

COLORADO COMMUNITY COLLEGE SYSTEM

Financial Statements and Independent Auditor's Reports

Financial Audit

Years Ended June 30, 2017 and 2016

Compliance Audit

Year Ended June 30 2017

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Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado Community College System as of and for the year ended June 30, 2017. 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. The financial statements as of and for the year ended June 30, 2016 were audited by other auditors and their report thereon, dated November 30, 2016 expressed an unmodified opinion.

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.

BKD, LLP

December 1, 2017

COLORADO COMMUNITY COLLEGE SYSTEM

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COLORADO COMMUNITY COLLEGE SYSTEM

Report Summary

Year ended June 30, 2017

Purpose and Scope of Audit

The Office of the State Auditor of the State of Colorado engaged BKD, LLP (BKD) to conduct a financial and compliance audit of the Colorado Community College System (CCCS or the System) for the year ended June 30, 2017. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. BKD was not engaged to audit the System's aggregate discretely presented component units which includes the Colorado Community College System Office Foundation and 13 college foundations (the Foundations). The Foundations were audited by other auditors as disclosed in the Independent Auditor's Report and 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, 2017. As disclosed in the Independent Auditor's Report, the financial statements as of and for the year ended June 30, 2016 were audited by other auditors.
- 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, 2017.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal funds for the year ended June 30, 2017.
- 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, 2017. Our report included 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 2016 financial statements were audited by other auditors and their report thereon, dated November 30, 2016, expressed an unmodified opinion.

No material weaknesses in internal control over financial reporting were identified.

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

Two significant deficiencies in internal control over compliance were identified. In addition, we noted areas in which the System could improve its compliance procedures over federal awards. These areas are discussed in the Auditor's Findings and Recommendations section of this report and are summarized below.

COLORADO COMMUNITY COLLEGE SYSTEM

Report Summary

Year ended June 30, 2017

Significant Audit Adjustments

There were three proposed audit adjustments identified during the audit. These audit adjustments are detailed on page 87.

Summary of Audit Findings

Expenditures of Federal Awards

There were two findings identified in our testing of Federal Student Financial Aid Cluster expenditures under Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Single Audit). The findings were as follows: (a) errors in the enrollment reporting identified by NSLDS were not cleared by Front Range Community College, Morgan Community College, Northeastern Junior College, or Pueblo Community College within the required 10 business-day timeframe and (b) Northeastern Junior College was not performing required Direct Loan School Account Statement (SAS) reconciliations during fiscal year 2017.

Recommendations and Responses

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

Summary of Progress in Implementing Prior Audit Recommendations

For the Fiscal Year 2017 audit, we performed test work to determine the disposition of the two prior year recommendations relating to Fiscal Year 2016. We found that both recommendations for the fiscal year ended June 30, 2016, were fully implemented. See the Disposition of Prior Audit Recommendations section of this report for further information.

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Recommendation Locator

Year ended June 30, 2017

Recommendation Number	Page Number	Recommendation Summary	Agency Addressed	Response	Implementation Date
2017-01	9	<p>The Colorado Community College System should ensure the various community colleges meet Title IV reporting requirements by:</p> <p>a) Ensuring that Morgan Community College, Northeastern Junior College, and Pueblo Community College continue to identify and resolve errors noted on roster files and resubmit corrections to NSLDS within the required 10 business-day timeframe, which should include continuing to obtain and utilize the SCHER5 report.</p> <p>b) Assisting Front Range Community College in developing policies and procedures to obtain and utilize the SCHER5 report to identify and resolve errors noted on roster files and resubmit corrections to NSLDS within the required 10 business-day timeframe.</p>	FRCC, MCC, NJC and PCC	Agree	December 2017
2017-02	11	<p>The Colorado Community College System should provide oversight and training to assist Northeastern Junior College with implementing internal controls over Direct Loan Student Account Statement data file reconciliations. The internal controls should include establishing policies and procedures to help ensure the SAS data files are obtained, reconciliations performed between the SAS data files and the institutional records, and the documentation maintained on a monthly basis.</p>	NJC	Agree	January 2018

COLORADO COMMUNITY COLLEGE SYSTEM

Financial and Compliance Audit

Description of the Colorado Community College System

Year ended June 30, 2017

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 and technical colleges; including the Colorado Community College System.
- 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 nine 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 and a 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; the College Opportunity Fund stipends; a fee-for-service contract with the Department of Higher Education; and Amendment 50 funding. 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 Junior College (OJC)	La Junta
Pikes Peak Community College (PPCC)	Colorado Springs
Pueblo Community College (PCC)	Pueblo
Red Rocks Community College (RRCC)	Lakewood
Trinidad State Junior College (TSJC)	Trinidad

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Year ended June 30, 2017

Enrollment, tuition, 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 2017, 2016 and 2015 that is prepared by higher education institutions for CCHE.

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

FTE Student Enrollment

	<u>Resident</u>	<u>Nonresident</u>	<u>Total</u>
Fiscal year:			
2016–2017	46,856	3,006	49,862
2015–2016	47,272	2,975	50,247
2014–2015	50,001	3,014	53,015

FTE Faculty and Staff

	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
Fiscal year:			
2016–2017	3,853	2,006	5,859
2015–2016	3,817	1,963	5,780
2014–2015	3,897	2,019	5,916

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Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2017

INTERNAL CONTROL OVER COMPLIANCE

In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures and to test internal control over compliance in accordance with federal Uniform Guidance.

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 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.

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.

We observed the following matters that we consider to be significant deficiencies.

Internal Controls Over Student Financial Aid Cluster Compliance Enrollment Reporting): Colorado Community College System – Front Range Community College, Morgan Community College, Northeastern Junior College, and Pueblo Community College Campuses

The federal Department of Education (USDE) requires institutions of higher education who are receiving Student Financial Aid funds to report enrollment information within specified timeframes to the USDE through its central database for student aid, the National Student Loan Data System, or NSLDS. Institutions of higher education are also required to make and report corrections to previously-reported enrollment information within a specified timeframe. Most institutions of higher education, including the Colorado Community College System, utilize the National Student Clearinghouse (Clearinghouse), a third-party service provider to assist with enrollment reporting. Enrollment reporting, including submission of "roster files" and enrollment status changes, assists the federal government in management of the Pell and Direct Loan programs, which are programs within the Student Financial Aid Cluster.

During 2016, the USDE recognized a problem nationally where currently available reports did not provide institutions with sufficient information to be able to clearly resolve the enrollment reporting errors identified by NSLDS. To help alleviate this issue, USDE worked with the Clearinghouse to develop an additional report for

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Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2017

use by the institutions of higher education to provide clarification regarding enrollment errors, the *Enrollment Errors Report* (SCHER5). The SCHER5 report was available for institutions' use beginning in January 2017.

As part of our Fiscal Year 2017 audit, we utilized the Enrollment Reporting Summary Report (SCHER1) detailed in the *Compliance Supplement* and provided by NSLDS to perform specific enrollment reporting testwork at 4 of the 13 community colleges: Front Range Community College (FRCC), Morgan Community College (MCC), Northeastern Junior College (NJC), and Pueblo Community College (PCC). The SCHER1 report is created at the request of the institution and specifically summarizes the dates the enrollment reporting roster files were sent and returned by the aforementioned campuses during the year, as well as the number of errors, date and number of online updates, and the number of late enrollment reporting notifications that were sent to the campuses for overdue enrollment reporting rosters.

During Fiscal Year 2017, FRCC, MCC, NJC and PCC collectively issued approximately \$77.5 million in federal Student Financial Aid, which included approximately \$29.6 million and \$46.5 million of Pell and Direct Loan funding, respectively, with the remaining \$1.4 million attributed to other federal student financial assistance programs.

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

The purpose of our audit work was to determine whether FRCC, MCC, NJC and PCC complied with enrollment reporting requirements regarding student attendance status changes for the federal Pell and Direct Loan programs during Fiscal Year 2017.

We reviewed the SCHER1 reports provided by NSLDS for FRCC, MCC, NJC and PCC for Fiscal Year 2017 to determine whether the campuses addressed errors identified by the NSLDS and submitted roster files within the required timeframes during the year.

How were the results of the audit work measured?

Federal regulations and Dear Colleague Letters issued by the USDE [Section 34 Code of Federal Regulations (C.F.R) 690.83 (b)(2) and 34 C.F.R. 685.309 and "Dear Colleague Letter", GEN-14-07, dated April 14, 2014] require that schools respond to USDE's requests for enrollment information (1) within a timeframe specified by USDE (i.e. 15 business days of receipt of roster file) (2) in a manner specified by USDE, and (3) in a format specified by USDE. In addition, under the authority of those regulations, at least every 30 days, the NSLDS transmits a file containing student enrollment errors to each participating institution; each institution must correct student enrollment errors identified by the NSLDS and return this enrollment reporting roster file to the USDE within 10 business days of receipt. The USDE alerted schools to the availability of the SCHER5 report in its *NSLDS Newsletter #56* dated December 2016 and recommended that institutions use this report to help them monitor errors generated by the NSLDS enrollment reporting process, as well as utilize the information included in the SCHER5 report to help them correct and resubmit roster file errors.

What problem did the audit work identify?

We determined that a portion of the errors identified by NSLDS were not corrected and resubmitted by FRCC, MCC, NJC and PCC within the required 10 business-day timeframe for the six months between July 2016 and

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Year ended June 30, 2017

December 2016. FRCC, MCC, NJC and PCC submitted a total of 25 roster files during this period. We tested all 25 roster files and noted the following results for each campus:

Enrollment Reporting Deficiencies by Campus July 2016 through December 2016					
	FRCC	MCC	NJC	PCC	Total
Number of roster files received from NSLDS	5	7	7	6	25
Number of roster files with errors not resolved in required time frame	5	5	2	5	18
Error rate	100%	71%	29%	83%	68%
Source: BKD analysis of SCHER1					

After USDE began distribution of the SCHER5 reports beginning in January 2017, MCC, NJC and PCC corrected errors and resubmitted the files within the required 10 business-day timeframe. However, despite receiving the SCHER5 report for the last six months of the fiscal year, FRCC did not correct errors identified by NSLDS and resubmit the roster files within the required 10 business-day timeframe. For the period of January 2017 through June 2017 FRCC, MCC, NJC and PCC submitted a total of 29 roster files. We tested all 29 roster files and noted the following results for each campus:

Enrollment Reporting Deficiencies by Campus January 2017 through June 2017					
	FRCC	MCC	NJC	PCC	Total
Number of roster files received from NSLDS	8	7	5	5	29
Number of roster files with errors not resolved in required time frame	8	-	-	-	8
Error rate	100%	0%	0%	0%	28%
Source: BKD analysis of SCHER1					

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Year ended June 30, 2017

Why did these problem occur?

During the Fall 2016 semester FRCC, MCC, NJC and PCC did not have a formal follow-up or monitoring process in place to ensure that errors identified by the NSLDS were being resolved within the required timeframe. In addition, during the fall 2016 semester, FRCC, MCC, NJC and PCC were unable to obtain adequate reports from the Clearinghouse to assist in the monitoring of the resolution of errors generated by the NSLDS enrollment reporting process.

During the Spring 2017 Semester FRCC did not properly utilize the SCHER5 report to assist in the clearing of errors identified by NSLDS. Additionally, FRCC did not have a formal follow-up or monitoring process in place to ensure that errors identified by the NSLDS were resolved within the required timeframe.

