has been awarded a total of approximately \$255.6 million in HEERF funding. From inception through June 30, 2023, the System spent a total of approximately \$106.5 million for the HEERF program Student Aid portion and \$148.9 million for the HEERF Institutional portion. During fiscal year 2023, the System spent \$8.6 million for the Student Aid portion and \$35.0 million for the Institutional portion. The System reports that it will spend the remaining amount of funding during fiscal year 2024.

The Department of Education (ED) provided institutions of higher education significant flexibilities in how the HEERF funding could be spent. ED issued guidance in the form of “Frequently Asked Questions” (FAQ) which describe the specifics of how the funds could be use and what types of costs are allowable under the program. The FAQ allows for the following types of expenditures to be applied to the Institutional portion:

- Indirect costs. Indirect costs are general management costs (*i.e.*, activities for the direction and control of the organization as a whole). General management costs consist of costs for administrative activities necessary for the general operation of the agency, such as accounting, budgeting, payroll preparation, personnel services, purchasing, and centralized data processing. Conversely, direct costs are costs that provide measurable, direct benefits to a particular program

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or grant. Indirect costs are charged to a grant via the use of an indirect cost rate, which is the percentage of an organization's indirect costs to its direct costs and is a standardized method of charging individual programs for their share of indirect costs. The indirect cost rate is established through either a federally negotiated rate or is outlined in the grant agreement. The indirect cost rate agreement establishes the base of direct costs that the indirect rate is to be applied.

- Lost revenue. Lost revenue refers to those revenues an institution of higher education otherwise expected but that were reduced or eliminated as a result of the COVID-19 pandemic. As such, lost revenues can only be estimated. Sources of lost revenue reimbursable under the program include both academic and auxiliary sources. ED provided guidelines and criteria around how institutions should calculate their estimated lost revenue. The FAQs do not specify how institutions are required to calculate their lost revenue. Accordingly, per the FAQ, institutions have flexibility to reasonably calculate their estimated lost revenue. Example baselines that an institution could use include:
 - A year-over-year comparison using the prior year;
 - A semester-over-semester comparison using the prior year semester (fall 2019 compared to fall 2020 or summer term 2019 compared to summer term 2020);
 - A comparison using a three- or five-year combined average revenue as baseline revenue;
 - A comparison to previously budgeted revenue or projected revenue for the period; or
 - A comparison with a baseline year of a fiscal year prior to the March 13, 2020 national emergency declaration, such as the fiscal year from July 1, 2018 – June 30, 2019.

What was the purpose of our audit work and what work was performed?

The purpose of the audit work was to determine whether the System had effective internal controls in place over, and complied with, federal allowable activities and allowable cost requirements for the HEERF grant during fiscal year 2023. In total, the System charged \$42.7 million through 6,254 transactions to the HEERF grant during fiscal year 2023.

As part of our audit work, we tested a random sample of 44 expenditure transactions charged to the HEERF program across eight schools totaling \$15.2 million to determine whether the costs were allowable under the HEERF program and whether they complied with federal regulations. Specifically, we tested these transactions to determine whether the System used the proper indirect cost rate and whether it only applied the indirect cost rate to the direct cost base listed in the indirect cost rate agreement. In addition, we performed testing to determine whether the estimated lost revenues were calculated within the guidelines established by ED.

How were the results of the audit work measured?

We measured the results of our audit work against the following requirements:

- Federal regulation [2 CFR 200.303] states that the System's campuses, as federal grant recipients, must "establish and maintain effective internal controls over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulation, and the terms and conditions of the Federal award."

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- The System’s internal control procedure requires that all federal grant expenditures must have adequate supporting documentation, such as an invoice and/or packing slip, included with the transaction and the supporting documentation must be reviewed for appropriateness and allowability under the applicable federal grant program by two individuals.
- The HEERF Lost Revenue Frequently Asked Questions (FAQ) published on March 19, 2021 established how lost revenues are to be calculated. Specifically, FAQ 9 states that, consistent with the cost principles of the Uniform Guidance (2 CFR part 200 subpart E), the calculation of lost revenues must:
 - Be accorded consistent treatment (*e.g.*, if using the institution’s fiscal year as a baseline, the institution must estimate lost revenue over the course of a fiscal year);
 - Measure the amount of baseline revenue and lost revenue consistently (*e.g.*, an apples-to-apples comparison);
 - Be consistent with policies and procedures that apply uniformly to federally-financed and other activities of the institution;
 - Not include the estimated amount of lost revenue for the HEERF programs in the calculation of lost revenue for another Federal program, such as the CARES Act Provider Relief Fund (*i.e.*, no double-dipping); and
 - Not include any refunds previously provided to students in the institution’s estimate of lost revenue.
- Within the Higher Education Emergency Relief Fund III Frequently Asked Questions published on May 11, 2021, FAQ 43 stated that indirect costs may be charged only to Institutional Portion awards, both new and supplemental, and may not be charged to any student grant awards because the student allocation represents an amount of funds that must be distributed to students. The allowed indirect cost rate will be the on-campus rate specified in an institution’s negotiated indirect cost rate agreement or, if an institution does not have a current negotiated indirect cost rate with its cognizant agency, it may use the de minimis rate of 10% as allowed by the Uniform Guidance.
 - Community College of Aurora (CCA) has an indirect cost rate agreement which allows an indirect cost rate of 25% to be applied to a base of direct salaries and wages including fringe benefits.

What problems did the audit work identify?

We identified two transactions out of the 44 expenditure transactions tested (5%) that did not meet the requirements of the HEERF grant. Specifically, we identified the following:

- The Community College of Aurora (CCA) incorrectly applied its 25% indirect cost rate to its total operating costs of \$431,633, rather than applying it only to the \$254,807 salaries and benefits portion of its operating costs, as required by its indirect cost rate agreement. Therefore, CCA incorrectly recorded \$107,908 as indirect costs to its HEERF grant, rather than \$63,701. This resulted in a total of \$44,207 in questioned costs.

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- Pueblo Community College (PCC) incorrectly calculated lost revenue associated with tuition. Specifically, PCC used the incorrect baseline of full-time-equivalent students to calculate lost revenue, which was inconsistent with PCC’s previous use of total tuition revenue as a baseline in its lost revenue calculation. Due to the error, PCC incorrectly calculated a lost revenue amount of \$1,351,850 rather than \$1,256,818. This error was caught by internal audit in a subsequent review of the HEERF program, but the error was not corrected by PCC until fiscal year 2024. This resulted in a total of \$95,032 in questioned costs.

Why did these problems occur?

CCA and PCC did not have adequate internal controls over federal allowable activities and allowable cost requirements for the HEERF grant during fiscal year 2023 and did not perform an adequate review of the costs charged to the program. Specifically:

- CCA did not adequately review transactions charged to the grant to ensure that the indirect cost rate was only applied to salaries and benefits as defined in its indirect cost rate agreement.
- PCC did not adequately review the lost revenue calculation to ensure that the correct baseline for the calculation was used for fiscal year 2023.

Why do these problems matter?

CCA’s and PCC’s failure to ensure compliance with federal requirements for the HEERF program could result in disallowed costs and federal sanctions, including the termination of the federal program.

FEDERAL AGENCY	US DEPARTMENT OF EDUCATION
FEDERAL AWARD NUMBER	CCA – P425F202122 PCC – P425F202125
FEDERAL AWARD YEARS	2020 AND 2021
PASS THROUGH ENTITY	NONE
ASSISTANCE LISTING NO.	84.425F, EDUCATION STABILIZATION FUND
COVID-19 FUNDING	YES
COMPLIANCE REQUIREMENT	ALLOWABLE ACTIVITIES (A) AND ALLOWABLE COSTS/COST PRINCIPLES (B)
CLASSIFICATION OF FINDING	SIGNIFICANT DEFICIENCY AND OTHER INSTANCE OF NON-COMPLIANCE
TOTAL KNOWN QUESTIONED COSTS	\$139,239
KNOWN QUESTIONED COSTS RELATED TO COVID-19 FUNDING	\$139,239
THIS FINDING DOES NOT APPLY TO A PRIOR YEAR RECOMMENDATION	

Recommendation No. 3a:

The Community College of Aurora (CCA) should strengthen its internal controls over, and ensure it complies with, the Higher Education Emergency Relief Fund (HEERF) program requirements by performing adequate reviews over costs charged to the HEERF grant to ensure it applies the indirect cost rate only to salaries and benefits, as defined in its federal indirect cost rate agreement.

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Recommendation No. 3b:

Pueblo Community College (PCC) should strengthen its internal controls over, and ensure it complies with, the Higher Education Emergency Relief Fund (HEERF) program requirements by performing adequate reviews over its lost revenue calculations to ensure it uses the appropriate base in all future calculations.

Community College of Aurora Response:

Recommendation No. 3a:

Agree. Implementation Date: November 30, 2023

An adjusting entry was made to the grant in September 2023 to reduce costs incurred of \$44,206.68, thus reducing the subsequent drawdown of grant funds by \$44,206.68. CCA will ensure the Grant Director will review charges to this award and all our federal grants before each draw or at least on a quarterly basis. The review will be discussed with the Controller for additional assurance of propriety of allowability and accuracy of the calculations.

Pueblo Community College Response:

Recommendation No. 3b:

Agree. Implementation Date: June 30, 2024

The Vice President of Finance and Administration will review all HEERF revenue recovery entries for propriety in methodology and accuracy. The fiscal year 2023 calculation that was overstated was revised in fiscal year 2024, and the federal draw will be reduced for the correction prior to June 30, 2024.

Higher Education Emergency Relief Fund (HEERF) Suspension and Debarment Compliance

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was signed into law on March 27, 2020 and appropriated federal funds to provide economic aid to the American people negatively impacted by the COVID-19 pandemic. As part of the CARES Act, funds were given to the System under the Higher Education Emergency Relief Fund (HEERF) Program. The *Coronavirus Response and Relief Supplemental Appropriations Act, 2021* (CRRSAA) was signed into law on December 27, 2020, and authorized additional funding under the HEERF program (HEERF II). Finally, the *American Rescue Plan Act of 2021* (ARP), enacted on March 11, 2021, authorized a third round of funding (HEERF III) in order for higher education institutions to serve students and ensure learning continues during the COVID-19 pandemic. The HEERF Program is one of the subprograms of the federal Education Stabilization Fund (Assistance Listing No. 84.425). The HEERF program contains two portions: the Student Aid portion (Assistance Listing No. 84.425E) and the Institutional portion, which is made up of the following:

- HEERF Institutional Aid Portion (Assistance Listing No. 84.425F);
- HEERF Minority Serving Institutions (Assistance Listing No. 84.425L);
- HEERF Strengthening Institutions Program (Assistance Listing No. 84.425M);
- Institutional Resilience and Expanded Postsecondary Opportunity (Assistance Listing No. 84.425P);

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- HEERF Supplemental Assistance to Institutions of Higher Education program (Assistance Listing No. 84.425S).

Since April 2020, the System has been awarded a total of approximately \$255.6 million in HEERF funding. From inception through June 30, 2023, the System spent a total of approximately \$106.5 million for the HEERF program Student Aid portion and \$148.9 million for the HEERF Institutional portion. During Fiscal Year 2023, the System spent \$8.6 million for the Student Aid portion and \$35.0 million for the Institutional portion; of this amount, \$10.4 million represented the System's procurement for goods and services. The System reports that it will spend the remaining amount of funding during fiscal year 2024.

Each of the System's 13 campuses separately signed an agreement titled the "Certification and Agreement" with the U.S. Department of Education (ED) to indicate each campus' acceptance of the HEERF funding and the applicable terms and requirements. Under federal suspension and debarment regulations, non-federal entities, including the System and its campuses, are prohibited from contracting with or making subawards under "covered transactions" to parties that are suspended or debarred from doing business with the federal government. "Covered transactions" include those procurement contracts for goods and services awarded under a grant or cooperative agreement. In order to comply with federal suspension and debarment requirements, the campuses can perform a search in the federal System of Award Management (SAM) website, which tracks the entities that the federal government has determined are ineligible to receive federal funding; collect a certification from the entity; or add a clause or condition to the entity's contract.

What was the purpose of our audit work and what work was performed?

The purpose of the audit work was to determine whether the System's campuses had effective internal controls in place over, and complied with, federal suspension and debarment requirements for the HEERF grant during fiscal year 2023. The System had 120 HEERF-related covered transactions totaling \$10.4 million.

As part of our audit work, we reviewed the campuses' internal controls over the HEERF grant suspension and debarment requirements. In addition, we tested a sample of 40 covered transactions totaling \$8.1 million of the campuses' HEERF-related covered transactions, to determine whether the campuses' contractors were suspended, debarred, or otherwise excluded from participating in the contract by the federal government, through verification on the SAM website exclusions listing or certification obtained from the entity.

How were the results of the audit work measured?

We measured the results of our audit work against the following requirements:

- Federal regulation [2 CFR 180.300] requires that when a non-federal entity enters into a covered transaction with another entity, the non-federal entity must verify that the person or entity they intend to do business with is not excluded or disqualified from receiving federal funds. This can be done by: (1) checking the SAM exclusions, (2) collecting a certification from that entity, or (3) adding a clause or condition to the covered transaction with that entity.

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- Federal regulation [2 CFR 200.303] states that the System and its campuses, as recipients of federal funds, must establish and maintain effective internal control over their federal awards that provides reasonable assurance that the System’s campuses are managing the federal awards in compliance with federal statutes, regulations, and the award terms and conditions.

What problem did the audit work identify?

We identified errors in 9 of the 40 transactions tested (23%). Specifically, we identified the following:

- Community College of Denver (CCD), Front Range Community College (FRCC) and Pikes Peak State College (PPSC) could not provide documentation to support that suspension and debarment verification procedures were performed. We confirmed through additional audit work that none of the vendors were suspended or debarred; as a result, we determined that these errors did not result in questioned costs.

Why did this problem occur?

CCD, FRCC, and PPSC did not have documented policies and procedures for complying with suspension and debarment requirements. Specifically, they did not have a policy stating how they would comply with suspension and debarment requirements. Further, CCD, FRCC, and PPSC experienced staff turnover in key positions, and existing employees could not locate documentation that staff checked the SAM exclusion website, or that they obtained certification from their contracted entities.

Why does this problem matter?

CCD, FRCC, and PPSC’s failure to perform procedures to ensure an entity is not suspended or debarred could result in the System paying funds to an entity that is disallowed from receiving such funds, thereby exposing the State to increased business risk and potential federal disallowances.

FEDERAL AGENCY	US DEPARTMENT OF EDUCATION
FEDERAL AWARD NUMBER	CCD – P425F204001 FRCC – P425F202141 PPSC – P425F204053
FEDERAL AWARD YEARS	2020 AND 2021
PASS THROUGH ENTITY	NONE
ASSISTANCE LISTING NO.	84.425F, EDUCATION STABILIZATION FUND
COVID-19 FUNDING	YES
COMPLIANCE REQUIREMENT	PROCUREMENT, SUSPENSION AND DEBARMENT (I)
CLASSIFICATION OF FINDING	SIGNIFICANT DEFICIENCY AND OTHER INSTANCE OF NON-COMPLIANCE
TOTAL KNOWN QUESTIONED COSTS	NONE
KNOWN QUESTIONED COSTS RELATED TO COVID-19 FUNDING	NONE
THIS FINDING DOES NOT APPLY TO A PRIOR YEAR RECOMMENDATION	

Colorado Community College System
Financial and Compliance Audit
Findings and Recommendations
Year Ended June 30, 2023

Recommendation No. 4:

Community College of Denver (CCD), Front Range Community College (FRCC) and Pikes Peak State College (PPSC) should strengthen their internal controls over and ensure they comply with suspension and debarment requirements for the Higher Education Emergency Relief Fund (HEERF) grant by:

- A. Developing, documenting, and implementing a policy to comply with suspension and debarment using one of the three allowable methods: 1) checking the federal System of Award Management (SAM) website exclusions, (2) collecting a certification from that entity, or (3) adding a clause or condition to the covered transaction with that entity.
- B. Providing training and cross-training to existing employees over the new policies and procedures to reduce impacts of turnover.

Community College of Denver Response:

Recommendation No. 4:

Agree. Implementation Date: December 31, 2023.

- A. CCD will implement the following controls for monitoring the spending of the federal funds. 1) The Purchasing Coordinator will verify vendor suspension and debarment on the sam.gov website for purchases above \$5,000. 2) Purchasing will attach the System of Award Management (SAM) verification to the purchase requisition packet of every requisition related to a grant fund. 3) Purchasing will ensure to include the grants manager as they send the purchase requisition for authorizing signatures, and 4) the Grants Manager will review the supporting documentation and confirm that the suspension/disbarment screenshot is included with the federal purchases.
- B. The Contracts and Procurement Manager and the Budget Director who supervises the purchasing will provide training to the purchasing staff and the grants personnel: Grants Manager, Senior Grants Accountant and a Grant Accountant. The Controller will ensure that new policies and procedures are shared with the purchasing and grants staff, and new employees in those roles are trained accordingly.

Front Range Community College Response:

Recommendation No. 4:

Agree. Implementation Date: December 31, 2023

- A. FRCC will implement the following controls for expending of federal funds. 1) When a purchase order greater than \$25,000 is submitted, the grant accountant will cross check the vendor to the debarment list prior to approving the purchase order. The grant accountant will save a screenshot of the debarment check for documentation purposes. 2) During month end, the grant accountant will review all expenditures of federal funds greater than \$25,000 and ensure that a debarment check has been completed and documentation has been maintained.
- B. Controller will review and train the Grant Accountants (2), Grant Senior Accountant (1) on the new policy and procedures.

Colorado Community College System
Financial and Compliance Audit
Findings and Recommendations
Year Ended June 30, 2023

Pikes Peak State College Response:

Recommendation No. 4:

Agree. Implementation Date: December 31, 2023

- A. Regarding expenditures of federal funds at PPSC, Procurement Office will follow established internal guidelines regarding suspension and debarment regulations by checking the federal System of Award Management (SAM) website and documenting results with a screenshot. An additional step will be added to the current process, with Procurement staff verifying expenditures of federal funds through a review of federal grants and approved delegations. Controller will maintain a list of current federal grants and provide to Procurement Office. Implementation Date: December 15, 2023
- B. Director of Procurement and Contracts will provide training to Procurement Office staff and grant personnel on the new process step. Also, Controller will incorporate suspension and debarment requirements into training with grant personnel.