Why does this problem matter?

Enrollment reporting assists lenders in the determination of whether a borrower should be moved into loan repayment status or if they are eligible for an in-school deferment. Thus, if the campuses fail to meet the required reporting timelines or submit inaccurate information to NSLDS, the borrowers' repayment responsibilities may be reported incorrectly and result in either a lack of timely repayments by the borrower or the student being inappropriately moved into loan repayment status.

Overall, a lack of formalized follow-up or monitoring processes in place over enrollment reporting, including correction of errors, increases the risk that the campuses will not be in compliance with federal regulations and may result in federal sanctions.

(CFDA No. 84.063 and 84.268; Federal Pell Grant Program and Federal Direct Student Loans. Classification of Finding: Significant Deficiency and Other Instance of Noncompliance; Total known questioned costs of \$0).

Recommendation No. 1:

The Colorado Community College System should ensure the various community colleges meet Title IV reporting requirements by:

- a) Ensuring that Morgan Community College, Northeastern Junior College, and Pueblo Community College continue to identify and resolve errors noted on roster files and resubmit corrections to NSLDS within the required 10 business-day timeframe, which should include continuing to obtain and utilize the SCHER5 report.
- b) Assisting Front Range Community College in developing policies and procedures to obtain and utilize the SCHER5 report to identify and resolve errors noted on roster files and resubmit corrections to NSLDS within the required 10 business-day timeframe.

Colorado Community College System Response:

Agree. Implementation Date: December 2017.

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Year ended June 30, 2017

CCCS will provide training on the process for requesting the SCHER5 reports on a monthly basis to ensure errors are resolved in a timely manner. This process will be included in the CCCS Business Practice for Enrollment Reporting.

CCCS will continue to encourage the Financial Aid Offices and the Registrars to work closely to ensure timely Enrollment Reporting and Error Resolution.

The process for resolving errors within the 10 day time-frame is outlined below:

1. Financial Aid Directors requesting the SCHER5 upon notification from the Registrars/Enrollment Reporters that the Enrollment Roster has been received by NSLDS.
2. Once the output from the SCHER5 is received, the data will be forwarded to the Registrars/Enrollment Reporters for research and resolution.
3. The Registrars and Enrollment Reporters must resolve the errors in Banner and resubmit via the NSC within 5 days to allow NCS to transmit the new data to NSLDS within the 10 day time period.
4. Corrections that must be resolved directly through NSLDS will be documented and resolved by the Financial Aid Director immediately upon receipt of the data from the Registrars.

In addition, CCCS Director of Financial Aid will work closely with FRCC to assist with error resolution.

Internal Controls Over Direct Loan Program Compliance Borrower Data Transmission and Reconciliation: Colorado Community College System – Northeastern Junior College Campus

Borrower Data Transmission and Reconciliation – Direct Loan (Student Financial Aid Cluster)

The federal Department of Education (USDE) requires institutions of higher education to report all Direct Loan disbursements and submit required records to the federal Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 15 days of loan funds disbursement. Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The institution is required to reconcile these files to the institution's financial records. As part of our Fiscal Year 2017 audit, we performed specific SAS reconciliation testwork at 6 of the 13 community colleges within the System: Community College of Aurora (CCA), Front Range Community College (FRCC), Lamar Community College (LCC), Morgan Community College (MCC), Northeastern Junior College (NJC), and Pueblo Community College (PCC).

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

The purpose of our audit work was to determine whether FRCC, MCC, NJC and PCC complied with Borrower Data Transmission and Reconciliation (Direct Loan) requirements including reconciliation of institutional records to the SAS data files during Fiscal Year 2017. Additionally, the purpose of the audit work was to assess the adequacy of CCA's and LCC's remediation of the prior year significant deficiency issued for Fiscal Year 2016, which recommended that each school implement internal controls to properly document and retain the monthly COD to Banner reconciliations.

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Findings and Recommendations

Year ended June 30, 2017

We requested from each institution a sample of two months of SAS reconciliations completed during Fiscal Year 2017 to determine whether the institutions accurately and timely reconciled the SAS reports to their institutional records.

How were the results of the audit work measured?

Per federal regulations [34 CFR 685.300(B)(5)], on a monthly basis, all institutions receiving federal Direct Loan funds must reconcile institutional records with Direct Loan funds received through the SAS data file.

What problem did the audit work identify?

While we did not identify exceptions at CCA, FRCC, LCC, MCC and PCC, we determined that NJC staff did not complete either of the required monthly SAS reconciliations that we selected for testing (100%). Although we noted that NJC staff periodically completed reconciliations throughout Fiscal Year 2017, staff was unable to provide documentation for the September 2016 or March 2017 reconciliations selected for testing.

Why did this problem occur?

NJC does not have proper policies and procedures in place to ensure that SAS data files are obtained, reconciliations prepared, and documentation maintained on a monthly basis.

Why does this problem matter?

Lack of monthly reconciliation between SAS data file and institutional records could cause differences between the two systems to go undetected. In addition, a lack of policies and procedures over the SAS reconciliations increases the risk that NJC will not be in compliance with federal regulations and may result in federal sanctions.

(CFDA No. 84.268; Federal Direct Student Loans. Classification of Finding: Significant Deficiency and Other Instance of Noncompliance; Total known questioned costs of \$0).

Recommendation No. 2:

The Colorado Community College System should provide oversight and training to assist Northeastern Junior College with implementing internal controls over Direct Loan Student Account Statement data file reconciliations. The internal controls should include establishing policies and procedures to help ensure the SAS data files are obtained, reconciliations performed between the SAS data files and the institutional records, and the documentation maintained on a monthly basis.

Colorado Community College System Response:

Agree. Implementation Date: January 2018.

CCCS will provide on-going training for Direct Loan and Pell Reconciliation by the 10th of each month. In addition, CCCS Financial Aid Director will provide a detailed Business Process and assist NJC in preparation of the monthly reconciliation.

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Disposition of Prior Audit Findings and Recommendations
Year ended June 30, 2017

No.	Recommendation	Disposition
Recommendation No. 1	<p>The Colorado Community College System (the System) should provide oversight and training to:</p> <p>(a) Assist the Community College of Aurora and Lamar Community College with implementing appropriate internal controls over Title IV COD to Banner reconciliations to establish a sufficient system of internal controls to properly document and retain the monthly COD to Banner reconciliations in accordance with Title IV regulations</p> <p>(b) Assist the Community College of Aurora with implementing appropriate internal controls over Title IV COD reporting to ensure that rejections are remediated timely and disbursements are not made to students in a rejected status in accordance with Title IV regulations.</p>	<p>(a) Implemented</p> <p>(b) Implemented</p>
Recommendation No. 2	<p>The Colorado Community College System (CCCS) should continue efforts to assist Community College of Aurora, Lamar Community College, Trinidad State Junior College, Pikes Peak Community College, and Otero Junior College with implementing appropriate internal controls over Title IV enrollment reporting to ensure enrollment status changes are reported to the Clearinghouse in a timely and accurate manner. These internal controls should include formalizing policies and procedures, including a process to gain access and report individual students separately to the National Student Loan Data System, if deemed necessary, to ensure required information is reported to the National Student Loan Data System in accordance with Title IV regulations.</p>	<p>Implemented</p>

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units 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, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Colorado Community College System, as of June 30, 2017, 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.

Emphasis of a 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 and the aggregate discretely presented component units 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, 2017 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.

Prior Year Audited by Other Auditors

The 2016 financial statements were audited by other auditors and their report thereon, dated November 30, 2016, expressed an unmodified opinion.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, 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 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 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.

BKD, LLP

Denver, Colorado
December 1, 2017

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

June 30, 2017 and 2016

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 years ended June 30, 2017 and 2016 (fiscal years 2017 and 2016, respectively), with comparative information presented for fiscal year 2015. 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 an employee benefit trust, presented as a blended component unit. In addition, CCCS has 14 supporting foundations, which are not included in CCCS' primary financial reporting entity, but are included as discretely presented component units in CCCS' financial statements (note 1) in accordance with the 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*.

CCCS is Colorado's largest institution of higher education and served approximately 120,000 students (50,000 full-time equivalent students) during each of the fiscal years ended June 30, 2017 and 2016. The System has approximately 5,900 employees by FTE, of which 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 over 140 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 2017 and 2016 because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System is 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 years 2017, 2016, and 2015, the System received 3.1%, 4.5%, and 4.0%, respectively, of total revenue in State support (notes 3 and 19).

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 years 2017, 2016, and 2015, the COF stipend was \$75, per credit hour, 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 year 2017, CDHEs' contract with CCCS purchased educational services with an increased emphasis on support services for Pell-eligible, first-generation, and underserved undergraduate students. Consistent with fiscal year 2016, this includes educational services in rural areas, high cost/student programs, institutional research services,

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

June 30, 2017 and 2016

remediation and special skills courses, creation of student career pathways, and for inclusion service compliance (notes 2 and 3).

Student tuition and fees, net of scholarship allowance, comprise several important and offsetting components. Student tuition and fees charges alone include all amounts earned for the provision of instructional services to students, including stipends paid for eligible undergraduate students under COF. In fiscal year 2017, CCCS had a \$15.2 million increase in net tuition and fee revenue resulting from a 4.9% increase in resident tuition and nonresident tuition rates offset by a 0.8% decrease in enrollment. This also includes a decrease in COF funding of approximately \$0.2 million compared to fiscal year 2016. This net tuition and fee increase also included a decrease in the scholarship allowance, or the amount of federal and state funded financial assistance paid on behalf of students, which is netted against tuition and fee revenue. This scholarship allowance offset decreased \$6.2 million due to a decrease in the number of students receiving Pell awards along with a small increase in Federal Pell awards received for students.

The following table represents the change in tuition and fees from fiscal year 2016 to 2017 (in millions):

Tuition and fees increase due to enrollment changes offset by rate increases	\$	10.7
Less decrease in COF stipend funding		<u>(0.2)</u>
Gross tuition and fee increase		10.5
Decrease as a result of an offsetting increase in bad debt		(1.5)
Increase as a result of an offsetting decrease in scholarship allowance		<u>6.2</u>
Net increase in student tuition and fees, net of scholarship allowance	\$	<u><u>15.2</u></u>

The following table represents the change in tuition and fees from fiscal year 2015 to 2016 (in millions):

Tuition and fees decrease due to enrollment changes offset by rate increases	\$	(2.6)
Less decrease in COF stipend funding		<u>(5.1)</u>
Gross tuition and fee decrease		(7.7)
Decrease as a result of an offsetting increase in bad debt		(7.8)
Increase as a result of an offsetting decrease in scholarship allowance		<u>11.5</u>
Net decrease in student tuition and fees, net of scholarship allowance	\$	<u><u>(4.0)</u></u>

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 \$8.2 million in Amendment 50 funding in fiscal year 2017, of which \$7.3 million was used for classroom instruction related expenses and \$0.6 million was awarded to students for scholarships, with the remaining \$0.7 million cumulative, including prior years, available for fiscal year 2018. CCCS received approximately \$6.5 million in Amendment 50 funding in fiscal year 2016, of which \$6.5 million was used for classroom instruction related expenses and \$0.6 million was awarded to students for scholarships, with the

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

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remaining \$0.4 million cumulative, including prior years, available for fiscal year 2017. In fiscal year 2015, CCCS received approximately \$5.6 million, of which \$5.0 million was used for classroom instruction related expenses and \$0.1 million was awarded to students for scholarships, with the remaining \$1.0 million cumulative, including prior years, available for fiscal year 2016.

Financial Highlights

At June 30, 2017, CCCS' assets and deferred outflows of \$1,371,660,104 were less than its liabilities and deferred inflows of \$1,866,134,613 by \$494,474,509. At June 30, 2016, CCCS' assets and deferred outflows of \$984,507,643 were less than its liabilities and deferred inflows of \$1,188,217,417 by \$203,709,774. At June 30, 2015, CCCS' assets and deferred outflows of \$893,844,586 were less than its liabilities and deferred inflows of \$1,087,846,217 by \$194,001,631. The resulting net position is summarized into the following categories:

	June 30		
	2017	2016	2015
Net investment in capital assets	\$ 382,009,870	368,084,190	330,732,009
Restricted, expendable	8,154,713	8,413,693	42,630,953
Unrestricted	<u>(884,639,092)</u>	<u>(580,207,657)</u>	<u>(567,364,593)</u>
Total net position	<u>\$ (494,474,509)</u>	<u>(203,709,774)</u>	<u>(194,001,631)</u>

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 2017, the CCCS' total net position decreased by \$290,764,735 due to a decrease of \$12,049,515 in current activity with an additional decrease of \$278,715,220 due to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27* (Statement No. 68) discussed in the overview.

During fiscal year 2016, the CCCS' total net position decreased by \$9,708,143 due to an increase in current activity of \$21,012,197 offset by a decrease in activity related to Statement No. 68 of \$30,720,340.

During fiscal year 2015, the CCCS' total net position increased by \$2,053,411 due to current activity offset by a decrease of \$813,970,318 due to the implementation of Statement No. 68.

Overview of the Financial Statements

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

The Independent Auditors' Report presents an unmodified opinion prepared by our auditors (an independent certified public accounting firm, BKD LLP) on the fairness, in all material respects, of our financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

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In fiscal year 2015, CCCS implemented Statement No. 68, which was effective for financial statements for periods beginning after June 15, 2014. Statement No. 68 revised and established new 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. The System has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA and the General Assembly. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability negatively impacts CCCS' unrestricted net position. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

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

The Statements of Net Position present 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, 2017 and 2016), 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 Statements of Revenues and Expenses and Changes in Net Position present information showing how CCCS' net position changed during the fiscal period (the fiscal years ended June 30, 2017 and 2016). 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 these statements 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 Statements of Cash Flows present cash receipts and payments to and from CCCS for the reporting period (the fiscal years ended June 30, 2017 and 2016) 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.

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

June 30, 2017 and 2016

Financial Analysis

The Statements of Net Position present 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.

The assets and deferred outflows of resources reported by CCCS were less than liabilities and deferred inflows of resources at June 30, 2017 resulting in a net position of \$(494,549,509) and assets and deferred outflows of resources were less than liabilities and deferred inflows of resources at June 30, 2016 resulting in a net position of \$(203,709,774). Assets and deferred outflows of resources were less than liabilities and deferred inflows of resources at June 30, 2015 resulting in a net position of \$(194,001,631). Assets and deferred outflows of resources were less than liabilities and deferred inflows of resources primarily due to the implementation of Statement No. 68. The majority of CCCS' net position is net investment in capital assets (e.g., land, buildings, and equipment). 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:

		June 30		
		2017	2016	2015
Current assets	\$	360,330,622	387,913,335	412,318,257
Noncurrent assets, including capital assets of \$486,463,186, \$470,593,799, and \$434,667,245, respectively		496,326,424	486,905,560	441,354,229
Total assets	\$	856,657,046	874,818,895	853,672,486
Total deferred outflows of resources	\$	515,003,058	109,688,748	40,172,100
Current liabilities		89,818,546	90,418,940	100,798,979
Noncurrent liabilities		1,764,603,263	1,070,095,463	974,881,181
Total liabilities	\$	1,854,421,809	1,160,514,403	1,075,680,160
Total deferred inflows of resources	\$	11,712,804	27,703,014	12,166,057
Net position:				
Net investment in capital assets	\$	382,009,870	368,084,190	330,732,009
Restricted - expendable		8,154,713	8,413,693	42,630,953
Unrestricted		(884,639,092)	(580,207,657)	(567,364,593)
Total net position	\$	(494,474,509)	(203,709,774)	(194,001,631)

Current assets decreased as of June 30, 2017 compared with June 30, 2016 by approximately \$27.6 million or 7.1% as a result primarily of a \$22.1 million decrease in cash and cash equivalents and a \$7.1 million decrease in accounts receivable offset by an increase in restricted cash of \$1.0 million and an increase in prepaid expenses of \$0.5 million. Decreases in accounts receivable include a decrease of \$2.0 million in due from other governments, net, and a decrease of \$5.8 million in student receivables, net, offset by an increase of \$0.7 million in other receivables, net, approximately.

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

June 30, 2017 and 2016

Current assets decreased as of June 30, 2016 compared with June 30, 2015 by approximately \$24.4 million or 5.9% as a result primarily of a \$21.2 million decrease in cash and cash equivalents and a \$1.9 million decrease in accounts receivable. Decreases in accounts receivable include a decrease of \$3.9 million in due from other governments, net, and a decrease of \$0.8 million in other receivables, net, offset by an increase of \$2.8 million in student receivables, net, approximately.

Current liabilities decreased as of June 30, 2017 compared with June 30, 2016 by approximately \$0.6 million or 0.7% as a result primarily of a \$5.3 million decrease in accounts payable offset by a \$1.2 million increase in accrued liabilities, a \$1.9 million increase in unearned revenue and a \$1.8 million increase in deposits held for others.

Current liabilities decreased as of June 30, 2016 compared with June 30, 2015 by approximately \$10.4 million or 10.3% primarily due to a decrease of \$4.3 million in accounts payable and a decrease of \$5.9 million in accrued liabilities.

Noncurrent assets increased as of June 30, 2017 compared with June 30, 2016 by \$9.4 million or 1.9% due to an increase in net capital assets of \$15.9 million, primarily due to a \$41.4 million increase in land, buildings and improvements, leasehold improvements, and equipment, net of accumulated depreciation, offset by a decrease of \$26.0 million in construction in progress and \$0.3 million for library materials. Additionally, there is a decrease of restricted investments of \$9.2 million from bond proceeds to be expended for capital projects, offset by an increase in other long-term assets of \$2.8 million. The increase in long-term assets is for prepaid maintenance contracts for Information Technology assets.

Noncurrent assets increased as of June 30, 2016 compared with June 30, 2015 by \$45.6 million or 10.3% due to an increase in net capital assets of \$35.9 million, primarily due to a \$44.8 million increase in land, buildings and improvements, net of accumulated depreciation, offset by decreases of \$5.6 million in leasehold improvements, equipment and library materials, net of accumulated depreciation. Additionally, there is an increase in restricted investments of \$16.3 million from bond proceeds to be expended for capital projects.

Noncurrent liabilities increased as of June 30, 2017 compared with June 30, 2016 by \$694.5 million or 64.9%. This change was due to the increase in the net pension liability of \$700.0 million, offset by a decrease of \$4.2 million in bonds payable and a decrease of \$1.0 million in capital leases payable.

Noncurrent liabilities increased as of June 30, 2016 compared with June 30, 2015 by \$95.2 million or 9.8%. This change was due to the increase in the net pension liability of \$84.7 million and an \$11.6 million increase in bonds payable.

Statement No. 68 requires CCCS to record deferred outflows of resources and deferred inflows of resources related to pensions, which primarily reflect the changes in actuarial assumptions used to value the overall PERA pension liability that will be recognized in future periods. Deferred outflows of resources increased as of June 30, 2017 compared to June 30, 2016 by \$405.3 million or 369.5% and deferred inflows of resources decreased as of June 30, 2017 compared to June 30, 2016 by \$16.0 million or 57.7%. The changes are due to PERA changing the actuarial assumptions used to value the pension liability.

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

June 30, 2017 and 2016

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). Restricted net position is primarily restricted for scholarships, loans, and community training programs.

The negative unrestricted net position of \$(884,639,092) and \$(580,207,657) as of June 30, 2017 and 2016, respectively, is due to the implementation of Statement No. 68 in fiscal year 2015, and related activity in fiscal years 2016 and 2017. PERA reviews the long-term expected return on plan assets every four or five years, including October of 2016. At that time the investment rate of return was decreased from 7.50% per year, compounded annually, net investment expenses to 7.25% per year, compounded annually, net of investment expense. Additionally, the discount rate used to measure the total pension liability was 5.26%. As a result, these changes were the primary driver leading to a projected depletion of the SDTF's fiduciary net position in 2039 and the significant increase in pension liability for CCCS. Therefore, 7.25% on pension plan investments was applied to periods through 2039 and the municipal bond index rate published by the Board of Governors of the Federal Reserve System as of the measurement date of 3.86%, resulted in a discount rate of 5.26%. As of the prior measurement date, both the long-term expected rate of return on plan investments and the discount rate of 7.5%.

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 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. 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 and most gifts and investment income are also nonoperating revenue.

State appropriations, net of distributions to LDCs and AVSs, represent approximately 5.1%, 4.9%, and 4.7%; student tuition and fees represent approximately 43.4%, 39.7%, and 41.7%, and FFS contracts represent approximately 8.5%, 8.2%, and 5.1% of CCCS' total revenue (less distributions to LDC and AVS) from all sources in fiscal years 2017, 2016, and 2015, respectively, as detailed in the charts on the following pages. However, like most public institutions of higher education, public support in the form of state appropriations offsets or supplements the operating loss from the cost of operations. CCCS experienced a \$432.6 million loss from operations in fiscal year 2017 compared to \$179.1 million and \$166.6 million losses from operations in fiscal years 2016 and 2015, respectively. In fiscal year 2017, this operating loss was offset by net state appropriations of \$31.0 million, Federal Pell grants of \$90.3 million, and Amendment 50 funding of \$8.3 million. In fiscal year 2016, the operating loss of \$179.1 million was offset by net state appropriations of \$30.8 million, Federal Pell grants of \$97.5 million, and Amendment 50 funding of \$6.5 million. In fiscal year 2015, the operating loss of \$166.6 million was offset by net state appropriations of \$28.6 million, Federal Pell grants of \$114.0 million, and Amendment 50 funding of \$5.6 million.

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

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The operating loss over the two-year period presented is a result of operating expenses in excess of operating revenues due to services provided through the flattening and decreases in enrollment over the two-year period, coupled with the increase in pension expense.