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Colorado Community College System
Disposition of Prior Audit Findings and Recommendations
Year Ended June 30, 2023

Recommendation Number	Recommendation	Disposition
2022-01	Pueblo Community College should enforce the implementation of Colorado Community College System's (CCCS or System) required internal controls over financial and reporting activities by following the existing policies and procedures relating to the performance of internal control activities. This includes ensuring that staff perform all required reconciliations and secondary reviews on a timely basis and ensuring appropriate segregation of duties is maintained.	Not implemented – see current year finding 2023-001
2022-02	<p>The System should improve information security IT internal controls related to access management and logging by:</p> <ul style="list-style-type: none"> a. Implementing recommendation Part A as noted in the confidential finding. b. Implementing recommendation Part B as noted in the confidential finding. c. Implementing recommendation Part C as noted in the confidential finding. 	<ul style="list-style-type: none"> a. Implemented b. Implemented c. Partially implemented – see current year finding 2023-002
2022-03	<p>(1) Community College of Aurora should strengthen their internal controls over suspension and debarment and ensure they comply with the Higher Education Emergency Relief Fund (HEERF) requirements by:</p> <ul style="list-style-type: none"> a. Ensuring staff maintain supporting documentation of suspension and debarment checks. b. Providing training and cross-training to existing employees over suspension and debarment requirements. <p>(2) Otero College should strengthen their internal controls over procurement and ensure they comply with the HEERF requirements and State procurement policies by:</p> <ul style="list-style-type: none"> a. Ensuring the secondary reviewer enforces compliance with the System's procurement procedures. b. Ensuring staff maintain supporting documentation for procurements. c. Providing training and cross-training to existing employees over procurement requirements. <p>(3) Pueblo Community College should strengthen their internal controls over procurement, suspension and debarment and ensure they comply with the HEERF requirements and State procurement policies by:</p> <ul style="list-style-type: none"> a. Ensuring the secondary reviewer enforces compliance with the System's procurement procedures and that staff perform 	Implemented – All parts

Colorado Community College System
Disposition of Prior Audit Findings and Recommendations
Year Ended June 30, 2023

Recommendation Number	Recommendation	Disposition
2022-04	<p>procedures to verify contracted entities are not excluded or disqualified from receiving federal funds.</p> <p>b. Ensuring staff maintain supporting documentation for procurements and suspension and debarment checks.</p> <p>c. Providing training and cross-training to existing employees over procurement, suspension and debarment requirements.</p> <p>Front Range Community College, Lamar Community College, and Pueblo Community College campuses should strengthen their internal controls over federal reporting and ensure they comply with the Higher Education Emergency Relief Fund reporting requirements by reviewing reports for accuracy and developing policies and procedures for ensuring the required maintenance of all related supporting documentation.</p>	Implemented

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Independent Auditor's Report

The Members of the Legislative Audit Committee and
State Board for Community Colleges and Occupational Education

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of the Colorado Community College System (a higher education institution of the State of Colorado) (the System), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of the System, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

With the exception of the Friends of TSC discretely presented component unit, which represents 0.1% of the assets and revenues of the aggregate discretely presented component units, we did not audit the financial statements of the aggregate discretely presented component units of the System. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the aggregate discretely presented component units, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1, the financial statements of the System, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position and where applicable, cash flows of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of the State of Colorado that are attributable to the

transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2023, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual financial and compliance report. The other information comprises the report summary and the description of the Colorado Community College System, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023, on our consideration of the System'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

FORVIS,LLP

Denver, Colorado
December 6, 2023

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Colorado Community College System

Management's Discussion and Analysis

(Not subjected to auditing procedures)

June 30, 2023

The following discussion and analysis provides management's view of the financial position and results of operations for the Colorado Community College System (CCCS or the System) as of and for the year ended June 30, 2023 (fiscal year 2023), with comparative information presented for fiscal year 2022, which has not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (Statement No. 96). This analysis should be read in conjunction with CCCS' financial statements and notes to the financial statements. This analysis is intended to make CCCS' financial statements easier to understand and communicate our financial situation in an open and accountable manner.

Background

CCCS includes 13 public community colleges throughout the State of Colorado (the State), the System Office, and a private purpose trust fund – the Benefit Trust. In addition, CCCS has 15 supporting foundations, which are not included in CCCS' primary financial reporting entity, but are included as discretely presented component units. CCCS' financial statements are prepared (Note 1) in accordance with the GASB Statement No. 14, *The Financial Reporting Entity, as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus*; GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*; GASB Statement No. 80, *Blending Requirements for Certain Component Units* and GASB Statement No. 84, *Fiduciary Activities*.

CCCS is Colorado's largest institution of higher education and serves approximately 113,000 students by headcount and approximately 45,000 and 44,000 full-time equivalent students, respectively, during fiscal years ended June 30, 2023 and 2022. The System has approximately 5,300 employees by FTE, of which approximately two-thirds are faculty and adjunct instructors. The colleges offer a wide variety of both academic and career programs leading either to degrees and certificates, or otherwise enhancing personal and professional growth. In addition to the 13 community colleges, CCCS also assists the State Board for Community Colleges and Occupational Education (SBCCOE or the Board) in exercising certain curriculum and funding authority over three Area Vocational Schools (AVSs), two Local District Colleges (LDCs), and secondary career and technical programs in 147 school districts throughout the State.

Higher education institutions in the State have the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), if the institution meets the stated qualifications. CCCS qualified as an enterprise for fiscal years 2023 and 2022, and the System received 6.4% and 3.9%, respectively, of total revenue in State support (Notes 4 and 20).

CCCS is partially funded through the College Opportunity Fund (COF) stipend program and a fee for service (FFS) contract with the Colorado Department of Higher Education (CDHE), approved by the Colorado Commission on Higher Education (CCHE). COF provides state tax dollars to students through a stipend paid on a per credit hour basis to the institution at which the student is enrolled. COF may support the costs of up to 145 eligible undergraduate credits for each eligible student. For fiscal year 2023, the COF stipend was \$104 per credit hour, and in fiscal year 2022, the COF stipend was \$94, which students could use to pay for a portion of their tuition. The FFS contract is the purchase of educational services, by the State, from CCCS that are not part of the COF stipend program. In fiscal years 2023 and 2022, CDHE's contract with CCCS purchased educational services with an increased emphasis on support services for Pell-eligible, recruitment and retention of first-generation undergraduate students, and underserved undergraduate students. Additionally, FFS funds are also for the creation of student

Colorado Community College System
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career pathways, providing support for complying with the Cyber Coding Cryptology for State Records and Colorado Rural Health-care Workforce Initiative, expanding concurrent enrollment opportunities (Notes 3 and 4). COF and FFS are not included as state support, but are included in tuition and FFS.

In November 2008, voters passed Amendment 50, which expanded limited stakes gaming in three Colorado mountain towns. A portion of the additional revenues from the increased gaming activity is distributed based on enrollment to Colorado community, junior and district colleges for financial assistance and classroom instruction. CCCS received approximately \$30.3 million in Amendment 50 funding in fiscal year 2023, of which \$30.2 million was used for classroom instruction related expenses and \$0.1 million was used for scholarship awards. CCCS received approximately \$11.5 million in Amendment 50 funding in fiscal year 2022, of which \$11.5 million was used for classroom instruction related expenses.

Financial Highlights

At June 30, 2023, CCCS’ assets and deferred outflows of \$1,224,408,137 were less than its liabilities and deferred inflows of \$1,246,794,583 by \$22,386,446. At June 30, 2022, CCCS’ assets and deferred outflows of \$1,023,198,154 were less than its liabilities and deferred inflows of \$1,147,804,389 by \$124,606,235. The resulting net position is summarized into the following categories:

	June 30	
	2023	2022
Net investment in capital assets	\$ 404,991,697	\$ 384,494,144
Restricted, expendable	15,101,827	13,969,785
Unrestricted (deficit)	(442,479,970)	(523,070,164)
Total net position (deficit)	(22,386,446)	(124,606,235)
 GASB 68 - Pension		
Cumulative Years Impact to net position	788,849,419	804,730,722
GASB 75 - OPEB		
Cumulative Years Impact to net position	29,855,637	35,391,891
Net position excluding impact from Pension and OPEB	\$ 796,318,610	\$ 715,516,378

The restricted, expendable net position may be spent, but only for the purposes for which the donor or grantor or other external party intended. Unrestricted net position is not externally restricted; however, it is often internally designated by the college’s administration or board for a number of purposes including capital maintenance and building and equipment expansion and repair, and new programs.

During fiscal year 2023, CCCS’ total net position increased by \$102,219,789 due to an increase of \$80,802,232 in operations excluding pension and OPEB, an increase of \$15,881,303 due to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, (Statement No. 68), and an increase of \$5,536,254 due to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (Statement No. 75) discussed in the overview.

Colorado Community College System

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During fiscal year 2022, CCCS' total net position increased by \$128,842,759 due to an increase of \$28,144,057 in operations excluding pensions and OPEB, an increase of \$98,917,569 due to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27, (Statement No. 68)*, and an increase of \$1,781,134 due to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (Statement No. 75)* and restatement of \$19,860 for the adoption of GASB Statement No. 87, *Leases*. Statement No. 87, Statement No. 68 and Statement No. 75 are discussed in the overview.

Overview of the Financial Statements

The financial statements are designed to provide readers with a broad overview of the System's finances and are comprised of three basic statements.

The Independent Auditor's Report presents unmodified opinions prepared by our auditors, an independent certified public accounting firm, FORVIS, LLP, on the fairness, in all material respects, of our financial statements.

Statement No. 68 establishes financial reporting requirements for most governments that provide their employees with pension benefits. The System provides certain of its employees with pension benefits through the State's multiple-employer cost-sharing Public Employees' Retirement Association of Colorado (PERA) defined benefit retirement program.

Statement No. 68 requires cost-sharing employers participating in the PERA program, such as CCCS, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability.

Statement No. 75 establishes financial reporting requirements for most governments that provide their employees with other postemployment benefits (OPEB) other than pensions. The System provides certain of its employees with OPEB through the State's multiple-employer cost-sharing Public Employees' Retirement Association of Colorado (PERA) Health Care Trust Fund (HCTF).

Statement No. 75 requires cost-sharing employers participating in the PERA HCTF program, such as CCCS, to record their proportionate share, as defined in Statement No. 75, of PERA's unfunded OPEB liability.

The System has no legal obligation to fund the shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA and the General Assembly as it relates to pensions and OPEB. The requirements of Statements No. 68 and No. 75 to record a portion of PERA's unfunded pension and OPEB liabilities negatively impacts CCCS' unrestricted net position.

Information regarding PERA's Pension and HCTF current funding status' can be found in its Annual Comprehensive Financial Report.

For financial reporting purposes, the Benefit Trust is recognized as a fiduciary component unit reported as a private-purpose trust fund, in accordance with GASB Statement 84, *Fiduciary Activities* (Statement No. 84).

Statement No. 87, *Leases*, requires the recognition of certain lease assets and lease payables previously reported as operating or capital leases, along with related inflows and outflows of resources based on the payments agreed upon in the contracts. Lessees must recognize a lease asset and lease payables and a lessor must recognize a lease receivable and a deferred inflow of resources.

Colorado Community College System

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Statement No. 96, *Subscription-based Information Technology Arrangements* (Statement No. 96). Statement No. 96 established criteria for the recognition of subscription-based information technology arrangements (SBITAs) for governments. SBITAs result in an intangible asset, right to use subscription assets, along with the corresponding subscription liability (Note 2).

CCCS' net position, based on the definitions provided in the statement, comprises the following components:

The Statement of Net Position presents information on all of CCCS' assets and deferred outflows of resources and liabilities and deferred inflows of resources at a point in time (June 30, 2023), with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. A reader of the financial statements should be able to determine the assets available to continue CCCS' operations, how much CCCS owes to vendors and lending institutions, and a picture of net position and the relative availability for expenditure by CCCS.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how CCCS' net position changed during the fiscal period (the fiscal year ended June 30, 2023). All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues, deferred outflows of resources, expenses, and deferred inflows of resources are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payment for accrued compensated absences or the pension liability, or the receipt of amounts due from students and others for services rendered). The purpose is to assess CCCS' operating results. CCCS reports its activity as a special-purpose government engaged only in business-type activities using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Fiduciary Net Position is used to report the assets, liabilities, and fiduciary net position of the private purpose trust fund. The Statement of Changes in Fiduciary Net Position report the inflows and outflows of resources that increased and decreased its net position. A fiduciary fund uses the economic resources measurement focus and the accrual basis of accounting. The major source of additions are receipt of excess premiums and net appreciation in fair value and the major deductions are administrative costs.

The Statement of Cash Flows present cash receipts and payments to and from CCCS for the reporting period using the direct method. The direct method of cash flow reporting portrays cash flows from operations, noncapital financing, capital and related financing, and investing activities. The purpose is to assess CCCS' ability to generate net cash flows and meet its obligations as they come due.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Information is provided regarding both the accounting policies and procedures CCCS has adopted as well as additional detail for certain amounts contained in the financial statements. The notes follow the financial statements.

Financial Analysis

The Statement of Net Position presents information on all of CCCS' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position.

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The assets and deferred outflows of resources reported by CCCS were less than liabilities and deferred inflows of resources at June 30, 2023, resulting in a net position of \$(22,386,446). The assets and deferred outflows of resources reported by CCCS were less than liabilities and deferred inflows of resources at June 30, 2022, resulting in a net position of \$(124,606,235). Assets and deferred outflows of resources were less than liabilities and deferred inflows of resources primarily due to the cumulative impact of Statement No. 68 and Statement No. 75 in fiscal years 2023 and 2022. The majority of CCCS' net position is net investment in capital assets (e.g., land, buildings, equipment, leases and SBITAs). These assets are used to provide services to students, faculty and administration. Consequently, these assets are not available to fund future spending. The resulting net position is summarized into the following categories:

Condensed Statements of Net Position

	June 30	
	2023	2022
Current assets	\$ 525,791,125	\$ 433,628,367
Noncurrent assets, including capital assets of \$513,968,068 and \$496,611,357, respectively, and including net lease and SBITA assets of \$32,567,272 in FY23 and net lease assets of \$33,498,927 in FY22	546,547,882	531,187,806
Total assets	1,072,339,007	964,816,173
Total deferred outflows of resources	152,069,130	58,381,981
Current liabilities	125,326,810	91,634,143
Noncurrent liabilities	1,091,696,442	811,779,317
Total liabilities	1,217,023,252	903,413,460
Total deferred inflows of resources	29,771,331	244,390,929
Net position		
Net investment capital assets	404,991,697	384,494,144
Restricted - expendable	15,101,827	13,969,785
Unrestricted (deficit)	(442,479,970)	(523,070,164)
Total net position (deficit)	\$ (22,386,446)	\$ (124,606,235)

Current assets increased as of June 30, 2023 compared with June 30, 2022 by approximately \$92.2 million, or 21.3%, primarily as a result of an increase in cash and cash equivalents of \$87.9 million, in part due to, remaining unearned revenue of state appropriated Federal Stimulus funds and an increase in net accounts receivable of \$5.4 million. The increases in net accounts receivable of approximately \$5.4 million is due primarily to an increase of student accounts receivable, net, of \$2.9 million and \$1.8 million other receivables, net.

Colorado Community College System
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Current liabilities increased as of June 30, 2023 compared with June 30, 2022 by approximately \$33.7 million, or 36.8%, primarily as a result of a \$34.4 million increase in unearned revenue primarily related to SLFRF.

Noncurrent assets increased as of June 30, 2023 compared with June 30, 2022 by \$15.4 million, or 2.9%, as a result of the increase of net capital assets of \$17.4 million for renovations, HVAC and building improvements at ACC, FRCC, PCC, PPSC, RRCC, and TSC.

Noncurrent liabilities increased as of June 30, 2023 compared with June 30, 2022 by \$279.9 million, or 34.5%. This change was due, in part, to an increase in the net pension liability in 2023 of \$288.9 million attributed to weak investment performance offset by an increase in the state contribution as required by the Automatic Adjustment Provision (AAP) (see Note 14). This was coupled with a decrease of \$1.9 million in the net OPEB liability. In addition, fiscal year 2023 had a decrease of \$6.3 million in bonds payable and a decrease of notes and finance purchase payables of \$1.2 million.

Deferred outflows of resources increased as of June 30, 2023 compared to June 30, 2022 by \$93.7 million, or 160.5%, primarily due to the \$92.6 million increase in the pension liability from changes in assumptions for pension related items. Deferred inflows of resources decreased as of June 30, 2023 compared to June 30, 2022 by \$214.7 million, or 87.8%, due to a decrease in the pension liability from changes in assumptions for pension related items. Statements No. 68 and 75 require CCCS to record deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, which primarily reflect the changes in assumptions used to value the overall PERA pension liability and OPEB liability that will be recognized in future reporting periods.

Net position may have restrictions imposed by external parties, such as donors, who specify how the assets must be used, or by their nature are invested in capital assets (property, plant and equipment and lease and SBITA assets). Restricted net position is primarily restricted for scholarships, community training programs, and debt service.

The Statements of Revenues, Expenses and Changes in Net Position report the results of operating and nonoperating revenues and expenses during the year and the resulting increase or decrease in net position at the end of the fiscal year. A key component of this statement is the differentiation between operating and nonoperating activities. Operating revenues are received for providing goods and services to the various constituencies of CCCS. The COF stipend program revenue is included in student tuition and fees and FFS contract revenue is separately presented, both of which are classified as operating revenues. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenue and to carry out the mission of CCCS. Nonoperating revenues are those where goods or services are not provided. Thus, state appropriations are nonoperating because they are provided by the State without the State directly receiving goods and services. In fiscal year 2023, the State of Colorado remitted its direct distribution for the CCCS allocated portion of the \$225 million in the amount of \$16,728,145 for the statutorily required State of Colorado annual direct distribution to the Public Employees' Retirement Association (PERA) each July until there are no unfunded actuarial accrued liabilities in the trust fund of any division that receives such distribution. In fiscal year 2022, the State of Colorado remitted its direct distribution for the CCCS allocated portion of the \$225 million in the amount of \$6,536,930 for the statutorily required State of Colorado annual direct distribution to the Public Employees' Retirement Association (PERA). Amendment 50 funding is provided as pass-through funds through the State without the State directly receiving goods and services and is also considered nonoperating. Federal Pell grants, Federal *Higher Education Economic Relief Funds* (HEERF) subsidies, and most gifts and investment income are also nonoperating revenue.

Colorado Community College System
Management's Discussion and Analysis
(Not subjected to auditing procedures)
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State appropriations, net of distributions to LDCs and AVSs, represent approximately 5.9%, and 5.3%; student tuition and fees represent approximately 35.0% and 35.1%; and FFS contracts represent approximately 13.2% and 12.9% of CCCS' total revenue from all sources in fiscal years 2023 and 2022, respectively, as detailed in the charts on the following pages. Like most public institutions of higher education, public support in the form of state appropriations offsets or supplements the operating gain or loss from the cost of operations. CCCS experienced a \$151.0 million loss from operations in fiscal year 2023 compared to a \$140.3 million loss from operations in fiscal year 2022. In fiscal year 2023, this operating loss was offset by Federal HEERF Funds of \$48.2 million, net state appropriations of \$33.8 million, Federal Pell grants of \$73.3 million, State support for pensions of \$16.7 million and Amendment 50 funding of \$30.3 million. In fiscal year 2022, this operating loss was offset by Federal HEERF Funds of \$120.6 million, net state appropriations of \$35.4 million, Federal Pell grants of \$71.3 million, state support for pensions of \$6.5 million and Amendment 50 funding of \$11.5 million.

Colorado Community College System
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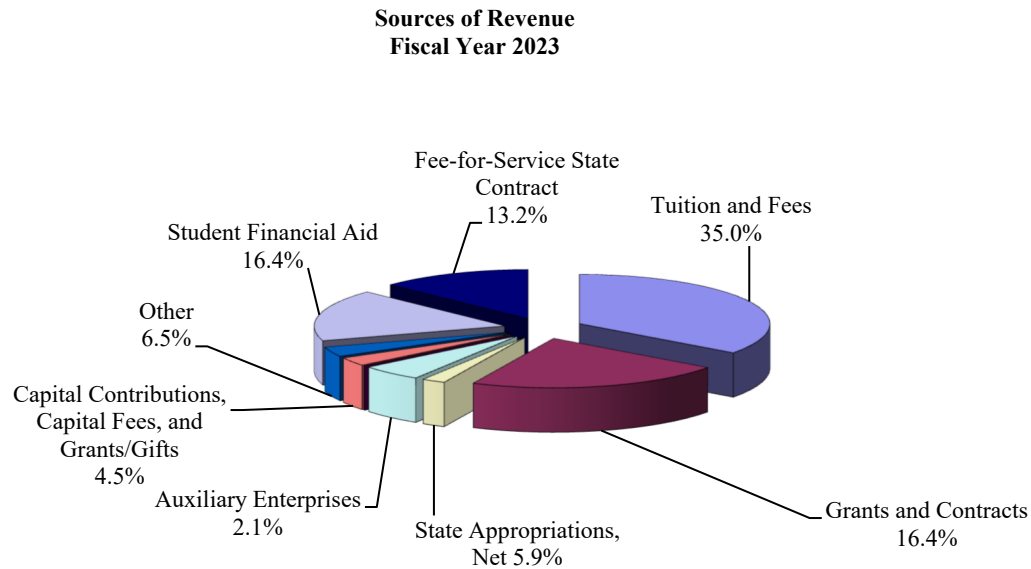
Condensed Statements of Revenues, Expenses and Changes in Net Position

	June 30	
	2023	2022
Operating revenues		
Tuition and fees, net	\$ 298,614,666	\$ 279,759,461
Grants and contracts	159,108,782	117,820,942
Fee-for-service state contract	112,607,210	102,571,316
Sales and services of educational activities	638,337	886,963
Auxiliary enterprises, net	17,741,371	15,837,254
Other	8,842,109	8,094,483
Total operating revenues	597,552,475	524,970,419
Operating expenses		
Instruction	307,903,999	248,208,173
Research	45,767	39,571
Public service	7,752,548	7,045,279
Academic support	54,679,844	42,025,704
Student services	83,738,206	64,258,377
Institutional support	116,669,257	92,352,100
Operation and maintenance of plant	64,107,544	50,426,509
Scholarships and fellowships	45,811,387	93,900,097
Auxiliary enterprises	20,352,675	20,641,066
Depreciation and amortization	47,481,181	46,398,111
Total operating expenses	748,542,408	665,294,987
Operating loss	(150,989,933)	(140,324,568)
Nonoperating revenues (expenses)		
State appropriations	75,445,267	71,572,002
State support for pensions	16,728,145	6,536,930
HEERF Funds	48,167,351	120,605,705
Federal Pell grants	73,319,873	71,289,787
Amendment 50 funding	30,266,334	11,474,566
Distributions to Local District Colleges and Area Vocational Schools	(41,681,887)	(36,140,742)
Other nonoperating revenues and expenses, net	12,276,457	1,699,409
Net nonoperating revenues	214,521,540	247,037,657
Income before other revenues, expenses, gains or losses	63,531,607	106,713,089

Colorado Community College System
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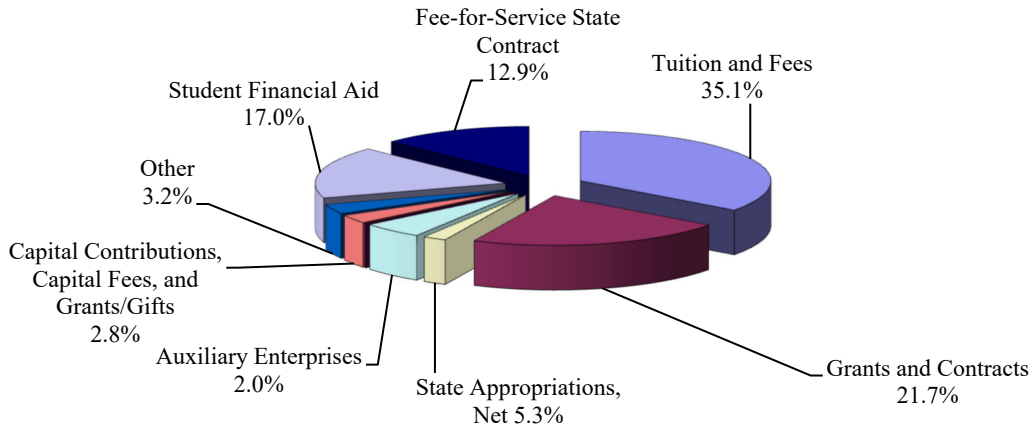
	June 30	
	2023	2022
State capital contributions	26,036,211	16,781,779
Federal capital contributions	5,612,695	-
Capital fees, net	4,543,660	4,661,617
Capital grants and gifts	2,495,616	686,274
Increase in net position	102,219,789	128,842,759
Net position		
Beginning of year	(124,606,235)	(253,448,994)
End of year	\$ (22,386,446)	\$ (124,606,235)

The charts below give a summary of the total CCCS revenues with no delineation between operating and nonoperating revenue streams:



Colorado Community College System
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Sources of Revenue
Fiscal Year 2022



As the above charts demonstrate, grants and contracts and student tuition and fees comprise the largest revenue source for CCCS in fiscal year 2023, as well as fiscal year 2022. The operating loss of approximately \$151.0 million and \$140.3 million, in fiscal years 2023 and 2022, respectively, noted above, is a result of less operating revenues below operating expenses. CCCS supplemented operating revenues with state appropriations, state support for pensions, Federal Pell grants, Federal HEERF subsidies, and Amendment 50 funding, which are classified as nonoperating revenues but are used to fund operations.

Revenue activity highlights for fiscal year 2023 include:

- Student Tuition and Fees increased by \$18.9 million, or 6.7%, primarily due to an increase of \$16.9 million, or 15.1%, in the COF stipend. In addition, there was an increase of 3.0% in student FTE and this was offset by an increase of scholarship allowance of \$15.0 million.
- Fee for Service increased by \$10.0 million, or 9.8%, after the transfer of \$880 thousand from FFS to COF to adjust appropriately for the student FTE served, within the transfer authority tolerances outlined in C.R.S. 23-18-202 (1) (c).
- Grants and Contract increased by \$41.3 million, or 35.0%, due primarily to an increase in State and Local Fiscal Recovery Funds (SLFRF) of approximately \$46.3 million.
- State Appropriations increased by \$3.9 million, or 5.4%, due primarily to an increase in state appropriations for Area Vocational Schools and Local District Colleges that flowed through CCCS of \$5.6 million.
- HEERF Funds decreased by \$72.4 million, or 60.0%. This emergency funding was provided primarily for direct financial assistance to students and to address institutional needs and additional costs as a result of the impact of COVID-19 on campus, in dormitories, and in classrooms and has decreased in this recovery phase of the pandemic.
- Amendment 50 funding increased by \$18.8 million, or 163.8% due to increased activity for limited gaming in Colorado.

Colorado Community College System

Management's Discussion and Analysis

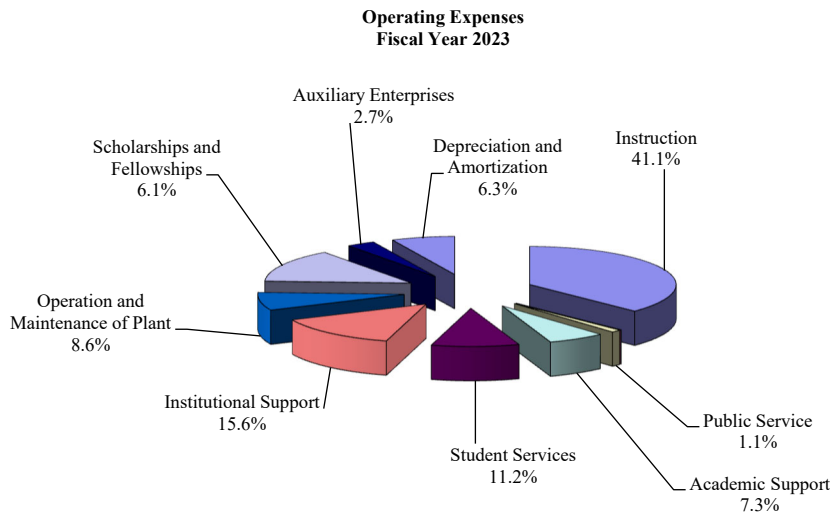
(Not subjected to auditing procedures)

June 30, 2023

Revenue activity highlights for fiscal year 2022 include:

- Student Tuition and Fees increased by \$47.0 million, or 20.2%, primarily due to an increase of \$62.7 million, or 127.5%, in the COF stipend. This was offset by an overall decrease of 3.2% in student FTE and increase of scholarship allowance of \$11.4 million.
- Fee for Service increased by \$71.6 million, or 230.8%, including the transfer of \$18.8 million from COF to FFS to adjust appropriately for the student FTE served, within the transfer authority tolerances outlined in C.R.S. 23-18-202 (1) (c).
- State Appropriations increased by \$25.2 million, or 54.4%, due primarily to an increase in state appropriations for Area Vocational Schools and Local District Colleges that flowed through CCCS of \$22.0 million.
- HEERF Funds increased by \$37.2 million, or 44.6%. This emergency funding was provided primarily for direct financial assistance to students and to address institutional needs and additional costs as a result of the impact of COVID-19 on campus, in dormitories, and in classrooms.
- Other Nonoperating Revenues (inclusive of netted expenses) increased by \$6.9 million, or 294.8%, due to a gain for the sale of the ACC – Parker Campus of \$7.6 million

The charts below give a summary of the total CCCS operating expenses:

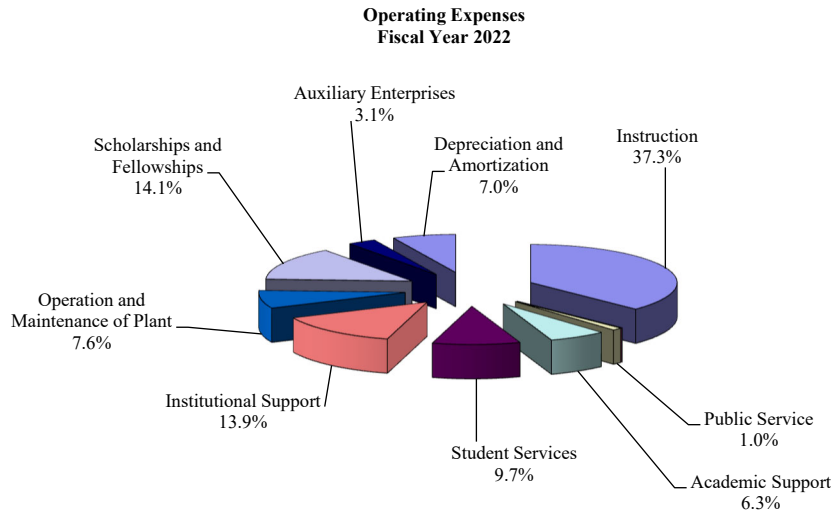


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Expense activity highlights for fiscal year 2023 include:

Operating expenses across functional categories, including the impacts of Statement No. 68 and Statement No. 75, increased \$83.2 million, or 12.5%. This includes the increases in the Statement No. 68 calculated pension expense of \$93.2 million and decrease in Statement No. 75 OPEB expense of \$3.8 million. The impact for each increase of expense due to pension and OPEB is Instruction (\$44.8 million), Public Service (\$880 thousand), Academic Support (\$8.0 million), Student Services (\$14.3 million), Institutional Support (\$14.3 million), Operation and Maintenance of Plant (\$5.4 million), and Auxiliary Enterprises (\$1.8 million). The operating expenses, excluding Pension and OPEB, separately had a decrease of \$6.2 million, or 0.8%.

Additional changes to functional expenses are explained below, after excluding expenses related to the activity immediately preceding for pension and OPEB under Statements No. 68 and 75:

- Instruction increased by \$14.9 million, or 5.1%, primarily as a result of an overall instructional salary and benefits across the system as well as some increases in concurrent enrollment.
- Academic Support increased by \$4.6 million, or 9.1%, primarily as a result of increases in investment in building Colorado Online leveraging staff from CCCOnline, Consortia and Curriculum development, Workforce Resilience along with increased Pro-Tech salaries and benefits across the System.
- Student Services increased by \$5.2 million, or 6.5%, primarily as a result of increases in operating expenses due to an increased need for on campus student services following the pandemic, many of which were funded by increases in related grant funding such as Federal Colorado Opportunity Scholarship Initiative (COSI) and Finish What you Started (FWS), TRIO and STEM grants. Also, FTE increases and related salary and benefits for additional Pro-Tech support.
- Institutional Support increased by \$10.0 million, or 9.4%, primarily as a result of increases in Perkins Grant expenses of \$5.0 million coupled with the overall increase in staffing salary and benefits.

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(Not subjected to auditing procedures)

June 30, 2023

- Operation and Maintenance of Plant increased by \$8.3 million, or 14.8%, primarily as a result of increases across the system with the greatest increases for remodels, security, and upgrades for ACC, CNCC, FRCC, and TSC.
- Scholarships and Fellowships expense decreased by \$48.1 million, or 51.2%, primarily as a result of decreased student aid in the form of emergency aid from HEERF programs.
- Auxiliary Enterprise expense decreased by \$2.1 million, or 9.3%, primarily as a result of PPSC relinquishing management of the bookstore to a third party and reduction in Child Development Care Expenses.
- Depreciation and amortization expense increased by \$1.1 million, or 32.5%, primarily as a result of increased amortization for lease assets.

Expense activity highlights for fiscal year 2022 include:

- Operating expenses across functional categories, including the impacts of Statements No. 68 and Statement No. 75, increased \$190.9 million, or 40.2%. This includes the increases in the Statement No. 68 calculated pension expense of \$148.7 million and Statement No. 75 OPEB expense of \$0.7 million. The impact for each increase of expense due to pension and OPEB is Instruction (\$74.7 million), Public Service (\$1.5 million), Academic Support (\$13.4 million), Student Services (\$23.9 million), Institutional Support (\$23.9 million), Operation and Maintenance of Plant (\$9.0 million), and Auxiliary Enterprises (\$3.0 million). The operating expenses separately had an increase of \$41.5 million, or 5.8%.

Additional changes to functional expenses are explained below, after excluding expenses related to the activity immediately preceding for pension and OPEB under Statements No. 68 and 75:

- Public Service increased by \$1.6 million, or 260%, primarily as a result of an increase in public service type grant activity for preschool and childcare at RRCC.
- Student Services increased by \$3.9 million, or 5.1%, primarily as a result of increases in operating expenses due to an increased need for on campus student services following the pandemic, many of which were funded by increases in related grant funding.
- Operation and Maintenance of Plant increased by \$2.9 million, or 5.6%, primarily as a result of increases across the system with the greatest increases for remodels, security, and upgrades for CCA, CCD, FRCC, and PCC.
- Scholarships and Fellowships expense increased by \$26.9 million, or 40.1%, primarily as a result of increased student aid in the form of emergency aid from HEERF programs.
- Auxiliary Enterprise expense decreased by \$2.4 million, or 9.6%, primarily as a result of a \$3.1 million decrease at PPSC bookstore sales for students accessing HEERF funds for textbook materials coupled with many of the colleges continuing to eliminate or reduce their bookstore resale volume.