**Condensed Summary of Changes of Revenues and Expenses
and Changes in Net Position**

	June 30		
	2017	2016	2015
Operating revenues:			
Tuition and fees, net	\$ 265,681,218	250,448,358	254,455,049
Grants and contracts	100,773,088	108,281,670	107,806,210
Fee-for-service state contract	52,127,247	52,177,132	30,992,652
Sales and services of educational activities	1,410,934	1,387,193	1,489,873
Auxiliary enterprises, net	34,279,144	33,147,029	35,448,832
Other	12,355,675	14,689,476	7,899,974
Total operating revenues	<u>466,627,306</u>	<u>460,130,858</u>	<u>438,092,590</u>
Operating expenses:			
Instruction	409,050,602	273,329,307	257,193,443
Research	-	-	55,366
Public service	7,023,517	4,720,916	3,941,006
Academic support	65,799,903	45,577,510	45,040,641
Student services	112,275,097	76,080,125	72,363,956
Institutional support	132,025,659	90,048,253	83,000,576
Operation and maintenance of plant	71,349,870	56,488,871	49,746,442
Scholarships and fellowships	18,049,684	18,634,601	18,552,687
Auxiliary enterprises	45,076,192	38,650,089	41,368,875
Depreciation and amortization	38,605,609	35,732,749	33,463,675
Total operating expenses	<u>899,256,133</u>	<u>639,262,421</u>	<u>604,726,667</u>
Operating loss	<u>(432,628,827)</u>	<u>(179,131,563)</u>	<u>(166,634,077)</u>
Nonoperating revenues (expenses):			
State appropriations	56,600,299	56,397,584	51,637,095
Federal Pell grants	90,263,735	97,489,664	113,998,559
Amendment 50 funding	8,255,091	6,545,140	5,557,239
Distributions to Local District Colleges and Area Vocational Schools	(25,560,936)	(25,560,936)	(23,028,285)
Other nonoperating revenues and expenses, net	1,553,110	3,879,385	1,148,337
Net nonoperating revenues	<u>131,111,299</u>	<u>138,750,837</u>	<u>149,312,945</u>
Income before other revenues, expenses, gains, or losses	<u>(301,517,528)</u>	<u>(40,380,726)</u>	<u>(17,321,132)</u>

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

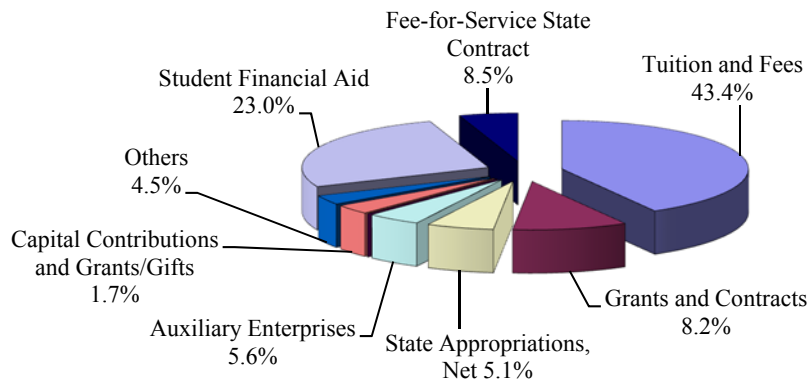
June 30, 2017 and 2016

**Condensed Summary of Changes of Revenues and Expenses
and Changes in Net Position (continued)**

	June 30		
	2017	2016	2015
State capital contributions	\$ 8,875,436	23,138,237	18,071,060
Capital grants and gifts	1,877,357	7,534,346	1,303,483
Increase (decrease) in net assets	(290,764,735)	(9,708,143)	2,053,411
Net position:			
Beginning of year	(203,709,774)	(194,001,631)	(196,055,042)
End of year	\$ (494,474,509)	(203,709,774)	(194,001,631)

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

**Sources of Revenue
Fiscal Year 2017**



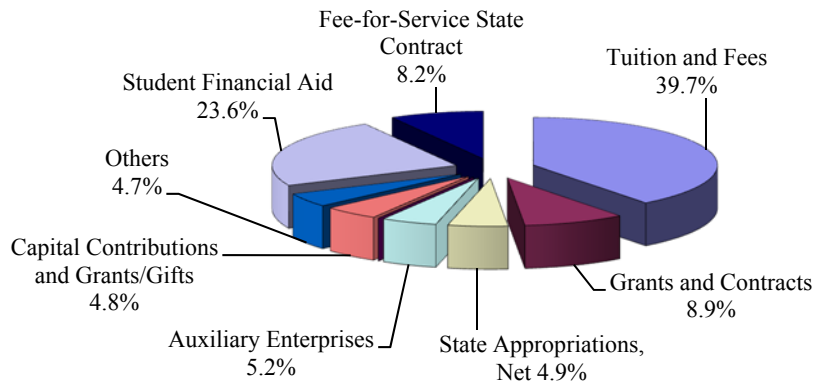
COLORADO COMMUNITY COLLEGE SYSTEM

Management’s Discussion and Analysis

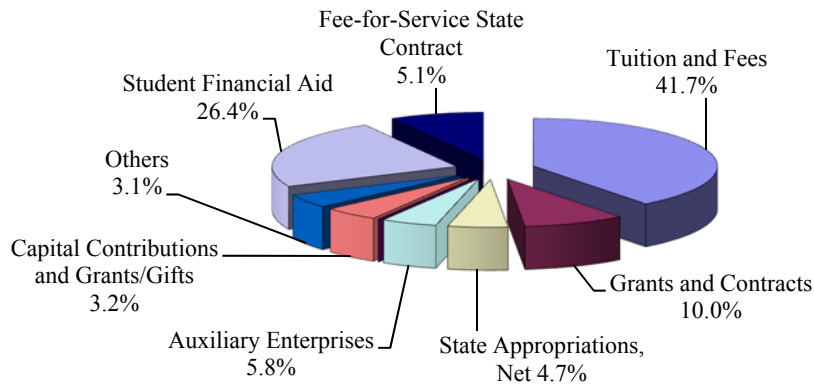
(Unaudited)

June 30, 2017 and 2016

**Sources of Revenue
Fiscal Year 2016**



**Sources of Revenue
Fiscal Year 2015**



As the above charts demonstrate, student tuition and fees are the largest revenue source for CCCS in fiscal years 2017, 2016, and 2015. The operating loss of approximately \$432.6 million, \$179.1 million, and \$166.6 million in fiscal years 2017, 2016, and 2015, respectively, noted above, is a result of operating expenses exceeding operating revenues. CCCS supplemented operating revenues with state appropriations, Federal Pell grants, and Amendment 50 funding for fiscal years 2017, 2016, and 2015, which are classified as nonoperating revenues but are used to fund operations.

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

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Revenue activity highlights for fiscal year 2017 include:

- Grants and contracts decreased by \$7.5 million or 6.9% primarily as a result of a \$3.6 million decrease for the PCC Trade Adjustment Assistance (TAA) grant ending in September 2017 and a \$2.2 million decrease for the OJC and TSJC Hispanic-Serving Institution grants (Title V) ending in September 2017.
- Other Operating Revenues decreased by \$2.3 million or 15.9%. This decrease was due to a stabilization of the fee charged by CCCS for aged receivables turned over to collections in FY17 with fewer students requiring the fee.
- Federal PELL grants decreased by \$7.2 million, or 7.4% primarily as a result of a decrease of approximately 4,900 recipients, or 13.4% offset by a 6.8% increase of the average student award.
- Amendment 50 funding increased by \$1.7 million or 26.1% due to the increase in state gambling revenues that drive the funding allocation to CCCS.
- Investment Income decreased by \$2.6 million or 62.7%. The primary reason is a \$2.2 million increase in the unrealized loss on investments for the CCCS' share of the State Treasury pooled cash.
- State Capital Contributions decreased by \$14.3 million, or 61.6%. The primary project contributing to this decrease was a decrease of construction activity for the completion of the RRCC Arvada Campus Health Sciences Center of \$10.5 million. Additionally CCCS, CNCC, MCC, OJC, and TSJC had decreases in overall spending of \$3.3 million for various controlled maintenance projects. NJC had a decrease of activity \$4.2 million for the ES French building project offset by an increase in funding for new controlled maintenance, IT infrastructure, and building improvements of \$3.8 million at CCD, LCC, NJC, OJC, PCC, and TSJC.
- Capital Gifts decreased by \$5.7 million or 75.1% due primarily to the donation of land, land improvements, and building from the CCA Foundation to CCA of \$6.0 million in the prior fiscal year offset by an increase in capital gifts to RRCC of \$0.7 million .

Revenue activity highlights for fiscal year 2016 include:

- Fee for service (FFS) state contracts increased by \$21.2 million, or 68.4% due to an increase in FFS appropriations from the State. This was related to a decrease in enrollment.
- Auxiliary Enterprises Net of Scholarship Allowances decreased by \$2.3 million or 6.5%. Contributing to this change was a decrease of \$2.0 million in textbook sales due to online bookstore competition, digital content, and an enrollment decrease.
- Other Operating Revenues increased by \$6.8 million, or 85.9%. This increase was due to a change in the collection process in fiscal year 2016. CCCS now charges aged delinquent student accounts a collection fee before submitting to collection agencies.

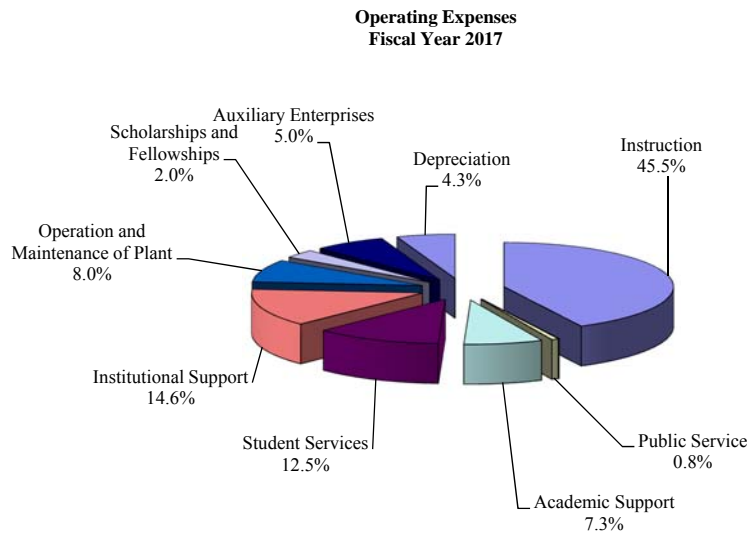
COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

June 30, 2017 and 2016

- State Appropriations increased by \$4.8 million, or 9.2%. This was due to an increase in State Long Bill Appropriations for AVS and LDC of \$2.5 million, Colorado Job Training of \$1.8 million, and Career Technical Act of \$0.5 million.
- Federal PELL grants decreased by \$16.5 million, or 14.5% primarily as a result of a decrease of approximately 3,600 recipients, or 9.0% and a 12.4% decrease of the average student award.
- State Capital Contributions increased by \$5.1 million, or 28.0%. The primary project contributing to this increase was the RRCC Arvada Campus Health Sciences Center of \$7.3 million offset by a decrease in construction activity for the NJC ES French Building of \$3.3 million.
- Capital Gifts increased \$6.2 million or 478.0% due primarily to the donation of land and building from the CCA Foundation to CCA of \$6.0 million.
- Other Nonoperating Revenue (Expense) increased by \$2.7 million, or 237.8%. This was due primarily to NJC's loss on the sale of the Golf Course in fiscal year 2015, which offset prior year gains.



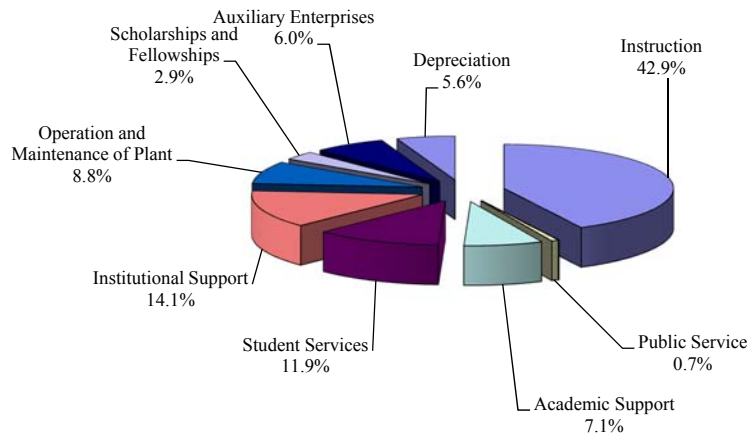
COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

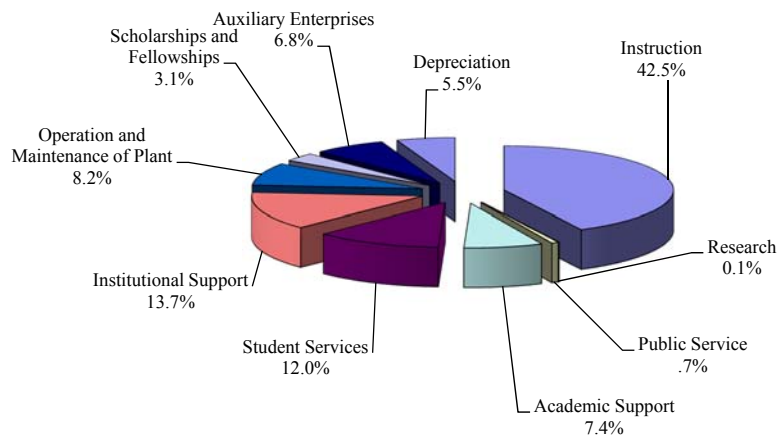
(Unaudited)

June 30, 2017 and 2016

**Operating Expenses
Fiscal Year 2016**



**Operating Expenses
Fiscal Year 2015**



Expense activity highlights for fiscal year 2017 include:

- Instructional expense increased by \$135.7 million or 49.7% primarily as a result of a \$127.4 million increase for pension expense. Other increases include \$4.8 million for salary and benefits across the System, and an increase of \$3.6 million at ACC for concurrent enrollment expense that had previously been recognized in the academic support line.
- Public Services expense increased by \$2.3 million or 48.8% primarily as the result of a \$2.2 million increase for pension expense.

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

June 30, 2017 and 2016

- Academic Support expense increased by \$20.2 million or 44.4% primarily as the result of a \$20.8 million increase for pension expense and \$0.7 million for salary and benefits across the System. This was offset by a net decrease of \$1.3 million for changes in concurrent enrollment now recognized within instruction at PCC and PPCC.
- Student Services expenses increased by \$36.2 million or 47.6% primarily as the result of a \$36.7 million increase for pension expense.
- Institutional support increased by \$42.0 million or 46.6% primarily as the result of a \$38.8 million increase for pension expense.
- Operations and Maintenance of Plant increased by \$14.9 million or 26.3% primarily as the result of \$15.4 million increase for pension expense.
- Auxiliary Enterprises expenses increased by \$6.4 million or 16.6% primarily as the result of a \$6.6 million increase for pension expense.

Expense activity highlights for fiscal year 2016 include:

- Instructional expense increased by \$16.1 million or 6.3% primarily as the result of \$5.5 million increase for pension expense along with salary increases for faculty and adjunct instructional personnel.
- Student Services expenses increased by \$3.7 million or 5.1%. This increase is due primarily to \$1.7 million increase for pension expense and \$0.4 million for set up of new student placement exams system-wide. The remaining increase is primarily related to salary increases for student service personnel.
- Institutional support increased by \$7.0 million or 8.5%. Contributing to these increases is a \$1.8 million increase for pension expense. Additionally, CCCS incurred an increase of \$1.0 million for a marketing campaign, \$1.0 million in one-time IT projects and maintenance costs along with a \$1.5 million increase for salary and benefits compared to prior year that recognized significant salary savings for vacant positions. The remaining differences are salary increases across the system for support personnel over the limited increase in the prior year.
- Operations and Maintenance of Plant increased by \$6.7 million or 13.6%. This increase was caused in part by an increase in the lease payment for CCA to their Foundation of \$1.2 million and controlled maintenance projects along with other general repair and updates on the Lakewood campus totaling \$1.7 million at RRCC. In addition, PCC had \$0.9 million for non-capital expenditures for furniture and equipment for the Davis building and other water line and electrical costs and OJC had \$0.7 million for tech infrastructure and a video survey project. NJC also had an increase of \$313.0 thousand for the purchase of non-capital equipment and furniture for the ES French building. The remaining differences are due to a \$0.7 million increase in pension expense, couple by various nominal projects across the system along with personnel increases system-wide.

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

June 30, 2017 and 2016

Capital Asset and Debt Management

At June 30, 2017, CCCS had \$486,463,186 of capital assets, net of accumulated depreciation of \$448,036,871 and including current year depreciation of \$38,605,609. At June 30, 2016, CCCS had \$470,593,799 of capital assets, net of accumulated depreciation of \$412,845,229 and including current year depreciation of \$35,732,749. At June 30, 2015, CCCS had \$434,667,245 of capital assets, net of accumulated depreciation of \$378,079,124 and including current year depreciation of \$33,463,675. A breakdown of assets by category, net of accumulated depreciation is provided below:

	<u>2017</u>	<u>June 30 2016</u>	<u>2015</u>
Nondepreciable land and land improvements	\$ 33,372,686	26,055,683	21,460,967
Construction in progress	24,318,790	50,329,850	53,577,938
Collections	945,439	882,306	882,306
Land improvements	12,473,237	11,753,128	9,103,842
Buildings and improvements	361,516,142	330,684,317	293,111,208
Leasehold improvements	18,614,241	17,535,715	19,588,004
Equipment and software	33,459,086	31,243,564	34,630,074
Library materials	1,763,565	2,109,236	2,312,906
Total capital assets	\$ <u>486,463,186</u>	<u>470,593,799</u>	<u>434,667,245</u>

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis

(Unaudited)

June 30, 2017 and 2016

Major capital additions of \$500,000 or more completed during fiscal year 2017 are as follows:

<u>College</u>	<u>Project</u>	<u>Total project cost</u> (In millions)	<u>Source of funding</u>
Arapahoe Community College	Replacement Classroom Unit	\$ 0.8	State
	CDC Lab School Remodel PD2-14	0.9	Internal Reserves
	Fitness Center Remodel PD3-14	0.7	Internal Reserves
Front Range Community College	Replace Dedicated Fire line Larimer Campus (LC)	0.5	State
	Replace Electrical Switchgear LC	0.5	State
	Upgrade Fire Alarm Notify System LC	0.9	State
	Mount Antero Remodel LC	10.7	Internal Reserves/Bonds
	Main Building Renovation Westminster Campus (WC)	4.4	Internal Reserves
	Furniture Replacement LC	1.0	Internal Reserves
	Support Services Project LC	0.8	Internal Reserves
Lamar Community College	Campus VP Improvements WC	0.8	Internal Reserves
	Residence Hall Pod #1	1.3	Self Funded/Foundation
Otero Junior College	Bowman Lecture Hall Improve	0.6	State
	Conley Dorm E	0.9	Internal Reserves
Pikes Peak Community College	Conley Dorm F	0.9	Internal Reserves
	CC Breckenridge Bldg Elevator	0.6	State
Pueblo Community College	Electrical SW Mancos	0.5	State
Red Rocks Community College	Health Professions and Science Building - Arvada Campus	17.7	State/Internal Reserves
	Campus Recreation Center	12.0	Internal Reserves/Bonds

The System has \$23.3 million and \$28.8 million in commitments for various upcoming capital construction and controlled maintenance projects as of June 30, 2017 and 2016, respectively.

CCCS had \$102,973,973, \$108,250,358, and \$97,421,410 in debt outstanding at June 30, 2017, 2016, and 2015, respectively.

In January 2016, Moody's assigned Aa3 underlying and Aa2 enhanced ratings to CCCS' Series 2016 Revenue Bonds. Moody's also affirmed the Aa3 underlying rating the Series 2012A and 2013 Systemwide Revenue bonds and Aa2 enhanced rating for the Series 2010 (A, B-2, C, and D) Revenue Bonds.

COLORADO COMMUNITY COLLEGE SYSTEM

Management’s Discussion and Analysis

(Unaudited)

June 30, 2017 and 2016

The breakdown of the debt is as follows:

		June 30	
	2017	2016	2015
Bonds payable	\$ 92,337,223	96,676,305	85,169,454
Capital leases payable	10,636,750	11,574,053	12,251,956
Total debt	\$ 102,973,973	108,250,358	97,421,410

Colorado Community College System Future

The budgetary situation for higher education continues to change. For fiscal year 2018 funding, CCCS is authorized to receive \$49.5 million in FFS revenue and \$104.1 million in student stipends. This support totaling \$153.5 million of anticipated fiscal year 2018 funding represents a 0.1% increase in state support from the \$153.3 million that was provided in 2017. CCCS anticipates receiving \$8.3 million of funding under the Amendment 50 funding in fiscal year 2018.

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

Enrollment: In fiscal year 2017, in a slowly expanding economy, CCCS’ resident enrollment of 46,856 decreased by 0.9% from fiscal year 2016, and nonresident enrollment of 3,006 increased by 1.0%, resulting in a total net enrollment decrease of 0.8%. Therefore, further flattening or nominal increases in enrollment are anticipated in the fiscal year 2018 budget.

Tuition Rates: In an effort to mitigate increased costs along with an overall decrease in state support during the previous two years, the Board raised the resident tuition and nonresident tuition by 4.9% in fiscal year 2017. The Board also approved a 5.6% increase in resident and nonresident tuition for fiscal year 2018.

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 E. Lowry Blvd.
Denver, Colorado 80230-6011

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activities

Statements of Net Position

June 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 297,654,423	319,775,628
Restricted cash and cash equivalents	4,806,003	3,813,019
Accounts receivable, net	53,135,075	60,256,027
Inventories	3,308,527	3,158,935
Prepaid expenses	1,426,594	909,726
Total current assets	360,330,622	387,913,335
Noncurrent assets:		
Restricted cash and cash equivalents	9,105	8,434
Restricted investments	7,079,232	16,303,327
Other noncurrent assets	2,774,901	-
Capital assets, net	486,463,186	470,593,799
Total noncurrent assets	496,326,424	486,905,560
Total assets	\$ 856,657,046	874,818,895
Deferred Outflows of Resources		
Deferred outflows:		
Pensions	\$ 515,003,058	109,688,748
Total deferred outflows	\$ 515,003,058	109,688,748
Liabilities		
Current liabilities:		
Accounts payable	\$ 16,202,972	21,482,746
Accrued liabilities	29,478,908	28,326,279
Unearned revenue	23,988,614	22,064,195
Deposits held for others	12,834,755	11,082,236
Bonds payable, current portion	3,930,000	4,065,000
Capital leases payable, current portion	1,019,392	927,694
Other long-term liabilities, current portion	407,222	698,159
Compensated absences liability, current portion	1,956,683	1,772,631
Total current liabilities	89,818,546	90,418,940
Noncurrent liabilities:		
Bonds payable	88,407,223	92,611,305
Capital leases payable	9,617,358	10,646,359
Other long-term liabilities	1,752,611	1,527,164
Compensated absences liability	17,669,066	18,173,370
Net pension liability	1,647,157,005	947,137,265
Total noncurrent liabilities	1,764,603,263	1,070,095,463
Total liabilities	\$ 1,854,421,809	1,160,514,403
Deferred Inflows of Resources		
Deferred inflows:		
Pensions	\$ 11,712,804	27,703,014
Total deferred inflows	\$ 11,712,804	27,703,014
Net Position		
Net position:		
Net investment in capital assets	\$ 382,009,870	368,084,190
Restricted for expendable purposes:		
Scholarships/fellowships	528,124	657,645
Loans	884,976	886,318
Capital projects	45,617	183,901
Training programs	2,696,579	1,277,118
Amendment 50 instruction	682,316	347,930
Amendment 50 scholarship	-	66,938
Debt service	2,640,774	2,102,317
Other	676,327	2,891,526
Total restricted for expendable purposes	8,154,713	8,413,693
Unrestricted (note 2)	(884,639,092)	(580,207,657)
Total net position	\$ (494,474,509)	(203,709,774)