Colorado Community College System
Management's Discussion and Analysis
(Not subjected to auditing procedures)
June 30, 2023

Capital Asset, Lease and SBITA Assets and Debt Management

At June 30, 2023, CCCS had \$513,968,068 of capital assets, net of accumulated depreciation of \$676,896,887 and including current year depreciation of \$43,293,200. At June 30, 2023, CCCS had \$32,567,272 of lease and SBITA assets, net of accumulated amortization \$6,824,739. At June 30, 2022, CCCS had \$496,611,357 of capital assets, net of accumulated depreciation of \$638,544,752 and including current year depreciation of \$43,236,254. At June 30, 2022, CCCS had \$33,498,927 of lease assets, net of accumulated amortization \$3,161,858. A breakdown of assets by category, net of accumulated depreciation and amortization is provided below:

	June 30	
	2023	2022
Nondepreciable land and land improvements	\$ 35,045,695	\$ 35,020,695
Construction in progress	42,565,553	30,992,718
Collections	1,112,771	1,037,771
Land improvements, net	11,142,511	12,030,138
Buildings and improvements, net	386,174,290	379,144,465
Leasehold improvements with State Agencies, net	11,713,796	13,750,230
Equipment and software, net	25,466,648	23,833,857
Library materials, net	746,804	801,483
Total capital assets, net	\$ 513,968,068	\$ 496,611,357

	June 30	
	2023	2022
Construction in progress lease	\$ 144,758	\$ -
Buildings and improvements- leases	29,785,156	30,203,519
Equipment and software leases	2,286,434	3,295,408
SBITA	350,924	-
	\$ 32,567,272	\$ 33,498,927

Colorado Community College System
Management's Discussion and Analysis
(Not subjected to auditing procedures)
June 30, 2023

Major capital additions of \$500,000 or more completed during fiscal year 2023 are as follows:

College	Project	Total Project Cost	Source of Funding
		(In millions)	
Front Range Community College	Harmony Library	\$ 2.2	State Funded
	WC Door Access Upgrade	1.5	Federal Grant & Internal Reserves
	BCC Facilities Rerooms & Improvement	2.2	Federal Grant & Internal Reserves
	Little Bear Peak Removal	2.1	Internal Reserves
	Renovation Online Learning	0.9	Federal Grant
Pueblo Community College	HALC Renovation	0.9	Internal Reserves
	SMC Teaching Medical Center	9.3	Federal Grant, & Internal Reserves & Capital Donations
Pikes Peak State College	Cypress Building -CHES Phase II	11.7	Internal Reserves
	DTS Student & Learning Commons	4.0	Internal Reserves
Trinidad State College	Campus Security System	1.9	State Funded

The System has \$74.2 million and \$25.6 million in commitments for various upcoming capital construction and controlled maintenance projects as of June 30, 2023 and 2022, respectively.

CCCS had \$133,573,068 and \$141,533,519 in debt outstanding at June 30, 2023 and 2022, respectively.

In April 2023, Moody's Investors Service has affirmed Colorado Community College System (CCCS), CO's Aa3 issuer and underlying ratings on approximately \$88 million of rated outstanding revenue bonds. Concurrently, we have affirmed the Aa2 enhanced ratings on approximately \$24 million of revenue bonds that qualified for the State Intercept Program. Total debt outstanding as of fiscal year-end 2022 was approximately \$142 million. The outlook is stable.

The breakdown of the debt is as follows:

	June 30	
	2023	2022
Bonds payable	\$ 89,854,683	\$ 96,230,861
Notes and finance purchase payable	10,476,130	11,630,264
Lease payables	32,888,585	33,672,394
SBITA payables	353,670	-
Total debt	<u>\$ 133,573,068</u>	<u>\$ 141,533,519</u>

Colorado Community College System
Management's Discussion and Analysis
(Not subjected to auditing procedures)
June 30, 2023

Colorado Community College System Future

The budgetary situation for higher education continues to be in a more stable state than recent fiscal years that were marked by significant enrollment uncertainty due to the effects of the pandemic. For fiscal year 2024 funding, CCCS is authorized to receive approximately \$131.9 million in FFS revenue and \$138.1 million in student stipends. This support totaling \$270.0 million of anticipated fiscal year 2024 funding represents an 11.3% increase in state support from fiscal year 2023 levels. CCCS also anticipates receiving \$28.6 million of funding under the Amendment 50/Amendment 77 funding in fiscal year 2024, a modest decrease over prior year fiscal year revenues. The prior year was marked by a very significant increase in gaming revenues due to the full implementation of Amendment 77 and pent-up gaming demand coming out of the pandemic.

CCCS funding also relies on two other primary drivers: enrollment and tuition rates.

Enrollment: In fiscal year 2023, CCCS' resident enrollment increased by 3.1% from fiscal year 2022, and nonresident enrollment increased by 1.1%, resulting in a total net enrollment increase of 3.0%. In fiscal year 2024, for the fall term, CCCS anticipates a modest increase compared to the prior year fall enrollment as the acute pandemic impacts to enrollment are forecasted to continue to turn the corner. However, recent wage growth and low unemployment levels in the State do still present a headwind to enrollment gains. Those potential students most impacted by the pandemic economically and who delayed/deferred their enrollment are currently taking advantage of abundant job availability and significant wage growth in entry level service sector jobs.

Tuition Rates: For fiscal year 2023, the Board increased resident and non-resident tuition rate by 2.0%, with the exception of on-line which was held flat. For fiscal year 2024, the Board raised tuition by 5.0%, with the exception of on-line tuition which was increased by 2.5%. This tuition increase combined with modest forecast enrollment growth in fiscal year 2024 is anticipated to lead to a modest increase in tuition revenue in fiscal year 2024 compared to the prior fiscal year.

Colleges are still being prudent in spending on operating expenses, but higher inflation are increasing costs beyond prior fiscal years. CCCS continues to make investments related to retention of existing students, adding in-demand programs, and attracting new students to be positioned well when the labor market headwinds become more favorable. In addition, our colleges are investing in their own staff and faculty to retain existing and attract new employees in a challenging labor market marked by higher inflation.

Requests for Information

This financial report is designed to provide a general overview of CCCS' finances and to show the System's accountability for the money it receives. Questions concerning any other information provided in this report or requests for additional financial information should be addressed to:

Colorado Community College System
Department of Finance and Administration
9101 East Lowry Boulevard
Denver, Colorado 80230-6011

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Colorado Community College System
Business-Type Activities
Statement of Net Position
June 30, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 433,203,056
Accounts receivable, net	89,954,922
Lease receivable, current	57,707
Inventories	976,092
Prepaid expenses	<u>1,599,348</u>

Total current assets 525,791,125

Noncurrent Assets

Restricted investments	5,397
Lease receivable, noncurrent	7,145
Capital assets, net	513,968,068
Lease and SBITA assets, net	<u>32,567,272</u>

Total noncurrent assets 546,547,882

Total assets \$ 1,072,339,007

Deferred Outflows of Resources

Deferred Outflows

Loss on Refunding	\$ 922,027
Pensions	147,876,181
OPEB	3,249,861
Other	<u>21,061</u>

Total deferred outflows of resources \$ 152,069,130

Colorado Community College System
Business-Type Activities
Statement of Net Position (continued)
June 30, 2023

Liabilities

Current Liabilities

Accounts payable	\$ 21,681,437
Accrued liabilities	15,774,099
Unearned revenue	73,946,248
Security deposits	1,382,703
Bonds payable, current portion	3,825,000
Notes and finance purchase payable, current portion	1,278,701
Lease and SBITA payable, current portion	3,530,744
Other long-term liabilities, current portion	151,101
Compensated absences liability, current portion	3,756,777
	<u>125,326,810</u>
Total current liabilities	<u>125,326,810</u>

Noncurrent Liabilities

Bonds payable	86,029,683
Notes and finance purchase payable, noncurrent	9,197,429
Lease and SBITA payable, noncurrent	29,711,511
Other long-term liabilities	662,023
Compensated absences liability	25,973,771
Net pension liability	917,430,475
Net OPEB liability	22,691,550
	<u>1,091,696,442</u>
Total noncurrent liabilities	<u>1,091,696,442</u>

Total liabilities	<u><u>\$ 1,217,023,252</u></u>
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Deferred Inflows of Resources

Deferred Inflows

Pension	\$ 19,295,125
OPEB	10,413,948
Leases	62,258
	<u>29,771,331</u>
Total deferred inflows of resources	<u><u>\$ 29,771,331</u></u>

Net Position

Net Position

Net investment in capital assets	\$ 404,991,697
Restricted for expendable purposes	
Scholarships/fellowships	1,095,307
Loans	4,961
Capital projects	325,447
Training programs	11,941,559
Debt service	1,734,553
	<u>15,101,827</u>
Total restricted for expendable purposes	<u>15,101,827</u>
Unrestricted (deficit)	<u>(442,479,970)</u>
Total net position	<u><u>\$ (22,386,446)</u></u>

Colorado Community College System
Aggregate Discretely Presented Component Units
Statement of Financial Position
June 30, 2023

Assets

Cash and cash equivalents	\$	13,844,263
Accounts and pledges receivable		8,911,536
Investments		77,943,153
Beneficial interest in charitable remainder trust		186,553
Other assets		295,391
Capital assets, net		<u>4,974,347</u>
Total assets	\$	<u><u>106,155,243</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$	1,655,251
Due to primary government		590,280
Accrued liabilities		1,548,100
Deferred revenue		769,045
Other liabilities		<u>1,679,792</u>
Total liabilities		<u>6,242,468</u>

Net Assets

Without donor restrictions		
Undesignated		8,332,071
Designated by the Board for operating reserve		260,058
Designated by the Board for endowment		131,500
Invested in property and equipment, net of related debt		4,974,347
Total		<u>13,698,476</u>
With donor restrictions		
Perpetual in nature		43,802,332
Purpose restrictions		38,787,653
Time-restricted for future periods		<u>3,624,814</u>
Total		<u>86,214,800</u>
Total net assets		<u>99,912,775</u>
Total liabilities and net assets	\$	<u><u>106,155,243</u></u>

Colorado Community College System
Fiduciary Fund
Statement of Fiduciary Net Position
June 30, 2023

	Private Purpose Trust Fund
Assets	
Accounts receivable	\$ 75,000
Investments	
Money market funds	4,114,666
Mutual funds	350,402
Fixed income securities	4,962,916
Common stocks	7,395,220
Total investments	16,823,204
Total assets	<u>\$ 16,898,204</u>
Net Position Restricted for Health and Welfare Benefits - Individuals	<u>\$ 16,898,204</u>

Colorado Community College System
Business-Type Activities
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

Operating Revenues

Student tuition and fees, net of scholarship allowances of \$132,806,208; including revenues pledged for bonds of \$298,614,666	\$ 298,614,666
Grants and contracts	159,108,782
Fee-for-service state contract	112,607,210
Sales and services of educational activities	638,337
Auxiliary enterprises, net of scholarship allowances of \$2,815,431	17,741,371
Other operating revenues and gifts	<u>8,842,109</u>
Total operating revenues	<u>597,552,475</u>

Operating Expenses

Instruction	307,903,999
Research	45,767
Public service	7,752,548
Academic support	54,679,844
Student services	83,738,206
Institutional support	116,669,257
Operation and maintenance of plant	64,107,544
Scholarships and fellowships	45,811,387
Auxiliary enterprises	20,352,675
Depreciation and amortization	<u>47,481,181</u>
Total operating expenses	<u>748,542,408</u>
Operating loss	<u>(150,989,933)</u>

Colorado Community College System
Business-Type Activities
Statement of Revenues, Expenses and Changes in Net Position (continued)
Year Ended June 30, 2023

Nonoperating Revenues (Expenses)	
State appropriations	75,445,267
State support for pensions	16,728,145
HEERF Federal Funds	48,167,351
Federal Pell grants	73,319,873
Amendment 50 funding	30,266,334
Distributions to local district college and area vocational schools	(41,681,887)
Gifts	14,829,282
Investment loss	(1,178,521)
Interest expense	(3,194,515)
Other nonoperating revenues	<u>1,820,211</u>
Net nonoperating revenues	<u>214,521,540</u>
Income before other revenues, expenses, gains or losses	<u>63,531,607</u>
Other Revenues, Expenses, Gains or Losses	
State capital contributions	26,036,211
Federal capital contributions	5,612,695
Capital fees, net of scholarship allowances of \$1,353,719; including revenues pledged for bonds of \$4,543,660	4,543,660
Capital grants and gifts	<u>2,495,616</u>
Increase in net position	<u>102,219,789</u>
Net Position, Beginning of Year	<u>(124,606,235)</u>
Net Position, End of Year (Deficit)	<u><u>\$ (22,386,446)</u></u>

Colorado Community College System
Discretely Presented Component Units
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions and grants	\$ 3,132,801	\$ 24,589,407	\$ 27,722,208
Investment income, net	1,296,271	(539,993)	756,278
Rental income	145,418	408,303	553,721
Special events	438,204	141,411	579,615
Other income	736,294	119,425	855,719
Net assets released from restrictions	18,830,460	(18,830,460)	-
Total revenues, gains and other support	<u>24,579,448</u>	<u>5,888,093</u>	<u>30,467,541</u>
Expenses and Losses			
Program services	<u>20,727,384</u>	-	<u>20,727,384</u>
Total program services	20,727,384	-	20,727,384
Fundraising	1,105,447	-	1,105,447
Management and general	<u>2,173,984</u>	-	<u>2,173,984</u>
Total support services	<u>3,279,431</u>	-	<u>3,279,431</u>
Total expenses and losses	<u>24,006,815</u>	-	<u>24,006,815</u>
Change in Net Assets	572,633	5,888,093	6,460,726
Net Assets, Beginning of Year	<u>13,125,343</u>	<u>80,326,706</u>	<u>93,452,049</u>
Net Assets, End of Year	<u><u>\$ 13,697,976</u></u>	<u><u>\$ 86,214,799</u></u>	<u><u>\$ 99,912,775</u></u>

Colorado Community College System
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	Private Purpose Trust Fund
Additions	
Receipt of excess premiums	\$ 2,207,319
Total contributions	2,207,319
Investment gain	
Net appreciation in fair value	463,037
Interest and dividends	355,327
Total investment gain	818,364
Total additions	3,025,683
Deductions	
Administrative expense	400,711
Total deductions	400,711
Net increase in fiduciary net position	2,624,972
Net Position	
Beginning of year	14,273,232
End of year	\$ 16,898,204

Colorado Community College System
Business-Type Activities
Statement of Cash Flows
Year Ended June 30, 2023

Cash Flows from Operating Activities

Cash received	
Tuition and fees	\$ 298,334,245
Student loans collected	313,970
Sales of products and services	18,379,735
Grants, contracts and gifts	302,044,309
Other operating receipts	9,248,774
Custodial inflows	88,429,016
Cash payments	
Scholarships disbursed	(45,811,387)
Student loans disbursed	(314,218)
Payments for employees	(431,869,374)
Payments to suppliers	(228,499,457)
Custodial outflows	(89,288,513)
	<u>(79,032,900)</u>
Net cash used in operating activities	<u>(79,032,900)</u>

Cash Flows from Noncapital Financing Activities

State appropriations – noncapital	75,445,267
HEERF Direct Federal Funding	48,167,758
Federal Pell grants	72,976,820
Amendment 50 funding	30,266,334
Distributions to local district colleges and area vocational schools	(41,681,887)
Gifts and grants for other than capital purposes	14,809,884
Other noncapital financing activities	2,177,714
	<u>202,161,890</u>
Net cash provided by noncapital financing activities	<u>202,161,890</u>

Cash Flows from Capital and Related Financing Activities

Capital grants, contracts and gifts	6,211,467
Capital fees	4,543,660
State contribution for capital assets	25,404,920
Proceeds from sale of capital assets	335,347
Acquisition and construction of capital assets	(56,408,032)
Principal and interest received on lease receivable	57,580
Principal paid on capital bonds and notes	(6,883,805)
Interest paid on bonds and notes	(3,701,397)
Principal paid on lease and SBITA payable	(3,541,722)
Interest on lease and SBITA payables	(459,307)
	<u>(34,441,289)</u>
Net cash used in capital and related financing activities	<u>(34,441,289)</u>

Colorado Community College System
Business-Type Activities
Statement of Cash Flows (continued)
Year Ended June 30, 2023

Cash Flows from Investing Activities	
Investment loss	(1,172,945)
Proceeds from sale of investments	354,400
Purchase of investments	<u>(5,566)</u>
Net cash used in investing activities	<u>(824,111)</u>
Net increase in cash and cash equivalents	87,863,590
Cash and Cash Equivalents, Beginning of Year	<u>345,339,466</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 433,203,056</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (150,989,933)
Adjustments to reconcile operating loss to to net cash used in operating activities	
Noncash pension expense and pension offset	16,728,145
Depreciation and amortization	47,481,181
Increase in other nonoperating assets/noncash expenses	649,176
Decrease (increase) in assets and deferred outflows of resources	
Receivables, net	(4,141,995)
Inventory and prepaids	1,127,376
Other noncurrent assets	658,439
Deferred outflows of resources related to pensions	(92,610,864)
Deferred outflows of resources related to OPEB	(1,292,419)
Increase (decrease) in liabilities and deferred inflows of resources	
Accounts payable	(4,361,816)
Accrued liabilities	(846,917)
Unearned revenues	34,359,482
Security deposits	75,761
Compensated absences liability	1,601,824
Other liabilities	43,935
Pension liability	288,922,762
OPEB liability	(1,875,182)
Deferred inflows of resources related to pensions	(212,193,201)
Deferred inflows of resources related to OPEB	<u>(2,368,654)</u>
Net cash used in operating activities	<u><u>\$ (79,032,900)</u></u>
Noncash Investing, Capital and Noncapital Financing Activities	
State funding for acquisitions of capital assets	\$ 1,512
State funding for acquisitions of noncapital assets	629,779
Liabilities for capital assets	7,970,574
Liabilities for lease and SBITA assets	3,881,401
Equipment donations and capital gifts	1,916,242
Loss on disposal of capital assets	(262,552)
Amortization of bond/premium discount and refunding loss	750,044

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Colorado Community College System

Notes to Financial Statements

June 30, 2023

Note 1: Governance and Reporting Entity

The Colorado Community College System (CCCS or the System) is governed by the State Board for Community Colleges and Occupational Education (SBCCOE). The ten board members are appointed for staggered four-year terms by the Governor with consent of the State Senate. In addition, there are two non-voting members consisting of a student representative and a community college faculty member. The SBCCOE governs the System Office and the 13 state system colleges and administers vocational technical education funds distributed to the two Local District Colleges (LDCs), three Area Vocational Schools (AVSs), and school districts offering vocational programs.

CCCS is an institution of higher education of the State of Colorado (the State) established by the *Community College and Occupational Education Act of 1967*, Title 23, Article 60 of the Colorado Revised Statutes (C.R.S.). Thus, for financial reporting purposes, CCCS is included as part of the State of Colorado's primary government. CCCS' operations and activities are funded primarily through tuition and fees; federal, state and local grants; the College Opportunity Fund (COF) stipends; and a fee for service (FFS) contract. Pursuant to C.R.S. Section 23-1-104, state appropriations for the operation of CCCS are made to the SBCCOE, which is responsible for the allocation to the individual colleges. In addition, the SBCCOE receives and distributes state appropriations for LDCs, AVSs, and school districts offering vocational programs.