See accompanying notes to financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Statements of Financial Position

June 30, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	\$ 7,065,665	9,498,999
Accounts and pledges receivable	1,774,037	1,451,902
Investments	41,817,827	34,684,098
Beneficial interest in charitable remainder trust	1,264,015	599,456
Other assets	451,690	40,498
Capital assets, net	2,367,878	2,343,745
Total assets	<u>\$ 54,741,112</u>	<u>48,618,698</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 746,579	648,527
Due to primary government	359,909	614,274
Accrued liabilities	250	-
Deferred revenue	54,070	95,135
Other liabilities	572,391	421,071
Total liabilities	<u>1,733,199</u>	<u>1,779,007</u>
Net assets:		
Unrestricted	13,927,274	12,979,204
Temporarily restricted	22,318,388	19,221,836
Permanently restricted	16,762,251	14,638,651
Total net assets	<u>53,007,913</u>	<u>46,839,691</u>
Total liabilities and net assets	<u>\$ 54,741,112</u>	<u>48,618,698</u>

See accompanying notes to financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activities

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$123,553,372 and \$129,797,094; including revenues pledged for bonds of \$26,568,122 and \$25,044,836 in 2017 and 2016, respectively	\$ 265,681,218	250,448,358
Grants and contracts	100,773,088	108,281,670
Fee-for-service state contract	52,127,247	52,177,132
Sales and services of educational activities	1,410,934	1,387,193
Auxiliary enterprises, net of scholarship allowances of \$3,467,887 and \$3,824,183	34,279,144	33,147,029
Other operating revenues and gifts	<u>12,355,675</u>	<u>14,689,476</u>
Total operating revenues	<u>466,627,306</u>	<u>460,130,858</u>
Operating expenses:		
Instruction	409,050,602	273,329,307
Public service	7,023,517	4,720,916
Academic support	65,799,903	45,577,510
Student services	112,275,097	76,080,125
Institutional support	132,025,659	90,048,253
Operation and maintenance of plant	71,349,870	56,488,871
Scholarships and fellowships	18,049,684	18,634,601
Auxiliary enterprises	45,076,192	38,650,089
Depreciation and amortization	<u>38,605,609</u>	<u>35,732,749</u>
Total operating expenses	<u>899,256,133</u>	<u>639,262,421</u>
Operating loss	<u>(432,628,827)</u>	<u>(179,131,563)</u>
Nonoperating revenues (expenses):		
State appropriations	56,600,299	56,397,584
Federal Pell grants	90,263,735	97,489,664
Amendment 50 funding	8,255,091	6,545,140
Distributions to Local District College and Area Vocational Schools	(25,560,936)	(25,560,936)
Gifts	990,977	398,081
Investment income	1,557,535	4,178,643
Interest expense on capital debt	(4,021,467)	(3,257,432)
Other nonoperating revenues	<u>3,026,065</u>	<u>2,560,093</u>
Net nonoperating revenues	<u>131,111,299</u>	<u>138,750,837</u>
Loss before other revenues, expenses, gains, or losses	<u>(301,517,528)</u>	<u>(40,380,726)</u>
Other revenues, expenses, gains, or losses:		
State capital contributions	8,875,436	23,138,237
Capital grants and gifts	<u>1,877,357</u>	<u>7,534,346</u>
Decrease in net position	<u>(290,764,735)</u>	<u>(9,708,143)</u>
Net position, beginning of year	<u>(203,709,774)</u>	<u>(194,001,631)</u>
Net position, end of year	\$ <u><u>(494,474,509)</u></u>	\$ <u><u>(203,709,774)</u></u>

See accompanying notes to financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Statement of Activities

Year Ended June 30, 2017

	2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:				
Contributions	\$ 1,671,393	9,770,563	1,686,878	13,128,834
Grants	-	618,216	-	618,216
Investment income, net	1,667,852	1,194,495	173,063	3,035,410
Rental income	109,564	304,186	-	413,750
Special events	359,100	221,268	-	580,368
Net assets released from restrictions	8,746,269	(8,994,745)	268,476	20,000
Other income (loss)	727,170	(17,431)	(4,817)	704,922
Total revenues	13,281,348	3,096,552	2,123,600	18,501,500
Expenses:				
Program services	9,981,084	-	-	9,981,084
Fund-raising services	895,417	-	-	895,417
Administrative services	1,456,777	-	-	1,456,777
Total expenses	12,333,278	-	-	12,333,278
Change in net assets	948,070	3,096,552	2,123,600	6,168,222
Net assets, beginning of year	12,979,204	19,221,836	14,638,651	46,839,691
Net assets, end of year	\$ 13,927,274	22,318,388	16,762,251	53,007,913

See accompanying notes to financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Statement of Activities

Year Ended June 30, 2016

	2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:				
Contributions	\$ 1,334,119	9,243,507	782,137	11,359,763
Grants	4,879	228,462	-	233,341
Investment income, net	(112,509)	252,453	63,769	203,713
Rental income	2,271,876	290,086	-	2,561,962
Special events	146,794	226,785	-	373,579
Net assets released from restrictions	8,374,173	(8,374,173)	-	-
Other income (loss)	1,216,639	(850,545)	310,301	676,395
Total revenues	<u>13,235,971</u>	<u>1,016,575</u>	<u>1,156,207</u>	<u>15,408,753</u>
Expenses:				
Program services	16,007,454	-	-	16,007,454
Fund-raising services	774,301	-	-	774,301
Administrative services	1,154,542	-	-	1,154,542
Total expenses	<u>17,936,297</u>	<u>-</u>	<u>-</u>	<u>17,936,297</u>
Change in net assets	(4,700,326)	1,016,575	1,156,207	(2,527,544)
Net assets, beginning of year	<u>17,679,530</u>	<u>18,205,261</u>	<u>13,482,444</u>	<u>49,367,235</u>
Net assets, end of year	\$ <u><u>12,979,204</u></u>	<u><u>19,221,836</u></u>	<u><u>14,638,651</u></u>	<u><u>46,839,691</u></u>

See accompanying notes to financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activities

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received:		
Tuition and fees	\$ 272,450,621	247,739,766
Student loans collected	1,340,448	2,629,929
Sales of products and services	35,187,312	34,549,963
Grants, contracts, and gifts	155,802,208	160,808,491
Other operating receipts	12,540,289	15,027,927
Cash payments:		
Scholarships disbursed	(18,049,684)	(18,634,601)
Student loans disbursed	(1,320,166)	(2,480,361)
Payments for employees	(370,858,789)	(369,797,457)
Payments to suppliers	(198,731,305)	(191,230,229)
Net cash used in operating activities	<u>(111,639,066)</u>	<u>(121,386,572)</u>
Cash flows from noncapital financing activities:		
State appropriations – noncapital	56,724,814	56,397,584
Federal Pell grants	90,125,701	98,467,799
Amendment 50 funding	8,255,091	6,545,140
Distributions to Local District Colleges and Area Vocation Schools	(25,560,936)	(25,560,936)
Gifts and grants for other than capital purposes	990,477	1,464,184
Agency (inflows)	168,126,192	169,529,547
Agency (outflows)	(166,465,279)	(169,766,202)
Other noncapital financing activities	3,088,177	3,005,862
Net cash provided by noncapital financing activities	<u>135,284,237</u>	<u>140,082,978</u>
Cash flows from capital and related financing activities:		
Capital grants, contracts, and gifts	1,405,005	430,983
Proceeds from capital debt	-	19,231,657
State contribution for capital assets	8,713,294	22,972,168
Proceeds from sale of capital assets	10,042	-
Acquisition and construction of capital assets	(56,374,137)	(65,205,834)
Principal paid on capital debt	(4,990,618)	(8,104,840)
Interest on capital debt	(4,317,936)	(3,527,778)
Amount paid on bond issuance cost	-	(269,947)
Net cash used in capital and related financing activities	<u>(55,554,350)</u>	<u>(34,473,591)</u>
Cash flows from investing activities:		
Investment income	1,557,535	4,178,643
Proceeds from sale of investments	9,659,191	(18,840,825)
Purchase of investments	(435,097)	5,623,117
Net cash provided by (used in) investing activities	<u>10,781,629</u>	<u>(9,039,065)</u>
Net decrease in cash and cash equivalents	(21,127,550)	(24,816,250)
Cash and cash equivalents, beginning of year	<u>323,597,081</u>	<u>348,413,331</u>
Cash and cash equivalents, end of year	\$ <u><u>302,469,531</u></u>	\$ <u><u>323,597,081</u></u>

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activities

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (432,628,827)	(179,131,563)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	38,605,609	35,732,749
Increase in other nonoperating assets/noncash expenses	243,777	255,657
Decrease (increase) in assets and deferred outflows of resources:		
Receivables, net	7,950,351	(181,815)
Inventory and prepaids	(666,375)	1,264,419
Other noncurrent assets	(2,774,901)	-
Deferred outflows of resources related to pensions	(405,314,310)	(69,536,617)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(3,858,303)	(4,505,759)
Accrued liabilities	1,152,629	(5,932,218)
Unearned revenues	1,924,346	230,888
Deposits held for others	(1,598)	121,031
Compensated absences liability	(320,250)	(161,397)
Other liabilities	19,256	201,095
Pension liability	700,019,740	84,720,001
Deferred inflows of resources related to pensions	(15,990,210)	15,536,957
Net cash used in operating activities	\$ (111,639,066)	(121,386,572)
Noncash investing, capital, and noncapital financing activities:		
State funding for acquisitions of capital assets	\$ -	(166,068)
State funding for acquisitions of non-capital assets	124,515	-
Liabilities for capital assets	(4,971,632)	(7,329,908)
Equipment donations and capital gifts	475,226	6,037,260
Loss on disposal of capital assets	(55,840)	(499,475)
Amortization of bond/premium discount	274,545	230,359

See accompanying notes to financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Notes to Financial Statements

June 30, 2017 and 2016

(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 nine 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 and a 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 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, 2017 and 2016, 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. 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 Comprehensive Annual Financial Report.

Accordingly, the accompanying CCCS financial statements contain the operations of the system office and the following 13 colleges. 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)

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- Morgan Community College (MCC)
- Northeastern Junior College (NJC)
- Otero Junior College (OJC)
- Pikes Peak Community College (PPCC)
- Pueblo Community College (PCC)
- Red Rocks Community College (RRCC)
- Trinidad State Junior College (TSJC)

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, 2017 and 2016.