The financial statements of CCCS, which is an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of the State of Colorado that is attributable to the transactions of CCCS. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2023, 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. The fiduciary statement of net position of the private purpose trust fund and the fiduciary statement of changes in the net position of the private purpose trust fund show the fiduciary activities that are related to the Benefit Trust.

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 the statewide financial statements in the Annual Comprehensive Financial Report (ACFR).

Accordingly, the accompanying CCCS business-type activity financial statements contain the operations of the System Office and the following 13 colleges but do not include activities of the fiduciary fund and component units. All significant intercampus balances and transactions have been eliminated.

- Arapahoe Community College (ACC)
- Colorado Northwestern Community College (CNCC)
- Community College of Aurora (CCA)
- Community College of Denver (CCD)
- Front Range Community College (FRCC)
- Lamar Community College (LCC)

Colorado Community College System

Notes to Financial Statements

June 30, 2023

- Morgan Community College (MCC)
- Northeastern Junior College (NJC)
- Otero College (OC)
- Pikes Peak State College (PPSC)
- Pueblo Community College (PCC)
- Red Rocks Community College (RRCC)
- Trinidad State College (TSC)

As an institution of higher education in the State of Colorado, the income of CCCS is generally exempt from income taxes under Section 115(a) of the Internal Revenue Code. Income generated from activities unrelated to the exempt purpose of CCCS would be subject to tax under Section 511(a)(2)(B). There was no material tax liability related to income generated from activities unrelated to CCCS' exempt purpose as of June 30, 2023.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 84, *Fiduciary Activities*, CCCS has one fiduciary private purpose trust fund, 15 discretely presented component units, and participates in one joint venture as described below.

Fiduciary Private Purpose Trust Fund

The SBCCOE Employee Benefit Trust Fund (the Benefit Trust), a fiduciary private purpose trust fund, is included in the accompanying financial statements as a fiduciary fund, in accordance with Statement No. 84. Further, in accordance with Statement No. 84, CCCS reports assets with a corresponding liability that otherwise should be reported in a custodial fund in the statement of net position, upon receipt, as they are normally expected to be held for three months or less.

The Benefit Trust was established on February 1, 1983 as a legally and financially independent entity whose governing committee is appointed by the SBCCOE. The Benefit Trust was established to provide benefits under the Health and Welfare Program. Benefits are determined by the Chancellor based upon recommendation of the Benefit Trust committee, and primarily include support for employee health fairs, provide payment to an administrator to negotiate group insurance contracts on behalf of employees and SBCCOE in the name of the colleges and/or Trust. Other benefits, as well, may be provided for employees and their dependent families through self-funded or insured programs, or a combination of the two, provided that such other benefits are permissible under Section 501(c)(9) of the Internal Revenue Code. The major source of additions are receipt of excess premiums and net appreciation (depreciation) in fair value and the major deductions are administrative costs.

Colorado Community College System

Notes to Financial Statements

June 30, 2023

Discretely Presented Component Units

A legally separate, tax-exempt foundation exists for the System office and one for each of 12 colleges and two for the remaining college. While not all of the foundations are materially significant, they have all been included as discretely presented component units of CCCS. The foundations were created to promote the welfare and future development of the colleges by providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities. Their major sources of revenue include donations, interest, and dividends earned on bank accounts, investments, leases, grants and fund-raising events. The foundations act primarily as fundraising organizations to supplement the resources that are available to CCCS in support of its programs. Although CCCS does not control the timing or amount of receipts from the foundations, the majority of resources or income thereon that the foundations hold and invest is restricted to the activities of CCCS by the donors. Because these restricted resources held by the foundations can only be used by or for the benefit of the colleges, the foundations are considered component units of CCCS and are discretely presented in CCCS' financial statements. The discretely presented component unit financial statements are presented in accordance with Financial Accounting Standards Board (FASB) pronouncements, which is a different reporting model than CCCS.

The listing of foundations are as follows: Arapahoe Community College Foundation, Inc.; Community College of Aurora Foundation; Community College of Denver Foundation; Colorado Northwestern Community College Foundation; Front Range Community College Foundation; Lamar Community College Foundation; Morgan Community College Foundation; Northeastern Junior College Foundation, Inc.; Otero Junior College Foundation; Pikes Peak State College Foundation, Inc.; Pueblo Community College Foundation; Red Rocks Community College Foundation; Trinidad State College Foundation, Inc.; Friends of TSC; and Foundation for Colorado Community Colleges. All of the foundations with the exception of Friends of TSC were audited by other auditors. Morgan Community College Foundation and Trinidad State College Foundation, Inc.'s audits are for the year ended December 31, all others are for the year ended June 30.

Complete financial statements for the foundations can be obtained from the Finance and Administration Department at the Colorado Community College System at 303.595.1575 or by writing to:

Colorado Community College System
Department of Finance and Administration
9101 East Lowry Boulevard
Denver, Colorado 80230-6011

Joint Venture

CCCS has an association with the following organization for which it neither is financially accountable nor has primary access to the resources. Accordingly, it has not been included in CCCS' financial statements.

The Auraria Higher Education Center (AHEC), established by legislation in 1974, is jointly governed and utilized by CCD, the University of Colorado Denver, and Metropolitan State University of Denver. The institutions share the costs of operating common educational, library, and other auxiliary facilities. Costs of the common facilities are shared in accordance with an operating agreement between AHEC and the respective institutions.

Colorado Community College System

Notes to Financial Statements

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Complete financial statements for AHEC can be obtained from the Administrative and Business Services Department at 303.556.2232 or by writing to:

Auraria Higher Education Center
Controller's Office
Campus Box B
P.O. Box 173361
Denver, Colorado 80217-3361

Note 2: Implementation of New Accounting Standard

In fiscal year 2023, CCCS implemented GASB Statement No. 96, *Subscription-based Information Technology Arrangements* (Statement No. 96). Statement No. 96 established criteria for the recognition of subscription-based information technology arrangements (SBITAs) for governments. SBITAs result in an intangible asset, right to use subscription assets along with the corresponding subscription liability. Correspondingly, a SBITA covers the subscription period for which the government has a noncancelable right to use of another vendor's information technology software. CCCS implemented Statement No. 96 effective July 1, 2022. All SBITAs started during fiscal year 2023 which resulted in no impact to beginning balances or on the change in net position.

Note 3: Basis of Presentation, Measurement Focus, Basis of Accounting, and Summary of Significant Accounting Policies

For financial reporting purposes, CCCS is considered a special-purpose government engaged only in business-type activities. Accordingly, CCCS' basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when obligations are incurred.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, cash in checking accounts, demand deposits, certificates of deposit with original maturities of three months or less with financial institutions, pooled cash with the State Treasurer, and all highly liquid investments with an original maturity of three months or less. Earnings from pooled cash are distributed monthly based on average daily cash balances at each institution.

Accounts Receivable

Accounts receivable result primarily from tuition and fees, and other charges to students, and federal grants.

Lease Receivable

A lease is a contract that conveys control of the right to use another entity's nonfinancial asset in the contract for a period of time in an exchange or exchange-like transaction. Nonfinancial assets include, but are not limited to buildings, land, vehicles, and equipment.

Colorado Community College System

Notes to Financial Statements

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Lease receivables result from lessor contracts measured at the present value of the lease payments expected to be received during the lease term.

Restricted Investments

Restricted investments primarily represent monies from unspent bonds or notes payable. Investments are reported at fair value, which is determined based on quoted market prices as of June 30, 2023.

Inventories

Inventories and supplies are accounted for using the purchase method. Cost is determined using the first-in, first-out method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. CCCS uses a capitalization threshold of \$50,000 for buildings and improvements (land, buildings and leasehold with State Agencies) and internally developed software and \$5,000 for all other capital assets. Library collections are capitalized, regardless of cost, as a collection. Estimated useful lives are determined in accordance with the State Fiscal Procedures Manual. CCCS' estimated useful lives are as follows: 27 years for buildings, the greater of 5 years or term of lease for improvements other than buildings (prior to fiscal year 2022), 3–10 years for equipment, 7 years for library collections, 15 years of internally developed software, and 3–5 years for all other software. Depreciation expense is not allocated among functional categories.

As of June 30, 2023, the construction in progress includes capital construction projects in process, but not substantially complete.

Lease and SBITA Assets

Lease and SBITA assets are initially recorded at the initial measurement of the associated lease or SBITA payable, plus lease or SBITA payments made at or before the commencement of the agreement term, less any incentives received from the lessor or vendor at or before the commencement of the lease or SBITA agreement, plus initial direct costs that are ancillary to place the asset into service. Lease and SBITA assets are amortized using the straight-line method over the shorter of the agreement term or the useful life of the underlying asset. CCCS uses a capitalization threshold of \$100,000 per lease and \$300,000 per SBITA. Amortization expense is not allocated among functional categories.

Capital, Lease and SBITA Asset Impairment

CCCS evaluates capital, lease and SBITA assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease and SBITA asset has occurred. If a capital, lease or SBITA asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital, lease and SBITA asset historical cost and related accumulated depreciation or amortization are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the current fiscal year.

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Security Deposits

Security deposits include balances representing funds held as security deposits from individuals or organizations for short-term rental activity.

Accrued Liabilities

Accrued liabilities primarily represent accrued payroll, benefits payable, and other payroll related liabilities.

Compensated Absences Liability

Compensated absences and related personnel expenses, including payroll taxes, are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at CCCS. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Vacation accruals are paid in full upon separation, whereas only a portion of sick leave is paid upon specific types of separation, such as retirement. The current portion of compensated absences liability is the portion that is estimated to be paid within one year. This estimate is based upon the average paid over the preceding three years. The liability for compensated absences is expected to be funded by state appropriations or other funding sources available in future years when the liability is paid.

Unearned Revenue

Unearned revenue consists of amounts received from the provision of educational goods and services or grant awards that have not yet been earned. CCCS prorates the summer session revenues and direct instructional expenses based on the percentage of total calendar days before June 30 to total calendar days in the selected primary summer term. To the extent revenues are earned after June 30, such amounts are recorded in unearned revenue, including significant funds from the State and Local Fiscal Recovery Funds (SLFRF) Federal funds.

Notes and Finance Purchase Liability

Notes and finance purchase liabilities primarily consist of energy performance agreements and various other finance purchase agreements. Such agreements provide that any commitments beyond the current year are contingent upon funds being appropriated for such purposes. It is reasonably assured that such funds will be renewed in the normal course of business and, therefore, are treated as noncancelable for financial reporting purposes.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources is a consumption of net assets by a government that is applicable to a future reporting period and deferred inflows of resources is an acquisition of net assets by a government that is applicable to a future reporting period. Both deferred outflows and inflows are reported in the statement of net position but are not recognized in the financial statements as revenues, expenses or reduction of liabilities until the period(s) to which they relate.

Changes in the net pension liability and OPEB liability not included in the related expense are required to be reported as deferred outflows and deferred inflows of resources related to pensions and OPEB. These deferred outflows and deferred inflows of resources related to pensions and

Colorado Community College System

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OPEB are required to be recognized by an employer which primarily results from changes in the components of the net pension liability and net OPEB liability, including the changes in the total pension liability and OPEB liability and in each of the pension and OPEB plans' fiduciary net position, respectively. Changes include differences between expected and actual experience in the measurement of the liability, changes to assumptions or other inputs, net differences between projected and actual earning on the plan's investments, changes in proportional share of CCCS, and contributions made by CCCS subsequent to the measurement date of the collected net pension liability and net OPEB liability. Differences in plan experience, changes in assumptions, and changes in proportion will be amortized over the remaining service lives of current and former employees and retirees. The differences between expected and actual investment earning will be amortized over a five year period.

For refundings resulting in a defeasance of debt the difference between the reacquisition price and the net carrying amount of the old debt is reported as deferred outflows or deferred inflows and amortized as a component of interest expense over the remaining life of the old debt or new debt, whichever is shorter.

For leases, deferred inflow of resources are recognized at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods and are amortized as a component of revenue over the term of the lease.

Net Pension Liability

The net pension liability is the liability of CCCS, the employer, to employees for the PERA defined benefit pension plan, which is measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

Net Other Postemployment Benefits (OPEB) Liability

The net OPEB liability is the liability of CCCS, the employer, to employees for the health care trust fund, a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERA. OPEB is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

Net Position

Net position is classified in the accompanying financial statements as follows:

- Net investment in capital assets represents the total investment of capital, lease, and SBITA assets, net of outstanding debt obligations related to those assets. To the extent debt has been incurred but not yet expended for capital, lease and SBITA assets, such amounts are not included as a component of net investment in capital.
- Restricted for expendable purposes represents net resources in which CCCS is legally or contractually obligated to spend resources in accordance with restrictions imposed by enabling legislation or external third parties.

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- Unrestricted net position represents net resources derived from student tuition and fees, FFS contracts, COF stipends, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of CCCS to meet current expenses for any purpose. These resources also include those from auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Unrestricted net position includes assets designated by the SBCCOE for certain purposes. Unrestricted net position has been reduced for the impact of Statement No. 68 and Statement No. 75 during fiscal year 2023.

Classification of Revenues and Expenses

CCCS has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- Operating revenues and expenses are derived from activities associated with providing goods and services for instruction, public service, or related support services to an individual or entity separate from CCCS to carry out the mission of CCCS. Operating revenues include stipends paid for eligible undergraduate students under COF, created and funded by the Colorado Legislature. The stipend can be used to pay a portion of in state tuition for both new and continuing students and is paid on a per credit hour basis to the institution at which the student is enrolled. The credit hour amount is set annually by the General Assembly. In addition, operating revenues include payment for the FFS contract from the State of Colorado for delivery of educational services by CCCS that are not part of the COF stipend program. In fiscal year 2023, CDHE's FFS contract with CCCS purchased educational services from CCCS that are not part of the COF stipend program. In fiscal year 2023, CDHE's contract with CCCS purchased educational services with an increased emphasis on support services for Pell-eligible, recruitment and retention of first-generation undergraduate students, and underserved undergraduate students. Additionally, FFS funds are also for the creation of student career pathways, providing support for complying with the Cyber Coding Cryptology for State Records and Colorado Rural Health-care Workforce Initiative, expanding concurrent enrollment opportunities.
- Nonoperating revenues and expenses are those that do not meet the definition of operating revenues or capital revenues. In fiscal year 2023, nonoperating revenues include Career and Technical Act (CTA) state appropriations, state support for pensions in accordance with Senate Bill 18-200, Federal Pell grants, Amendment 50 funding, state training program grants, occupational education funds, gifts, investment income, and insurance recoveries from prior years. CCCS also received nonoperating revenues in the form of subsidies from the Federal HEERF Acts. Nonoperating expenses include interest expense and distributions to AVSs and LDCs.
- Other revenues, expenses, gains, and losses include state capital construction contributions and controlled maintenance appropriations, capital fees, and gifts and grants restricted for capital purposes.

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Application of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available to pay an expense, CCCS' general policy is to first utilize restricted resources. Only when restricted resources are unavailable or eligibility requirements have not been met are unrestricted resources used to pay expenses, with the exception of Amendment 50 and federal HEERF and SLFRF funding received, which may be expensed in future periods.

Higher Education Emergency Relief Funds (HEERF) and Coronavirus State and Local Fiscal Recovery Funds (SLFRF)

- The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) created HEERF to provide financial relief to students and institutions impacted by the COVID-19 pandemic. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the *American Rescue Plan Act of 2021* (ARP) provided additional rounds of HEERF (II and III) funds to schools. The HEERF funds contained two components, an institutional award and a student aid award. The student aid portion is distributed to students in the form of emergency financial aid grants to generally cover any component of the cost of attendance for the distribution of education or emergency costs that arose due to the COVID-19 pandemic. The institutional portion can be used to cover lost revenues and defray expenses related to COVID-19.
- The SLFRF Recovery Funds provided further flexibility to states to meet local needs, supporting families and businesses struggling with its public health and economic impacts, maintain vital public services, even amid declines in revenue resulting from the crisis, and build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity.

Scholarship Allowances

Scholarship allowances are the differences between the stated charge for the goods and services provided by CCCS and the amount that is paid by the students or by other third parties making payments on the students' behalf. Student tuition and fee revenues, certain other auxiliary enterprises revenue, and capital fees are reported net of scholarship allowances in the accompanying financial statements. Certain grants from external governmental and private programs are recorded as either operating or nonoperating revenues in the accompanying financial statements. To the extent that such grant revenues are required to be used to satisfy tuition and fees and other student charges, CCCS records scholarship allowances. Any excess grant revenues are recorded as scholarships and fellowships operating expense. CCCS calculates scholarship allowances on a student-by-student basis.

Amendment 50 and Amendment 77 Funds

In November 2008, the passage of Amendment 50 recognized the importance of community colleges and LDCs to the State's economic development through the development of a highly skilled workforce. This legislation approved the expansion for limited gaming with new rules, hours, and games beginning July 2, 2009. Gaming tax revenue is collected by the State in the fiscal year that the gaming play takes place and a portion is allocated out to the recipients the following fiscal year, per the provisions of H.B. 09-1272 Title 44, Article 30.

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Effective fiscal year 2021, H.B. 20-1400 enacted temporary changes to the reallocation of revenue between the limited gaming fund and the extended limited gaming fund until funding goes back to prior-year levels. In November 2020, Amendment 77 was passed by the voters statewide, which allowed local voters within gaming jurisdictions to eliminate betting limits and introduce new games. Local jurisdictions subsequently approved these changes in local elections that followed and these changes had their first full fiscal year of being in effect in fiscal year 2021-22. Amendment 77 also allowed community colleges to use Amendment 50/Amendment 77 funds to “improve student retention and increase credential completion” in addition to using the funds for classroom instruction related activities and scholarships for students.

In the most recent legislative session, S.B. 22-216 was enacted to set an equitable split in revenue growth post-pandemic in fiscal year 2021-22 due to the loosening of pandemic restrictions and the implementation of Amendment 77. S.B. 22-216 reestablished the formula allocations temporarily changed through H.B. 20-1400 and built in a temporary revenue allocation mechanism in the event of any future significant drops in overall gaming revenue as was seen during the pandemic.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Note 4: Appropriations

The Colorado State Legislature establishes spending authority for CCCS in its annual Long Appropriations Bill. Appropriated funds include an amount from the State of Colorado’s General Fund, the student share of tuition COF stipend, and FFS contract revenue.

For the year ended June 30, 2023, appropriated expenditures were within the authorized spending authority. CCCS received a total nonoperating general fund appropriation of \$75,445,267 for 2023. Included in the State appropriations are general fund appropriations specified to be passed through to two LDCs and three AVSs for 2023 of \$41,738,597. This amount consists of \$23,413,523 for LDCs and \$18,325,074 for AVSs for 2023. Also, included in capital general fund appropriations were capital contributions of \$26,036,211 for 2023. During 2023, CCCS received FFS contract revenue in the amount of \$112,607,210 and COF stipends in the amount of \$128,765,148, recognized in operations.

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Notes to Financial Statements

June 30, 2023

Note 5: Tuition, Fees and Auxiliary Revenue

Tuition, fees and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2023 were as follows:

	Tuition and Fees	Auxiliary Revenue	Capital Fees	Total
Gross revenue	\$ 431,420,874	\$ 20,556,802	\$ 5,897,379	\$ 457,875,055
Scholarship allowances				
Federal	69,965,132	1,271,063	728,211	71,964,406
State	49,358,820	730,806	530,445	50,620,071
Private	5,718,771	99,536	44,953	5,863,260
Institutional	7,763,485	714,026	50,110	8,527,621
Total scholarship allowance	132,806,208	2,815,431	1,353,719	136,975,358
Net revenue	\$ 298,614,666	\$ 17,741,371	\$ 4,543,660	\$ 320,899,697

Note 6: Cash and Cash Equivalents and Investments

CCCS' cash and cash equivalents, exclusive of those held with the Colorado State Treasurer (the Treasurer), are detailed in the table below:

	June 30, 2023
Cash on hand and change funds	\$ 4,953,080
Deposits with financial institutions	1,381,223
Total	\$ 6,334,303

Colorado statutes require protection of public moneys in banks beyond that provided by the Federal Deposit Insurance Corporation (FDIC). The *Public Deposit Protection Act* in C.R.S. Section 11-10.5-107(5) requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102.0% of the deposits exceeding those amounts insured by federal insurance.

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Notes to Financial Statements

June 30, 2023

The following schedule reconciles deposits and investments to the financial statements:

	Carrying Amount June 30, 2023
Footnote amounts	
Deposits	\$ 6,334,303
Deposits held with State Treasurer	426,868,753
Restricted investments	5,397
	<hr/>
Total	\$ 433,208,453
	<hr/>
Financial statement amounts	
Cash and cash equivalents	\$ 433,203,056
Restricted investments	5,397
	<hr/>
	\$ 433,208,453
	<hr/>

CCCS deposits its cash with the Treasurer. The Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2023, CCCS had cash on deposit with the Treasurer of \$426,868,753, which represented approximately 2.3% of the total of \$18,810.9 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2023, included Pool resources of \$35.0 million of cash on hand and \$18,775.8 million of investments.

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

Additional information on investments of the Pool may be obtained in the State's Annual Comprehensive Financial Report for the year ended June 30, 2023.

CCCS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of CCCS' restricted investments are categorized as Level 1.

Custodial Credit Risk

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name.

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Credit Quality Risks

Credit quality risk is the risk that the 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.

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.

Fiduciary Funds Allowable Investments

The Trust's investment portfolio is managed in accordance with investment guidelines as stated in the Trust's investment policy, which was revised and became effective January 1, 2020. These guidelines indicate the monies will be conservatively allocated in a combination of cash, fixed income, and equity investments.

Investment Risk Review

Investments are subject to many different types of risk including, but not limited to, credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. Concentration of credit risk is the risk of loss attributable to the magnitude of the Trust's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment or deposit. The Trust has no custodial credit or foreign currency risk. The policy gives guidance for investment activity to limit risks.

Investment Valuation – Fair Value Recurring Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Level 3 prices utilize significant unobservable inputs, such as option-adjusted discounted cash flow valuation models.

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- Common Stocks of \$7,395,220 and Fixed Income Securities of \$4,962,916 are valued using quoted price in active markets for identical assets (Level 1 inputs)
- Mutual Funds of \$350,402 are valued using quoted market price or other observable inputs (Level 1 and 2 inputs)
- The Trust has money market funds of \$4,114,666. Money market funds are valued at net asset value per share and are excluded from the fair value hierarchy.

Note 7: Accounts Receivable, Accounts Payable and Accrued Liabilities

Accounts receivable at June 30, 2023 were as follows:

	Gross Receivables	Allowance for Uncollectible Accounts	Net Receivables
Student accounts receivable	\$ 60,534,570	\$ (23,506,085)	\$ 37,028,485
Due from other governments	45,549,433	-	45,549,433
Other receivables	7,499,914	(122,910)	7,377,004
Total receivables	\$ 113,583,917	\$ (23,628,995)	\$ 89,954,922

Accounts payable and accrued liabilities at June 30, 2023 were as follows:

Amounts owed to vendors	\$ 18,605,679
Salaries and benefits payable	15,774,099
Accrued interest payable	592,090
Other payables	2,483,668
Total accounts payable and accrued liabilities	\$ 37,455,536

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Note 8: Capital, Lease and SBITA Assets

The following tables present changes in capital, lease and SBITA assets and accumulated depreciation and amortization for the year ended June 30, 2023. Adjustments reflect one-time adjustments to properly classify buildings and improvements, leasehold improvements with State Agencies, and equipment. Adjustments to construction in progress reflect project costs not deemed capitalizable.

	<u>Balance, June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>Balance June 30, 2023</u>
Nondepreciable capital assets						
Land and land improvements	\$ 35,020,695	\$ 25,000	\$ -	\$ -	\$ -	\$ 35,045,695
Construction in progress	30,992,718	48,952,303	-	(37,340,734)	(38,735)	42,565,553
Collections	1,037,771	75,000	-	-	-	1,112,771
Total nondepreciable capital assets	<u>67,051,184</u>	<u>49,052,303</u>	<u>-</u>	<u>(37,340,734)</u>	<u>(38,735)</u>	<u>78,724,019</u>
Depreciable capital assets						
Land improvements	30,819,404	242,331	-	-	508,600	31,570,335
Buildings and improvements	875,400,153	1,010,901	-	37,021,251	403,979	913,836,283
Leasehold improvements with State Agencies	35,241,287	-	(121,387)	-	(928,768)	34,191,132
Equipment and software	124,826,552	10,443,052	(4,812,264)	319,483	50,234	130,827,057
Library materials	1,817,529	190,869	(292,268)	-	-	1,716,130
Total depreciable capital assets	<u>1,068,104,925</u>	<u>11,887,152</u>	<u>(5,225,919)</u>	<u>37,340,734</u>	<u>34,045</u>	<u>1,112,140,937</u>
Less accumulated depreciation						
Land improvements	18,789,266	1,129,957	-	-	508,600	20,427,823
Buildings and improvements	496,255,688	30,986,136	-	-	420,168	527,661,992
Leasehold improvements	21,491,057	2,016,187	(101,139)	-	(928,768)	22,477,337
Equipment and software	100,992,695	8,915,373	(4,604,600)	-	56,942	105,360,410
Library materials	1,016,046	245,547	(292,268)	-	-	969,325
Total accumulated depreciation	<u>638,544,752</u>	<u>43,293,200</u>	<u>(4,998,007)</u>	<u>-</u>	<u>56,942</u>	<u>676,896,887</u>
Net depreciable capital assets	<u>429,560,173</u>	<u>(31,406,049)</u>	<u>(227,912)</u>	<u>37,340,734</u>	<u>(22,897)</u>	<u>435,244,049</u>
Total capital assets, net	<u>\$ 496,611,357</u>	<u>\$ 17,646,254</u>	<u>\$ (227,912)</u>	<u>\$ -</u>	<u>\$ (61,632)</u>	<u>\$ 513,968,068</u>

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June 30, 2023

Lease and SBITA activity for the year ended June 30, 2023 was:

	Balance, June 30, 2022	Additions	Deletions	Transfers	Adjustments	Balance June 30, 2023
Nonamortizable lease and SBITA assets						
Construction in progress	\$ -	\$ 144,758	\$ -	\$ -	\$ -	\$ 144,758
Total non amortizable lease and SBITA assets	-	144,758	-	-	-	144,758
Amortizable lease and SBITA assets						
Buildings and improvements	32,608,535	2,313,148	(525,100)	-	-	34,396,583
Equipment and software	4,052,250	359,764	-	-	-	4,412,014
SBITA	-	438,655	-	-	-	438,655
Total amortizable lease and SBITA assets	36,660,785	3,111,567	(525,100)	-	-	39,247,252
Less accumulated amortization						
Buildings and improvements	2,405,016	2,731,511	(525,100)	-	-	4,611,428
Equipment and software	756,842	1,368,738	-	-	-	2,125,580
SBITA	-	87,731	-	-	-	87,731
Total accumulated amortization	3,161,858	4,187,980	(525,100)	-	-	6,824,739
Net amortization lease and SBITA assets	33,498,927	(1,076,413)	-	-	-	32,422,514
Total lease and SBITA assets, net	<u>\$ 33,498,927</u>	<u>\$ (931,655)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,567,272</u>

Note 9: Long-term Liabilities

The following tables present changes in long-term liabilities at June 30, 2023:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Bonds payable	\$ 96,230,861	\$ -	\$ (6,376,178)	\$ 89,854,683	\$ 3,825,000
Notes and finance purchase payable	11,630,264	-	(1,154,134)	10,476,130	1,278,701
Lease payable	33,672,394	2,672,862	(3,456,671)	32,888,585	3,450,748
Subscription-Based IT Arrangements (SBITA)	-	438,655	(84,985)	353,670	79,996
Other long-term liabilities	769,188	236,067	(192,131)	813,124	151,101
Compensated absences liability	28,128,725	21,884,962	(20,283,139)	29,730,548	3,756,777

Colorado Community College System

Notes to Financial Statements

June 30, 2023

Note 10: Bonds Payable

Systemwide Revenue Bonds

The State's Department of Higher Education, through the SBCCOE, issued revenue bonds in 2012, 2013, 2016, 2017 and 2019 known as Systemwide Revenue Bonds. Bond proceeds were used to benefit facilities at the individual colleges, as noted below:

Series 2012 Bonds

The Series 2012A Systemwide Revenue Refunding Bonds for \$11,495,000 were issued on January 25, 2012. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2032. The principal of the Series 2012A issue was used to current refund the Colorado Educational and Cultural Facilities Authority Lease Revenue Bonds (Community Colleges of Colorado System Headquarters Project), Series 2001 (the Series 2001 bonds), and the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Pikes Peak State College Project), Series 2001A (the Series 2001A bonds) and advance refund the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Arapahoe Community College Project), Series 2002 (the Series 2002 bonds), and together with the Series 2001 bonds and Series 2001A bonds (the Refunded Bonds) held by the Colorado Community College System Foundation (the Foundation) which replaced capital leases between the Foundation and the System Office, Pikes Peak State College, and Arapahoe Community College, respectively, as follows:

Series 2001 bonds for Colorado Community College System	\$ 5,865,000
Series 2001A bonds for Pikes Peak State College	3,615,000
Series 2002 bonds for Arapahoe Community College	<u>2,065,000</u>
	<u>\$ 11,545,000</u>

The principal of the Series 2012A issue was distributed between the colleges as follows:

Arapahoe Community College	\$ 2,135,000
Community College System	5,825,000
Pikes Peak State College	<u>3,535,000</u>
	<u>\$ 11,495,000</u>

The Board has adopted a resolution stating that it will not participate in the State Intercept Program for the 2012A bonds.

Series 2013 Bonds

The Series 2013 Systemwide Revenue Bonds for \$21,025,000 were issued on July 10, 2013. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2034. The principal of the Series 2013 issue is being used to finance the construction, improvement, equipping, renovation, expansion, and upgrade of various campus facilities for the FRCC Larimer campus and the FRCC Westminster campus.

Colorado Community College System
Notes to Financial Statements
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The Board has adopted a resolution stating that it will not participate in the State Intercept Program for the 2013 bonds.

Series 2016 Bonds

The Series 2016 Systemwide Revenue Bonds for \$18,340,000 were issued on February 24, 2016. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2046. A portion of the principal of the Series 2016 issue was used to current refund the remaining outstanding balances of the Series 2003 Systemwide Revenue Refunding Bonds of \$3,060,000.

The principal of the Series 2016 issue was distributed between the colleges as follows:

Red Rocks Community College	\$	15,415,000
Pikes Peak State College		2,925,000
		\$ 18,340,000

The Board has adopted a resolution stating that it will participate in the State Intercept Program for the 2016 bonds.

The remaining proceeds of these funds were used to construct and equip a new student recreation center on the Lakewood campus of RRCC.

In 2023, the System cash advance refunded the remaining portion of the System’s Series 2016 bonds outstanding for Pikes Peak State College. The System defeased \$1,525,000 in bond with a gain on defeasance of \$93,093. The defeased bonds are not considered a liability of the System and are considered legally defeased.

Series 2017 Bonds

The Series 2017A Systemwide Revenue Refunding and Improvement Bonds for \$34,850,000 were issued on December 28, 2017. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2047. A portion of the 2017A principal was used to advance refund a portion of the Series 2013 bonds for Front Range Community College. The funds were placed into an irrevocable escrow fund for the future debt service payments on the previous series bonds. The principal of the 2017A issue was distributed between the colleges as follows:

Arapahoe Community College	\$	21,065,000
Front Range Community College		13,785,000
		\$ 34,850,000

The principal of the Series 2017A was used to construct and equip new academic facilities at the ACC Castle Rock Collaboration Campus.

The Board has adopted a resolution statement that it will not participate in the State Intercept Program for the 2017A bonds.

Colorado Community College System
Notes to Financial Statements
June 30, 2023

The 2017B Systemwide Revenue Refunding Bonds were issued on December 28, 2017. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2041. The proceeds were placed into revocable escrows which advance refunded on a crossover basis the remaining portion of the 2010B-2 Taxable Systemwide Revenue Bonds on November 1, 2020. The principal of the 2017B issue was distributed to the colleges as follows:

Colorado Northwestern Community College	\$	3,870,000
Northeastern Junior College		4,325,000
		\$ 8,195,000

The Board has adopted a resolution stating that it will participate in the State Intercept Program for the 2017B bonds. Pursuant to the State Intercept Program, the Treasurer shall pay the principal and interest on the Series 2017B bonds if the Board does not make such payments when they are due.

Series 2019 Bonds

The Series 2019A Systemwide Revenue Refunding Bonds for \$25,150,000 were issued on October 10, 2019. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2039. The principal of the Series 2019A issue was used to advance refund a portion of the State of Colorado, Department of Education, by the State Board for Community Colleges and Occupational Education Taxable Systemwide Revenue Bonds (Community College of Denver Project and Pueblo Community College Projects) (Build America Bonds – Direct Payment to the Board), Series 2010D and pay costs of issuance, as follows:

Community College of Denver	\$	18,100,000
Pueblo Community College		10,725,000
		\$ 28,825,000

The principal of the 2019A issue was distributed between the Community College of Denver and Pueblo Community College, respectively, as follows:

Community College of Denver	\$	15,555,000
Pueblo Community College		9,595,000
		\$ 25,150,000

The Board has adopted a resolution stating that it will not participate in the State Intercept Program for the 2019A bonds.

The System advanced refunded a portion of the System’s Series 2013 bonds and a portion of the Series 2010D bonds and cash advanced refunded a portion of the Series 2016 bonds. The defeased bonds are not considered a liability of the System. As of June 30, 2023, \$39,625,000 of refunded Series 2013, Series 2010D, and Series 2016 are considered legally defeased.

Colorado Community College System

Notes to Financial Statements

June 30, 2023

Security

The bonds are special obligations of CCCS payable from certain net pledged revenues as defined in the bond indentures. In accordance with SB 22-121, higher education governing boards are allowed to pledge 100.0% of their tuition revenues as security to bondholders, previously limited to 10.0%. The Board adopted a resolution on May 10, 2023 to increase the pledge from 10.0% to 100.0%. The Series 2019, 2017, 2016, 2013, and 2012 bonds are payable solely out of and secured by an irrevocable pledge of 100.0% of tuition and fee revenues, net of scholarship allowances. The debt was used to refund debt, finance the construction, improvement, equipping, renovation, expansion, and upgrade of various campus facilities for the ACC, CCD, CNCC, FRCC, NJC, PCC, PPSC and RRCC colleges and System Office. Principal and interest paid was \$8,955,287 for fiscal year 2023. The pledge expires upon the extinguishment of the debt with the final debt payment on November 1, 2047.

Total net pledged revenue for bonds was \$303,158,326 for fiscal year 2023. These amounts primarily consisted of \$298,614,666 student tuition and fees, net of scholarship allowance for fiscal years 2023. The remaining pledged revenue of \$4,543,660 represents the capital fees.

Minimum Bond Reserve Requirement

Pursuant to the bond indentures, the System must fund a minimum bond reserve equal at any time to the average annual principal and interest requirements. The reserve fund, or a Qualified Surety Bond, shall equal the minimum bond reserve. All systemwide bond issues currently have surety bonds to guarantee the reserve requirement. Management believes the purchase of a surety bond is in compliance with the bond resolution and guarantees the minimum bond reserve requirement for all issues.

Mandatory Sinking Fund Redemption

Each bond issue is subject to mandatory sinking fund redemptions by lot, on the dates and in principal amounts as specified in each bond resolution, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. The principal amounts vary by issue.

Bond Accounting

The bond accounts are maintained by each of the participating colleges for their portion of the bonds. The individual college accounts are included in the systemwide financial statements.