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*, CCCS has one blended component unit, 14 discretely presented component units, and participates in one joint venture as described below:

(a) Blended Component Unit

The SBCCOE Employee Benefit Trust Fund (the Benefit Trust) is included in the accompanying financial statements as a blended component unit. 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 Benefit Trust committee, and may include life, accidental death and dismemberment, short-term and/or long-term disability, basic or major medical, dental, or other sick, or accident benefits. Other benefits, as determined by the Benefit Trust committee, 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. Separate unaudited financial statements of the Benefit Trust are available upon request.

(b) Discretely Presented Component Units

A legally separate, tax-exempt foundation exists for the System office and each of the 13 colleges. 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

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activities. Their major sources of revenue include donations, interest, and dividends earned on bank accounts, investments, leases, and fund-raising events. The foundations act primarily as fund-raising 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 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.; Pikes Peak Community College Foundation, Inc.; Pueblo Community College Foundation; Red Rocks Community College Foundation; Trinidad State Junior College Foundation, Inc.; and Colorado Community College System Foundation were audited by other auditors. The Otero Junior College Foundation is not audited due to limited activity.

Complete financial statements for the foundations can be obtained from the Finance and Administration Department at the Colorado Community College System at (303) 595-1535 or by writing to:

Colorado Community College System
Finance and Administration Department
9101 E. Lowry Blvd.
Denver, Colorado 80230

(c) ***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.

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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

(2) **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.

(a) ***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.

(b) ***Accounts Receivable***

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

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

Restricted cash and cash equivalents and restricted investments primarily represent monies from unspent bond proceeds and monies restricted for Benefit Trust benefits. Investments are reported at fair value, which is determined based on quoted market prices as of June 30, 2017 and 2016.

(d) ***Inventories***

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

(e) ***Other Noncurrent Assets***

Other noncurrent assets consists of prepaid assets that will be expensed more than one year from the fiscal year-end.

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(f) 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) and internally developed software and \$5,000 for all other capital assets, including capital leases for equipment. 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, 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.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements.

As of June 30, 2017 and 2016, the construction in progress includes capital construction projects in process, but not substantially complete.

(g) Deposits Held for Others

Deposits held for others include balances representing the net position owed to the individuals or organizations for which CCCS is acting as custodian.

(h) Accrued Liabilities

Accrued liabilities primarily represent accrued payroll, benefits payable, and other payroll related liabilities at June 30, 2017 and 2016.

(i) Compensated Absences Liability

Compensated absences and related personnel expenses 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.

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(j) *Unearned Revenue*

Unearned revenue consists of amounts received from the provision of educational goods and services 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.

(k) *Capital Leases*

Capital leases consist of various lease purchase contracts, energy performance contracts, and other lease agreements with original value \$5,000 or over. Such contracts provide that any commitments beyond the current year are contingent upon funds being appropriated for such purposes. It is reasonably assured that such leases will be renewed in the normal course of business and, therefore, are treated as noncancelable for financial reporting purposes.

(l) *Deferred Outflows and Inflows of Resources*

Deferred outflows of resources is a consumption of net position by a government that is applicable to a future reporting period and deferred inflows of resources is an acquisition of net position by a government that is applicable to a future reporting period. Both deferred outflows and inflows are reported in the statements 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 related.

Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows and deferred inflows of resources related to pensions. These deferred outflows and deferred inflows of resources related to pensions are required to be recognized by an employer which primarily results from changes in the components of the net pension liability, including the changes in the total pension liability and in the pension plan's fiduciary net position. 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.

(m) *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.

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(n) Net Position

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

- Net investment in capital assets represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- Restricted for expendable purposes represents net resources in which CCCS is legally or contractually obligated to spend resources in accordance with restrictions imposed by legislation or external third parties.
- 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 during fiscal years 2017 and 2016, respectively.

(o) 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 2017, CDHEs' contract with CCCS purchased educational services with an increased emphasis on support services for Pell-eligible, first-generation, and underserved undergraduate students. Consistent with fiscal year 2016, this includes educational services in rural areas, high cost/student programs, institutional research services, remediation and special skills courses, creation of student career pathways, and for inclusion service compliance.

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- Nonoperating revenues and expenses are those that do not meet the definition of operating revenues or capital revenues. In fiscal years 2017 and 2016, nonoperating revenues include Career and Technical Act (CTA) state appropriations, Federal Pell grants, Amendment 50 funding, state training program grants, occupational education funds, gifts, investment income, and insurance recoveries from prior years. 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 and gifts and grants restricted for capital purposes.

(p) *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 are unrestricted resources used to pay expenses, with the exception of Amendment 50 funding received, which may be expensed in future periods.

(q) *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 and certain other auxiliary enterprises revenue 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 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.

(r) *Amendment 50 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. Community colleges are to use the funds for classroom instruction related activities and scholarships for students.

(s) *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

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reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

(t) Reclassifications

Prior year amounts have been reclassified to conform to the current year presentation. The reclassifications had no effect on the changes in net position.

(3) 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 (in fiscal year 2016 only) COF stipend, and FFS contract revenue.

For the years ended June 30, 2017 and 2016, appropriated expenditures were within the authorized spending authority. CCCS received a total general fund appropriation of \$56,600,299 and \$56,397,584 for 2017 and 2016, respectively. Included in the State appropriations are general fund appropriations specified to be passed through to two LDCs and three AVSs for 2017 and 2016 of \$25,560,936 and \$25,560,936, respectively. This amount consists of \$15,589,215 and \$15,589,215 for LDCs, and \$9,971,721 and \$9,971,721 for AVSs, for 2017 and 2016, respectively. Also, included in general fund appropriations were capital contributions of \$8,875,436 and \$23,138,237 for 2017 and 2016, respectively. During 2017 and 2016, CCCS received FFS contract revenue in the amount of \$52,127,247 and \$52,177,132 and COF stipends in the amount of \$101,202,900 and \$101,372,409, respectively.

(4) Tuition, Fees, and Auxiliary Revenue

Tuition, fees, and auxiliary revenue and the related scholarship allowances for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>		
	<u>Tuition and fees</u>	<u>Auxiliary revenue</u>	<u>Total</u>
Gross revenue	\$ 389,234,590	37,747,031	426,981,621
Scholarship allowances:			
Federal	78,873,580	2,029,030	80,902,610
State	35,322,149	863,309	36,185,458
Private	2,780,600	106,079	2,886,679
Institutional	6,577,043	469,469	7,046,512
Total scholarship allowances	<u>123,553,372</u>	<u>3,467,887</u>	<u>127,021,259</u>
Net revenue	<u>\$ 265,681,218</u>	<u>34,279,144</u>	<u>299,960,362</u>

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	2016		
	<u>Tuition and fees</u>	<u>Auxiliary revenue</u>	<u>Total</u>
Gross revenue	\$ 380,245,452	36,971,212	417,216,664
Scholarship allowances:			
Federal	79,119,794	2,282,760	81,402,554
State	39,690,192	1,026,269	40,716,461
Private	4,633,993	78,136	4,712,129
Institutional	6,353,115	437,018	6,790,133
Total scholarship allowances	<u>129,797,094</u>	<u>3,824,183</u>	<u>133,621,277</u>
Net revenue	<u>\$ 250,448,358</u>	<u>33,147,029</u>	<u>283,595,387</u>

(5) 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	
	<u>2017</u>	<u>2016</u>
Cash on hand and change funds	\$ 622,327	\$ 215,556
Deposits with financial institutions	1,357,928	5,720,086
Restricted cash at other institutions	4,815,108	-
Total	<u>\$ 6,795,363</u>	<u>\$ 5,935,642</u>

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

	Carrying amount	
	June 30	
	<u>2017</u>	<u>2016</u>
Footnote amounts:		
Deposits	\$ 6,795,363	5,935,642
Deposits held with State Treasurer	295,674,168	317,661,439
Restricted investments	<u>7,079,232</u>	<u>16,303,327</u>
Total	<u>\$ 309,548,763</u>	<u>339,900,408</u>
Financial statement amounts:		
Cash and cash equivalents	\$ 297,654,423	319,775,628
Current restricted cash and cash equivalents	4,806,003	3,813,019
Noncurrent restricted cash and cash equivalents	<u>9,105</u>	<u>8,434</u>
Subtotal cash and cash equivalents	302,469,531	323,597,081
Restricted investments	<u>7,079,232</u>	<u>16,303,327</u>
	<u>\$ 309,548,763</u>	<u>339,900,408</u>

CCCS deposits its cash with the Treasurer as required by C.R.S. The Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1. The Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2017 and 2016, CCCS had cash on deposit with the Treasurer of \$295,674,168 and \$317,661,439, which represented approximately 4.4% and 4.3% of the total of \$6,770.2 million and \$7,408.5 million, respectively, in deposits in the Treasurer’s Pool (Pool). As of June 30, 2017 and 2016, CCCS had \$7,079,232 and \$16,303,327 in restricted investments, respectively, which are comprised of marketable securities in active markets that have observable inputs and prices.

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

Additional information on investments of the Pool may be obtained in the State’s Comprehensive Annual Financial Report for the years ended June 30, 2017 and 2016.

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(a) 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.

The Benefit Trust does not have a documented risk policy for its investments for custodial credit risk. The investments held by the Benefit Trust are not held in the State Treasury Investment Pool.

(b) 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.

As of June 30, 2017 and 2016, there were no investments in the Benefit Trust subject to credit quality risk. The Benefit Trust does not have a documented risk policy on its investments for credit quality risk.

(c) 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.

As of June 30, 2017 and 2016, the Benefit Trust had no investments subject to interest rate risk. The Benefit Trust does not have a documented risk policy on its investments for interest rate risk.

(d) Concentration of Credit Risk

The Benefit Trust does have investments (other than U.S. government or agency securities, mutual funds, or investment pools), which represent 5.0% or more of total investments subject to concentration of credit risk, thus concentrating credit risk. Although all investments intrinsically carry credit risk, when investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss.

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As of June 30, 2017 and 2016, the fair value of Benefit Trust investments greater than 5.0% of total investments of \$3,641,922 and \$3,232,669, respectively, was as follows:

	2017	
	Fair value	Percentage of investments
Celgene Corp	\$ 292,208	8.02%
Goldman Sachs Group Inc	205,258	5.64
Ishares Barclays Intermediate Credit Bond Fund	327,144	8.98
Ishares Barclays 1–3 Year Credit Bond Fund	315,930	8.67
2016		
	Fair value	Percentage of investments
Brookdale Senior Living	\$ 228,512	7.07%
Celgene Corp	286,027	8.85
Ishares Barclays Intermediate Credit Bond Fund	331,555	10.26
Ishares Barclays 1–3 Year Credit Bond Fund	318,270	9.85
McDonalds Corp	174,493	5.40

CCCS management does not believe that possible future losses resulting from the Benefit Trust investments would have a material adverse effect on CCCS' financial condition or operations. The Benefit Trust does not have a documented risk policy on its investments for concentration of credit risk.

(e) Foreign Currency Risk

The Benefit Trust does not have a documented risk policy on its investments relative to foreign currency risk. The Benefit Trust was not subject to foreign currency risk in fiscal years 2017 and 2016.