Colorado Community College System
Notes to Financial Statements
June 30, 2023

Long-term Bond Principal Maturities

Bond principal payments to be made during fiscal years 2024 through 2028 are enumerated in the following table:

Bond Issue	Principal Maturing in Next Five Years by Year				
	FY24	FY25	FY26	FY27	FY28
Series 2012A					
Arapahoe Community College	\$ 105,000	\$ 105,000	\$ 110,000	\$ 110,000	\$ 115,000
Colorado Community College System	295,000	305,000	315,000	325,000	335,000
Pikes Peak State College	235,000	245,000	255,000	260,000	270,000
Series 2013					
Front Range Community College	955,000	-	-	-	-
Series 2016					
Red Rocks Community College	365,000	375,000	390,000	400,000	420,000
Series 2017A					
Arapahoe Community College	335,000	345,000	365,000	380,000	405,000
Front Range Community College	40,000	1,045,000	1,080,000	1,115,000	1,170,000
Series 2017B					
Colorado Northwestern Community College	135,000	140,000	145,000	150,000	160,000
Northeastern Junior College	140,000	150,000	150,000	160,000	165,000
Series 2019A					
Community College of Denver	860,000	895,000	915,000	960,000	1,005,000
Pueblo Community College	360,000	390,000	395,000	415,000	430,000
Total revenue bonds payable	3,825,000	3,995,000	4,120,000	4,275,000	4,475,000
Interest	3,167,863	3,051,850	2,936,025	2,782,075	2,596,200
Total annual debt service	\$ 6,992,863	\$ 7,046,850	\$ 7,056,025	\$ 7,057,075	\$ 7,071,200

Bond debt service payments after fiscal year 2028 to maturity are as follows:

Fiscal Years	Principal	Interest	Total
2029-2033	\$ 23,910,000	\$ 10,163,659	\$ 34,073,659
2034-2038	16,740,000	4,876,294	21,616,294
2039-2043	11,235,000	3,108,694	14,343,694
2044-2048	9,170,000	1,058,072	10,228,072
	\$ 61,055,000	\$ 19,206,719	\$ 80,261,719

Colorado Community College System

Notes to Financial Statements

June 30, 2023

Remaining debt service by bond issuance is as follows:

	Revenue Bonds Outstanding*, June 30, 2023	Interest Rate	Maximum Annual Principal	Callable	Call Premium
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds					
Series 2012A					
Arapahoe Community College	\$ 1,221,699	2.50% to 3.375%	140,000	Yes (after 11/2022)	None
Colorado Community College System	3,104,405	2.50% to 3.375%	375,000	Yes (after 11/2022)	None
Pikes Peak State College	1,313,428	2.50% to 3.375%	270,000	Yes (after 11/2022)	None
Series 2013					
Front Range Community College	980,618	3.00% to 5.00%	1,500,000	Yes (after 11/2023)	None
Series 2016					
Red Rocks Community College	13,372,136	1.50% to 4.00%	760,000	Yes (after 11/2026)	None
Series 2017A					
Arapahoe Community College	21,315,860	2.00% to 5.00%	1,490,000	Yes (after 11/2027)	None
Front Range Community College	14,750,615	2.00% to 5.25%	1,390,000	Yes (after 11/2027)	None
Series 2017B					
Colorado Northwestern Community College	3,787,770	3.00% to 5.00%	275,000	Yes (after 11/2027)	None
Northeastern Junior College	4,243,443	3.00% to 5.00%	290,000	Yes (after 11/2027)	None
Series 2019A					
Community College of Denver	15,786,399	2.00% to 5.00%	1,415,000	Yes (after 11/2030)	None
Pueblo Community College	9,978,310	2.00% to 5.00%	625,000	Yes (after 11/2030)	None
	<u>\$ 89,854,683</u>				

* Bonds have related unamortized bond premium and discount of \$8,109,683

Note 11: Notes, Finance Purchase, Lease and SBITA payable, and State of Colorado Certificates of Participation

CCA, CCCS, CNCC, FRCC, LCC, and PCC, have recorded notes and finance purchase payables in conjunction with building improvements and equipment related to energy performance contracts and other direct financing leases. The interest rate on the notes payable range from 1.9% to 4.0%.

The outstanding notes and finance purchase payables from direct borrowings primarily related to energy performance contracts contain provisions regarding the event of a default or unavailability of funds by CCCS. In the event of a default, the lender may accelerate and recover from CCCS any and all amounts currently due and becoming due at the end of the then current fiscal period of CCCS and take possession of equipment. This financial consequence is limited to the amount of payments still due within the current fiscal period and the value of the equipment at the time of default.

Colorado Community College System

Notes to Financial Statements

June 30, 2023

Future minimum payments under notes and finance purchase payables are as follows for the years ending June 30:

	Principal	Interest	Total
2024	\$ 1,278,701	\$ 233,182	\$ 1,511,883
2025	1,210,361	197,959	1,408,320
2026	1,137,979	168,646	1,306,625
2027	1,186,707	139,793	1,326,500
2028	873,589	114,797	988,386
2029-2033	3,065,672	313,449	3,379,121
2034-2038	1,723,121	63,138	1,786,259
	\$ 10,476,130	\$ 1,230,964	\$ 11,707,094

CCCS leases equipment and classroom space and has SBITA agreements for software, the terms of which expire in various years through 2048. Future minimum payments under lease and SBITA payable are as follows for the year ending June 30:

	Principal	Interest	Total
2024	\$ 3,530,744	\$ 473,371	\$ 4,004,115
2025	2,251,721	435,345	2,687,066
2026	2,235,486	402,337	2,637,823
2027	2,248,775	369,290	2,618,065
2028	2,253,319	337,736	2,591,055
2029-2033	10,290,952	1,212,837	11,503,789
2034-2038	9,629,274	491,385	10,120,659
2039-2043	598,566	53,037	651,603
2044-2048	203,418	9,082	212,500
	\$ 33,242,255	\$ 3,784,420	\$ 37,026,675

On October 23, 2008, the State issued State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008, with an approximate par value of \$230,845,000 and a premium of \$1,883,800 and a discount of \$1,702,900. The certificates have interest rates ranging from 3.0% to 5.5% and mature in November 2027. Annual lease payments are made by the State and are subject to annual appropriation by the Legislature. As a result, this liability is recognized by the State and not included in CCCS' financial statements.

On September 26, 2018, the State issued State of Colorado Rural Colorado Certificates of Participation, Series 2018A with a par value of \$500,000,000 and a premium of \$47,368,567 and a discount of \$526,047. The certificates have interest rates ranging from 1.84% to 5.00% and mature in December 2037. Annual lease payments are made by the State and are subject to annual appropriation by the Legislature. As a result, this liability is recognized by the State and not included in CCCS' financial statements.

On February 17, 2021, the State issued State of Colorado Rural Colorado Certificates of Participation, Series 2020 with a par value of \$64,250,000 and a premium of \$16,799,543. The certificates have interest rates ranging from 4.00% to 5.00% and mature in September 2041.

Colorado Community College System

Notes to Financial Statements

June 30, 2023

Annual lease payments are made by the State and are subject to annual appropriation by the Legislature. As a result, this liability is recognized by the State and not included in CCCS' financial statements.

The certificates are secured by the buildings or equipment acquired with the proceeds and any unexpended proceeds. The 2008 proceeds were used to finance various capital projects for the benefit of certain State supported institutions of higher education in Colorado including CNCC, FRCC, and MCC. The projects included CNCC's construction of a new 53,000 square foot academic building that houses classrooms, laboratories, offices, a learning resource center, and academic support functions, as well as expanded surface parking on the new site; FRCC's construction of a new laboratory wing and renovate existing space in the primary science building on the Larimer campus; and MCC's provided additional space and building improvements for the college's nursing, health technology, and science programs, as well as additional parking and reconfiguration of the main entrance loop. The 2018 COP proceeds were used to finance various higher education controlled maintenance and capital construction projects, including 18 controlled maintenance projects at 10 CCCS college campuses and capital construction projects at Lamar Community College, Otero Junior College, and Pueblo Community College. The CCCS portion of the proceeds total \$17.99 million. The Series 2020 COP proceeds were used to finance various higher education controlled maintenance projects at eight CCCS college campuses and the Lowry campus. The underlying capitalized assets are contributed to CCCS from the State and are reflected in the accompanying financial statements. The CCCS portion of the proceeds total \$8.26 million.

Note 12: Other Long-term Liabilities

Other long-term liabilities consist of expired checks that are unclaimed at year-end. The combined payment schedule is as follows for each fiscal year:

2024	\$	151,101
2025		291,761
2026		91,484
2027		87,537
2028		154,026
2029-2033		37,215
		<hr/>
	\$	<u>813,124</u>

Note 13: Compensated Absences for Annual and Sick Leave

Employees of CCCS may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The estimated total liability for compensated absences at June 30, 2023 is \$29,730,548.

The liability for compensated absences is expected to be funded by state appropriations or other funding sources available in future years when the liability is paid.

Colorado Community College System

Notes to Financial Statements

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At June 30, 2023, the Public Employees' Retirement Association of Colorado (PERA) estimated that 53.6% of the State's employees would remain until retirement. This percentage is used to calculate the amount of compensated absence liability related to sick leave each year.

Note 14: Retirement Plan

Defined Benefit Pension Plan

Plan description. Eligible employees of CCCS 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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Prior to legislation that passed during the 2006 session, higher education employees had the option to participate in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Community college employees hired after January 1, 2010 are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days unless they had been a PERA member within the prior 12 months. In that case, they are required to remain in the PERA plan in which they participated previously.

Virtually all CCCS' employees participate in the SDTF. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP), and additions to/deductions from the FNP of the SDTF have been determined on the same basis as they are reported by the SDTF, using the economic resources measurement focus and 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.

Benefits provided as of December 31, 2022. 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.

The service retirement benefit is limited to 100% of highest average salary and cannot exceed the maximum benefit allowed by Federal Internal Revenue Code.

Colorado Community College System

Notes to Financial Statements

June 30, 2023

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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007 will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007 will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA’s Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2023. Eligible employees of CCCS and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of July 1, 2022 through June 30, 2023, are summarized in the table below:

	Fiscal Year 2023	
	CY22	CY23
	7/1/2022 to 12/31/2022	1/1/2023 to 6/30/2023
Employee contribution rate	11.00%	11.00%

Colorado Community College System
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The employer contribution requirements for all employees are summarized in the table below:

	Fiscal Year 2023	
	CY22	CY23
	7/1/2022 to 12/31/2022	1/1/2023 to 6/30/2023
Employer contribution rate	11.40%	11.40%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SDTF Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	10.38%	10.38%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S Section 24-51-415	5.00%	5.00%
	<u>0.10%</u>	<u>0.17%</u>
Total employer contribution rate to the SDTF	<u>20.48%</u>	<u>20.55%</u>

Contribution rates in the above tables 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 CCCS is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from CCCS were \$78,587,024, for the year ended June 30, 2023.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute a \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 22-1029, instructed the State Treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024 payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires the State to make an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed on July 1, 2023.

Colorado Community College System

Notes to Financial Statements

June 30, 2023

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

The net pension liability for the SDTF was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. CCCS' proportion of the net pension liability was based on CCCS' contributions to the SDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2023, CCCS reported a liability of \$917,430,475 for its proportionate share of the net pension liability.

At December 31, 2022, CCCS' proportion was 8.44%, which was a decrease of 0.08% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, CCCS recognized pension expense of \$62,705,721. At June 30, 2023, CCCS 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	\$ -	\$ 12,300,334
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	116,636,177	-
Changes in proportion	-	6,758,500
Differences between contributions recognized and proportionate share of contributions	-	236,291
Contributions subsequent to the measurement date	31,240,004	-
Total	\$ 147,876,181	\$ 19,295,125

\$31,240,004 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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 ending June 30,	
2024	\$ (25,482,820)
2025	10,867,229
2026	43,021,261
2027	68,935,382
	\$ 97,341,052

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Actuarial assumptions. The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.3 percent
Real wage growth	0.7 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.30 - 10.90 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases	
PERA benefit structure hired prior to 1/1/07	1.00 percent
PERA benefit structure hired after 12/31/06 ¹ (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

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

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

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of the 2020 experience analysis for the period January 1, 2016 through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020 meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200, and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions

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also include current and estimated future AED and 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. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability	<u>\$ 1,172,828,086</u>	<u>\$ 917,430,475</u>	<u>\$ 702,592,669</u>

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Pension plan fiduciary net position. Detailed information about the SDTF’s FNP is available in PERA’s ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 15: Other Retirement Plans

Defined Contribution Retirement Plan (DC Plan)

Plan Description. Employees of the State of Colorado hired on or after January 1, 2006, employees of certain community colleges hired on or after January 1, 2008, and certain classified employees of State Colleges and Universities hired on or after January 1, 2019 have the option to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, 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 ACFR as referred to above.

Funding Policy. All participating employees in the PERA DC Plan and CCCS are required to contribute a percentage of the participating employees’ PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2022 through June 30, 2023, are summarized in the tables below:

	Fiscal Year 2023	
	CY22	CY23
	7/1/2022 to 12/31/2022	1/1/2023 to 6/30/2023
Employee Contribution Rate	11.00%	11.00%
Employer Contribution Rate	10.15%	10.15%

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Additionally, the employers are required to contribute AED, SAED, and other statutory amounts, as follows:

	Fiscal Year 2023	
	CY22	CY23
	7/1/2022 to 12/31/2022	1/1/2023 to 6/30/2023
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. Section 24-51-413 ¹	1.00%	1.00%
Defined Contribution Statutory contribution as specified in C.R.S. section 24-51-1505 ¹	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S. section 4-51-415	0.10%	0.17%
Total employer contribution rate to the SDTF	11.35%	11.42%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% 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 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$2,188,770 and CCCS recognized pension contributions of \$2,019,617 for the PERA DC Plan.

401(k) Defined Contribution Plan

Employees of CCCS that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available Annual Report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

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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. CCCS does not match contributions made by employees participating in this plan. Employees are immediately vested in their own contributions and investment earnings. At December 31, 2022, CCCS had 523 participants in the plan.

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. Contributions and earnings are tax deferred. CCCS does not match contributions made by employees participating in this plan. At December 31, 2022, CCCS had 312 participants in the plan. In calendar year 2023, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution) to a maximum of \$22,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$6,500 contribution in 2022. Special 457(b) catch-up contributions allow a participant for three years prior to the normal retirement age to contribute the lesser of (1) twice the annual limit (\$45,000), or (2) the basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions).

Note 16: Other Postemployment Benefits – CCCS

CCCS' principal employee pension plan is PERA (Notes 14 and 15). Pursuant to SBCCOE Board Policy BP3 60 (Retirement), employees hired prior to 1989 who take early retirement under PERA regulations "shall be entitled to have the college/system continue to pay the employee's share of the group health and life insurance premium up to the amount paid for active employees until the employee reaches age 65." This is the only postretirement benefit offered to CCCS employees. This actuarially determined liability related to this plan is considered immaterial to CCCS' financial statements with only one eligible recipient as of June 30, 2023. Consequently, no provision has been made in the accompanying financial statements for this liability.

The postretirement benefits described above are funded out of annual current funds.

Note 17: Other Postemployment Benefits – PERA Health Care Trust Fund

CCCS participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

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General Information About the OPEB Plan

Plan description. Eligible employees of CCCS are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, 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 the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each

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individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and CCCS is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from CCCS were \$2,963,636 for the year ended June 30, 2023.

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

At June 30, 2023, CCCS reported a liability of \$22,691,550 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. CCCS proportion of the net OPEB liability was based on CCCS contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, CCCS proportion was 2.78%, which was a decrease of 0.07% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, CCCS recognized a reduction of OPEB expense of \$858,518. At June 30, 2023, CCCS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,946	\$ 5,487,578
Changes of assumptions or other inputs	364,714	2,504,445
Net difference between projected and actual earnings on OPEB plan investments	1,385,957	-
Changes in proportion	-	2,398,569
Differences between contributions recognized and proportionate share of contributions	2,224	23,356
Contributions subsequent to the measurement date	1,494,020	N/A
	<u>\$ 3,249,861</u>	<u>\$ 10,413,948</u>
Total		

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\$1,494,020 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,		
2024	\$	(2,988,264)
2025		(2,787,033)
2026		(1,490,579)
2027		(476,440)
2028		(750,925)
Thereafter		<u>(164,866)</u>
	<u>\$</u>	<u>(8,658,107)</u>

Actuarial assumptions. The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.3 - 10.9 percent in aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	6.50 percent in 2022 gradually decreasing to 4.50 percent in 2030
Medicare Part A premiums	3.75 percent for 2022, gradually increasing to 4.50 percent in 2029

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022 measurement date.

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Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase	Annual Increase
	(Male)	(Female)
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

Sample Age	MAPD PPO #1 with Medicare Part A Retiree/Spouse		MAPD PPO #2 with Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) with Medicare Part A Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

Sample Age	MAPD PPO #1 without Medicare Part A Retiree/Spouse		MAPD PPO #2 without Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) without Medicare Part A Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,514	\$5,542	\$4,227	\$3,596	\$6,752	\$5,739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

The 2022 Medicare Part A premium is \$499 (actual dollars) per month.

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

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

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Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year Ending June 30,	PERACare Medicare Plans	Medicare Part A Premiums
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

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

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

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

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

Disabled mortality assumptions for members were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

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The following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

- Per capita health care costs in effect as of the December 31, 2021 valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021 valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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

Effective for the December 31, 2022 measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021 actuarial valuation.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of the 2020 experience analysis for the period January 1, 2016 through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020 meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

Colorado Community College System

Notes to Financial Statements

June 30, 2023

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

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

Sensitivity of CCCS share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare part A trend rate	2.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability (PERA)	\$ 22,049,278	\$ 22,691,550	\$ 23,390,407

Colorado Community College System

Notes to Financial Statements

June 30, 2023

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net OPEB liability	<u>\$ 26,306,228</u>	<u>\$ 22,691,550</u>	<u>\$ 19,599,834</u>

OPEB plan fiduciary net position. Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Colorado Community College System

Notes to Financial Statements

June 30, 2023

Note 18: Risk Financing and Insurance Related Activities

CCCS is subject to risks of loss from liability for accidents, property damage, and personal injury. These risks are managed by the State Office of Risk Management, an agency formed by statute and funded by the State Long Bill. Therefore, CCCS is not required to obtain insurance and, accordingly, neither did reduction occur in coverage nor did any settlements exceed coverage. CCCS does not retain risk of loss except for damage incurred to property belonging to the State limited to a \$5,000 deductible per incident.

The State Office of Risk Management is deemed to be a public entity risk pool; therefore, under the Governmental Immunity Act, CCCS is protected from litigation by the Doctrine of Sovereign Immunity except under circumstances whereby immunity is waived.

Note 19: Commitments and Contingencies

The System has \$74.2 million in commitments for various capital construction and controlled maintenance projects as of June 30, 2023.

The System is involved in various routine personnel and tort litigation. Many of the actions are being defended by counsel provided by the State's self-insurance provider, the State Office of Risk Management (the Office), and it is anticipated that the Office would pay any judgment that would be entered against the System. In management's opinion, none of these proceedings will have a material adverse effect on the System's financial condition or operations. No provision has been made in the accompanying financial statements for these items.

CCCS receives significant financial awards from federal and state agencies in the form of grants. Expenditures of funds under those programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of CCCS. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition or operations of CCCS.

Economic uncertainties have arisen which have the potential to negatively impact the future financial position, results of operations and cash flows of the System. The duration of these uncertainties and the ultimate financial effects cannot be reasonably determined at this time.

Note 20: Tax and Spending Limitations (TABOR Amendment)

Certain state revenues, such as taxes and fees, are constitutionally limited. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. These limitations are applied to the State as a whole, not to each individual college, department, or agency of the State. The Colorado State Legislature establishes spending authority, within these constitutional limits, for CCCS in its annual Appropriations Long Bill.

Legislation passed in fiscal year 2004 provided higher education institutions in the State the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), if the institution met the stated qualifications. In fiscal year 2006, the System qualified as an enterprise because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System

Colorado Community College System

Notes to Financial Statements

June 30, 2023

was required to receive (and is expected to continue to receive) less than 10.0% (in relation to total revenues) in support from the State. In fiscal year 2023, the System received 6.4% in State support. Effective in fiscal year 2008, House Bill 08-1079 specifically excluded moneys transferred from the State Department of Education for career and technical education as state grants for the purpose of this calculation, including funding under the CTA.

Note 21: Related-party Transactions

Approximately \$15,560,400 was transferred to the colleges from the foundations for the year ended June 30, 2023, in pursuit of providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities.

Note 22: Employee Benefit Trust Fund – Private Purpose Trust Fund

The Benefit Trust provides health and welfare benefits to all employees participating in the Health and Welfare Program sponsored by the SBCCOE. For fiscal year 2023, CCCS made contributions of excess receipts of insurance premiums to the Benefit Trust of approximately \$2,207,000.

Note 23: Subsequent Events

The series 2023 Systemwide Revenue Bonds for \$17,120,000 were issued on July 14, 2023. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2037. The 2023 principal will be used for the purposes of financing the acquisition, construction and equipping of a STEM academic facility to the Community College of Aurora's CentreTech Campus and any other improvements to the CentreTech campus.

The Board has adopted a resolution statement that it will not participate in the State Intercept Program for the 2023 bonds.

Required Supplementary Information

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Colorado Community College System
Schedule of Proportionate Share of Net Pension Liability (NPL)
(Not subjected to auditing procedures)
Last Ten Fiscal Years *
(Dollars in Thousands)

June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the NPL as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	8.4380231046%	\$ 917,430	\$ 301,346	304.44%	60.63%
2022	8.5220934115%	\$ 628,508	\$ 291,224	215.82%	73.05%
2021	8.5906916333%	\$ 814,809	\$ 290,223	280.75%	65.34%
2020	8.8744972485%	\$ 861,164	\$ 288,997	297.98%	62.24%
2019	8.9060724015%	\$ 1,013,393	\$ 280,192	361.68%	55.11%
2018	8.9068622559%	\$ 1,782,974	\$ 267,807	665.77%	43.20%
2017	8.9674721580%	\$ 1,647,157	\$ 261,925	628.87%	42.60%
2016	8.9937735926%	\$ 947,137	\$ 255,917	370.10%	56.10%
2015	9.1682986069%	\$ 862,417	\$ 253,165	340.65%	59.80%

Information above is presented as of the measurement date for the respective reporting periods.

* Information is not currently available for prior years, additional years will be displayed as they become available

Unaudited - see accompanying Independent Auditor's Report

Colorado Community College System
Schedule of Contributions for Net Pension Liability (NPL)
(Not subjected to auditing procedures)
Last Ten Fiscal Years *
(Dollars in Thousands)

June 30,	Statutorily Required Contributions	Contributions Related to the Statutory Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 62,913	\$ 78,587	\$ (15,674)	\$ 310,450	25.31%
2022	\$ 64,310	\$ 63,919	\$ 391	\$ 318,290	20.08%
2021	\$ 57,315	\$ 55,280	\$ 2,035	\$ 287,581	19.22%
2020	\$ 58,729	\$ 61,742	\$ (3,013)	\$ 295,045	20.93%
2019	\$ 54,130	\$ 59,598	\$ (5,468)	\$ 282,959	21.06%
2018	\$ 52,087	\$ 50,712	\$ 1,375	\$ 272,277	18.63%
2017	\$ 49,451	\$ 48,196	\$ 1,255	\$ 264,730	18.21%
2016	\$ 46,355	\$ 44,917	\$ 1,438	\$ 260,716	17.23%
2015	\$ 42,872	\$ 41,806	\$ 1,066	\$ 253,980	16.46%

Information above is presented as of the System's fiscal year for the respective reporting periods.

* Information is not currently available for prior years, additional years will be displayed as they become available

Unaudited - see accompanying Independent Auditor's Report

Colorado Community College System
Notes to Required Supplementary Information (NPL)
June 30, 2023

Changes in Benefit Terms and Actuarial Assumptions

There were no changes made to actuarial methods or assumptions for the December 31, 2022 measurement period for pension compared to the prior year.

Changes in assumptions or other inputs effective for the December 31, 2021 measurement period are as follow:

- The assumption used to value the AI cap benefit provision was changed from 1.25% to 1.00%.

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

- The price inflation assumption was lowered from 2.40% to 2.30%.
- The real wage growth assumption was lowered from 1.10% to 0.70%.
- The wage inflation assumption was lowered from 3.50% to 3.00%.
- The salary increases, including wage inflation, assumption range changes from 3.50% - 9.17% to 3.30% - 10.90%.

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

- The discount rate was increased from 4.72% to 7.25%.
- The Post-retirement benefit increase was decreased from 2.00% to 1.25%.

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

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

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

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

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

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.

Colorado Community College System
Notes to Required Supplementary Information (NPL)
June 30, 2023

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

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

Colorado Community College System
Schedule of Proportionate Share of Other Postemployment Benefits (OPEB)
(Not subjected to auditing procedures)
Last Ten Fiscal Years *

June 30,	Proportion of OPEB	Proportionate Share of OPEB	Covered Payroll	Proportionate Share of the OPEB as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB
2023	2.7791958139%	\$ 22,692	\$ 282,023	8.05%	38.57%
2022	2.8489608810%	\$ 24,567	\$ 291,224	8.44%	39.40%
2021	2.9405892960%	\$ 27,942	\$ 290,223	9.63%	32.78%
2020	3.0221085353%	\$ 33,968	\$ 288,997	11.75%	24.49%
2019	3.0971306087%	\$ 42,138	\$ 264,095	15.96%	17.03%
2018	3.1237367081%	\$ 40,596	\$ 252,942	16.05%	17.53%

Information above is presented as of the measurement date for the respective reporting periods.

* Information is not currently available for prior years, additional years will be displayed as they become available

Unaudited - see accompanying Independent Auditor's Report

Colorado Community College System
Schedule of Contributions for Other Postemployment Benefits (OPEB)
(Not subjected to auditing procedures)
Last Ten Fiscal Years *

June 30,	Statutorily Required Contributions	Contributions Related to the Statutory Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 2,964	\$ 2,964	\$ -	\$ 290,553	1.02%
2022	\$ 3,247	\$ 2,829	\$ 418	\$ 318,290	0.89%
2021	\$ 2,933	\$ 2,734	\$ 199	\$ 287,581	0.95%
2020	\$ 3,009	\$ 2,821	\$ 188	\$ 295,045	0.96%
2019	\$ 2,720	\$ 2,720	\$ -	\$ 266,706	1.02%
2018	\$ 2,620	\$ 2,620	\$ -	\$ 256,849	1.02%

Information above is presented as of the System's fiscal year for the respective reporting periods.

* Information is not currently available for prior years, additional years will be displayed as they become available

Unaudited - see accompanying Independent Auditor's Report

Colorado Community College System
Notes to Required Supplementary Information (OPEB)
June 30, 2023

Changes in Benefit Terms and Actuarial Assumptions

Changes in assumptions or other inputs effective for December 31, 2022 measurement period for OPEB compared to prior year as follows:

- The timing of the retirement decrement was adjusted to middle-of-year.

Changes in assumptions or other inputs effective for December 31, 2021 measurement period for OPEB compared to prior year as follows:

- The price inflation assumption was lowered from 2.40% to 2.3%, and the wage inflation assumption was lowered from 3.50% to 3.00%.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
 - Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.
- Health care cost trend rates PERA benefit structure for PERACare Medicare plans decreased from 8.10% to 4.5% and for Medicare Part A premiums increased from 3.5% to 3.75%.

Changes in assumptions or other inputs effective for December 31, 2020 measurement period for OPEB compared to prior year as follows:

- Health care cost trend rate PERA benefit structure for PERACare Medicare plans increased from 5.60% to 8.10%.

Colorado Community College System
Notes to Required Supplementary Information (OPEB)
June 30, 2023

Changes in assumptions or other inputs effective for December 31, 2019 measurement period for OPEB compared to prior year as follows:

- Health care cost trend rate PERA benefit structure for PERACare Medicare plans increased from 5.00% to 5.60% and for Medicare Part A premiums increased from 3.25% to 3.50%.

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

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



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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*

Independent Auditor's Report

The Members of the Legislative Audit Committee and
State Board for Community Colleges and Occupational Education

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 (*Government Auditing Standards*), the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of the Colorado Community College System (a higher education institution of the State of Colorado) (the System), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 6, 2023, which contained a paragraph emphasizing a matter regarding the financial statements. The financial statements of Friends of TSC, a discretely presented component unit included in the financial statements of the aggregate discretely presented component units of the System, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Friends of TSC. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the System's financial statements. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the aggregate discretely presented component units or that are reported on separately by those auditors who audited the financial statements of the aggregate discretely presented component units.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Findings and Recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Findings and Recommendations as item 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Findings and Recommendations as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

The System's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the findings identified in our audit and described in the accompanying Findings and Recommendations. The System's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Denver, Colorado
December 6, 2023

FORVIS Report to the Legislative Audit Committee and State Board for Community Colleges and Occupational Education

Colorado Community College System

Results of the 2023 Financial Statement Audit, Including Required Communications

June 30, 2023

Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	<p>This report covers audit results related to your financial statements:</p> <ul style="list-style-type: none">• As of and for the year ended June 30, 2023• Conducted in accordance with our contract with the Colorado Office of the State Auditor dated April 10, 2023 and the Colorado Community College System engagement letter with the Colorado Office of the State Auditor dated May 9, 2023
Our Responsibilities	<p>FORVIS is responsible for forming and expressing opinions about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
Audit Scope & Inherent Limitations to Reasonable Assurance	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States (GAGAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the opinion unit being audited and did not include a detailed audit of all transactions.</p>
Extent of Our Communication	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
Independence	<p>The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.</p>

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Matter	Discussion
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
Distribution Restriction	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee this report is a public document:</p> <ul style="list-style-type: none"> • The Legislative Audit Committee • Office of the State Auditor • The State Board for Community Colleges and Occupational Education • Others within the Colorado Community College System (CCCS or the System)

Government Auditing Standards

Matter	Discussion
Additional GAGAS Reporting	<p>We also provided reports as of June 30, 2023, on the following as required by GAGAS:</p> <ul style="list-style-type: none"> • Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS
Reporting Limitations	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

Group Audits

Referred-to Auditors

Our audit strategy included the use of the work of referred-to auditors, resulting in a division of responsibility over the group financial statements and our report thereon.

Except for the Friends of TSC, we did not audit the financial statements of the aggregate discretely presented component units of the Community College System.


Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the aggregate discretely presented component units, are based solely on the reports of the other auditors. We have had communications with the other auditors during planning and throughout the audit regarding their qualifications to perform the audit, including independence, and consideration of materiality as a basis for referring to their audit report. Professional standards require that we provide you with information about our responsibilities in accordance with GAAS, as well as certain information related to the planned scope and timing of our audit.

Other Information Accompanying the Audited Financial Statements

The audited financial statements are presented along with management’s annual financial report. Management, or those charged with governance, is responsible for preparing the annual report.



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We were not engaged to audit the information contained in the annual report, and as a result, our opinions do not provide assurance as to the completeness and accuracy of the information contained therein.

As part of our procedures, we read the entire report to determine if financial information discussed in sections outside the financial statements materially contradicts the audited financial statements. If we identify any such matters, we bring them to management's attention and review subsequent revisions.

Auditor Objectives Related to Other Information

Our objectives related to the other information accompanying the audited financial statements were to:

- Consider whether a material inconsistency exists between the other information and the financial statements
- Remain alert for indications that:
 - A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, or
 - A material misstatement of fact exists or the other information is otherwise misleading
- Respond appropriately when we identify that such material inconsistencies appear to exist or when we otherwise become aware that other information appears to be materially misstated. Potential responsive actions would include requesting management to correct the identified inconsistency.
- Include the appropriate communication in our auditor's report, disclosing the procedures performed on the other information, as well as the results obtained
 - No material inconsistencies were identified

Qualitative Aspects of Significant Accounting Policies & Practices

Significant Accounting Policies

Significant accounting policies are described in Note 3 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topic:

- Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA) (GASB 96)*

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

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Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Allowance for uncollectible accounts receivable
- Allocation of unearned tuition revenue
- Useful lives of capital assets and related depreciation expense
- Defined benefit pension plan assumptions
- Other postemployment benefit plan assumptions
- Compensated absences
- Scholarship allowance
- Valuation of lease receivables and lease liabilities

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Implementation of new accounting standard
- Subsequent event
- Commitments and contingencies
- Related parties

Our Judgment About the Quality of the System's Accounting Principles

During the course of the audit, we made the following observations regarding the System's application of accounting principles:

- No matters are reportable

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- No matters are reportable

FORV/S

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Nature of Uncorrected Misstatements

- SBITAs – arrangements that met the definition of a SBITA not recorded by the System
- Accounts payable – invoices received subsequent to the close of fiscal year-end which related to fiscal year 2023 but were not accrued due to timing
- HEERF revenue recognition (reversal of error identified in prior year)
- OPEB (reversal of error identified in prior year)

Other Required Communications

Disagreements with Management

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

Significant Issues Discussed with Management

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Implementation of GASB 96

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter
- Management letter dated December 6, 2023, communicating other deficiencies in internal control that are not considered material weaknesses or significant deficiencies



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Colorado Community College System
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	525,791,125		525,791,125	
Non-Current Assets & Deferred Outflows	698,617,012	930,507	699,547,519	0.13%
Current Liabilities	(125,326,810)	(1,150,516)	(126,477,326)	0.92%
Non-Current Liabilities & Deferred Inflows	(1,121,467,773)	(411,984)	(1,121,879,757)	0.04%
Current Ratio	4.195		4.157	-0.91%
Total Assets & Deferred Outflows	1,224,408,137	930,507	1,225,338,644	0.08%
Total Liabilities & Deferred Inflows	(1,246,794,583)	(1,562,500)	(1,248,357,083)	0.13%
Total Net Position	22,386,446	631,993	23,018,439	2.82%
Operating Revenues	(597,552,475)		(597,552,475)	
Operating Expenses	748,542,408	218,653	748,761,061	0.03%
Nonoperating (Revenues) Exp	(214,521,540)	384,363	(214,137,177)	-0.18%
Change in Net Position	(102,219,789)	603,016	(101,616,773)	-0.59%

Client: Colorado Community College System
Period Ending: June 30, 2023

Major Enterprise Fund
SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows				Liabilities & Deferred Inflows				Operating				Net Effect on Following Year		
			Current		Noncurrent		Current		Noncurrent		Revenues	Expenses	Nonoperating (Revenues) Exp		Net Position	Change in Net Position	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR
To post turnaround for a prior year entry to record receivable and revenue related to CCA HEERF lost revenue received but not recorded.		F		0	0	0	0			0	0	894,950	(894,950)		0	0	
	Net Position												(894,950)				
	COVID Stimulus Direct funding											894,950			N/A - Turnaround		
To post turnaround for prior year entries waived by the campuses for invoices received after year end which should have been accrued (Systemwide)		F		0	0	0	0			0	(2,131,967)	0	2,131,967		0	0	
	Net Position												2,131,967				
	Expense										(2,131,967)				N/A - Turnaround		
To post turnaround for a prior year entry to adjust OPEB expense and deferred inflows		F		0	0	0	0			0	1,718,627	0	(1,718,627)		0	0	
	Net Position												(1,718,627)				
	Expenses										1,718,627				N/A - Turnaround		
To post turnaround for a prior year entry to adjust for PPSC's over recognition of HEERF Revenue		F		0	0	0	0			0	0	(510,587)	510,587		0	0	
	Net Position												510,587				
	COVID Stimulus Direct funding											(510,587)			N/A - Turnaround		
To show effect of entries waived by the campuses for invoices received after year end which should have been accrued and paid (Systemwide)		F		0	0	(733,248)	0			0	733,248	0	0	(733,248)	733,248		
	Expense										733,248			(733,248)			
	Accounts Payable					(222,797)									222,797		
	Retainage Payable					(510,451)									510,451		
To adjust for waived entries from the System Office related to GASB 96, Subscription-based information technology arrangements (SBITAs)		F		0	930,507	(417,268)	(411,984)			0	(101,255)	0	0	101,255	(101,255)		
	SBITA Asset - Faculty				671,607												
	SBITA Liability - Faculty					(278,329)	(287,726)										
	Accrued Interest					(12,740)											
	Expense										(92,812)			92,812	(92,812)		
	SBITA Asset - Student				258,900												
	SBITA Liability - Student					(121,976)	(124,258)										
	Accrued Interest					(4,223)											
	Expense										(8,443)			8,443	(8,443)		
Total passed adjustments				0	930,507	(1,150,516)	(411,984)			0	218,653	384,363	28,977	(631,993)	631,993		

Impact on Change in Net Position 603,016

Impact on Net Position 631,993