(6) Accounts Receivable, Accounts Payable, and Accrued Liabilities

Accounts receivable at June 30, 2017 and 2016 were as follows:

	2017		
	Gross receivables	Allowance for uncollectible accounts	Net receivables
Student accounts receivable	\$ 73,327,351	(39,122,115)	34,205,236
Due from other governments	14,407,505	-	14,407,505
Other receivables	4,670,432	(148,098)	4,522,334
Total receivables	\$ <u>92,405,288</u>	<u>(39,270,213)</u>	<u>53,135,075</u>

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	2016		
	<u>Gross</u>	<u>Allowance for</u>	<u>Net</u>
	<u>receivables</u>	<u>uncollectible</u>	<u>receivables</u>
		<u>accounts</u>	
Student accounts receivable	\$ 76,313,766	(36,269,084)	40,044,682
Due from other governments	16,459,137	-	16,459,137
Other receivables	3,872,453	(120,245)	3,752,208
Total receivables	\$ <u>96,645,356</u>	<u>(36,389,329)</u>	<u>60,256,027</u>

Accounts payable and accrued liabilities at June 30, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Amounts owed to vendors	\$ 11,386,182	13,871,827
Salaries and benefits payable	29,478,908	28,326,279
Accrued interest payable	648,197	670,584
Other payables	4,168,593	6,940,335
Total accounts payable and accrued liabilities	\$ <u>45,681,880</u>	<u>49,809,025</u>

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(7) Capital Assets

The following table presents changes in capital assets and accumulated depreciation for the years ended June 30, 2017 and 2016. In fiscal year 2016, CCA purchased campus land, building, and improvements from the CCA Foundation with a net book value of \$7.6 million for \$1.6 million, recognizing a donation of capital assets of \$6.0 million. Adjustments reflect one-time adjustments to properly classify buildings and improvements, leasehold improvements, and equipment. Adjustments to construction in progress reflect projects not deemed capitalizable.

	<u>Balance, June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>Balance, June 30, 2017</u>
Nondepreciable capital assets:						
Land and land improvements	\$ 26,055,683	7,317,003	-	-	-	33,372,686
Construction in progress	50,329,850	38,722,651	-	(64,392,845)	(340,866)	24,318,790
Collections	882,306	-	-	63,133	-	945,439
Total nondepreciable capital assets	77,267,839	46,039,654	-	(64,329,712)	(340,866)	58,636,915
Depreciable capital assets:						
Land improvements	24,269,588	322,642	-	1,494,871	-	26,087,101
Buildings and improvements	653,107,493	443,098	(243,630)	59,484,813	(3,126,308)	709,665,466
Leasehold improvements	27,316,855	-	-	254,983	3,126,308	30,698,146
Equipment and software	95,777,447	7,809,609	(3,252,590)	3,095,045	(11,686)	103,417,825
Library materials	5,699,806	294,798	-	-	-	5,994,604
Total depreciable capital assets	806,171,189	8,870,147	(3,496,220)	64,329,712	(11,686)	875,863,142
Less accumulated depreciation:						
Land improvements	12,516,460	1,097,404	-	-	-	13,613,864
Buildings and improvements	322,423,176	25,919,003	(192,855)	-	-	348,149,324
Leasehold improvements	9,781,140	2,302,765	-	-	-	12,083,905
Equipment and software	64,533,883	8,645,968	(3,221,112)	-	-	69,958,739
Library materials	3,590,570	640,469	-	-	-	4,231,039
Total accumulated depreciation	412,845,229	38,605,609	(3,413,967)	-	-	448,036,871
Net depreciable capital assets	393,325,960	(29,735,462)	(82,253)	64,329,712	(11,686)	427,826,271
Total capital assets, net	\$ 470,593,799	16,304,192	(82,253)	-	(352,552)	486,463,186

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	<u>Balance, June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>Balance, June 30, 2016</u>
Nondepreciable capital assets:						
Land and land improvements	\$ 21,460,967	4,594,716	-	-	-	26,055,683
Construction in progress	53,577,938	58,760,846	(500,823)	(61,335,144)	(172,967)	50,329,850
Collections	882,306	-	-	-	-	882,306
	<u>75,921,211</u>	<u>63,355,562</u>	<u>(500,823)</u>	<u>(61,335,144)</u>	<u>(172,967)</u>	<u>77,267,839</u>
Total nondepreciable capital assets						
Depreciable capital assets:						
Land improvements	20,651,636	139,045	-	3,478,907	-	24,269,588
Buildings and improvements	591,720,433	3,951,133	-	57,439,369	(3,442)	653,107,493
Leasehold improvements	27,229,288	-	-	87,567	-	27,316,855
Equipment and software	91,912,263	4,710,307	(1,180,448)	329,301	6,024	95,777,447
Library materials	5,311,538	388,268	-	-	-	5,699,806
	<u>736,825,158</u>	<u>9,188,753</u>	<u>(1,180,448)</u>	<u>61,335,144</u>	<u>2,582</u>	<u>806,171,189</u>
Total depreciable capital assets						
Less accumulated depreciation:						
Land improvements	11,547,794	968,666	-	-	-	12,516,460
Buildings and improvements	298,609,225	23,813,951	-	-	-	322,423,176
Leasehold improvements	7,641,284	2,139,856	-	-	-	9,781,140
Equipment and software	57,282,189	8,218,338	(966,644)	-	-	64,533,883
Library materials	2,998,632	591,938	-	-	-	3,590,570
	<u>378,079,124</u>	<u>35,732,749</u>	<u>(966,644)</u>	<u>-</u>	<u>-</u>	<u>412,845,229</u>
Total accumulated depreciation						
Net depreciable capital assets	<u>358,746,034</u>	<u>(26,543,996)</u>	<u>(213,804)</u>	<u>61,335,144</u>	<u>2,582</u>	<u>393,325,960</u>
Total capital assets, net						
	\$ <u>434,667,245</u>	<u>36,811,566</u>	<u>(714,627)</u>	<u>-</u>	<u>(170,385)</u>	<u>470,593,799</u>

(8) Long-Term Liabilities

The following table presents changes in long-term liabilities at June 30, 2017 and 2016:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Current portion</u>
Bonds payable	\$ 96,676,305	-	(4,339,082)	92,337,223	3,930,000
Capital leases payable	11,574,053	-	(937,303)	10,636,750	1,019,392
Other long-term liabilities	2,225,323	691,383	(756,873)	2,159,833	407,222
Compensated absences liability	19,946,001	22,524,850	(22,845,102)	19,625,749	1,956,683

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	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>portion</u>
Bonds payable	\$ 85,169,454	18,953,535	(7,446,684)	96,676,305	4,065,000
Capital leases payable	12,251,956	-	(677,903)	11,574,053	927,694
Other long-term liabilities	1,939,765	582,190	(296,632)	2,225,323	698,159
Compensated absences liability	20,107,397	13,236,303	(13,397,699)	19,946,001	1,772,631

(9) Bonds Payable

(a) Systemwide Revenue Bonds

The State's Department of Higher Education, through the SBCCOE, issued revenue bonds in 2010, 2012, 2013, and 2016 known as Systemwide Revenue Bonds. Bond proceeds were used to benefit facilities at the individual colleges, as noted below:

Series 2003 Bonds

The Series 2003 Systemwide Revenue Refunding Bonds for \$4,900,000 were issued on June 19, 2003. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2030. The principal of the Series 2003 issue was used to refund PPCC's portion of the Series 1996 bonds and to build two new child development centers for PPCC. These bonds were refunded with the issuance of the Series 2016 bonds.

Series 2004 Bonds

The Series 2004 Systemwide Revenue Refunding Bonds for \$4,695,000 were issued on December 10, 2004. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds was November 1, 2015. The principal of the Series 2004 issue was used to advance refund the remaining \$2,620,000 balance of the FRCC Westminster Campus Series 1995 bonds and the remaining \$1,740,000 balance of the FRCC Larimer Campus Series 1996 bonds.

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Series 2010 Bonds

The Series 2010A Systemwide Revenue Refunding Bonds for \$7,335,000 were issued on March 10, 2010. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2019. The principal of the Series 2010A issue was used to current refund the remaining outstanding balances of the following:

Series 1997 bonds for Community College of Aurora, Northeastern Junior College, and Trinidad State Junior College	\$ 2,770,000
Series 1998 bonds for Morgan Community College and Northeastern Junior College	905,000
Series 1999 bonds for Pueblo Community College and Red Rocks Community College	<u>3,565,000</u>
	<u>\$ 7,240,000</u>

The principal of the Series 2010A issue was distributed between the colleges as follows:

Community College of Aurora	\$ 761,893
Morgan Community College	334,400
Northeastern Junior College	2,092,944
Pueblo Community College	1,663,917
Red Rocks Community College	1,940,311
Trinidad State Junior College	<u>541,535</u>
	<u>\$ 7,335,000</u>

The Series 2010B-2 Taxable Systemwide Revenue Bonds for \$9,665,000 were issued on March 10, 2010. Interest is payable semiannually on May 1 and November 1. The Series 2010B-2 bonds were issued as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the Recovery Act). Pursuant to the Recovery Act, SBCCOE expects to receive a cash subsidy payment from the U.S. Treasury (referred to herein as the Federal Direct Payments) equal to 35.0% of the interest payable on the Series 2010B-2 bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the U.S. government, but is required to be paid by the Treasury under the Recovery Act. Any Federal Direct Payments received by the Board are to be deposited into the Debt Service Fund and applied to the payment of principal and interest on the Series 2010B-2 bonds. Final maturity of the bonds is November 1, 2041. The principal of the Series 2010B-2 issue was distributed between the colleges as follows:

Colorado Northwestern Community College	\$ 4,585,000
Northeastern Junior College	<u>5,080,000</u>
	<u>\$ 9,665,000</u>

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The proceeds from the 2010B-2 bonds were used to finance construction, improvement, and equipping of 78,000 square feet of the Craig Campus Academic Building at CNCC, 14,000 square feet of the Craig Career and Technical Center at CNCC, and a new student residence hall for the housing of students at NJC.

The Series 2010A and 2010B-2 bonds qualify for the State of Colorado Intercept Program (the State Intercept Program). Pursuant to the State Intercept Program, the Treasurer shall pay the principal and interest on the Series 2010 bonds if the Board does not make such payments when they are due.

The Series 2010C Systemwide Revenue Bonds for \$6,545,000 were issued on October 13, 2010. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2017. The principal of the Series 2010C issue was distributed between the colleges as follows:

Community College of Denver	\$ 4,575,000
Pueblo Community College	<u>1,970,000</u>
	<u>\$ 6,545,000</u>

The Series 2010D Taxable Systemwide Revenue Bonds for \$31,455,000 were issued on October 13, 2010. Interest is payable semiannually on May 1 and November 1. The Series 2010D bonds were issued as “Build America Bonds.” Final maturity of the bonds is November 1, 2039. The principal of the Series 2010C issue was distributed between the colleges as follows:

Community College of Denver	\$ 19,970,000
Pueblo Community College	<u>11,485,000</u>
	<u>\$ 31,455,000</u>

The proceeds from the 2010C and 2010D bonds were used to finance construction, improvement, and equipping of the Student Learning and Success Building at CCD, the Student Center at PCC, and the Learning Resource Center at PCC.

The Board has adopted a resolution stating that it will not participate in the State Intercept Program for the 2010C and 2010D bonds.

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 net present value of the savings of the refunded bonds was \$2,852,711. 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

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the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Pikes Peak Community 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 Community 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 Community College		3,615,000
Series 2002 bonds for Arapahoe Community College		<u>2,065,000</u>
	\$	<u><u>11,545,000</u></u>

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

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

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

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Refunding Bonds of \$3,060,000. The net present value of savings of was approximately \$370,910.

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

Red Rocks Community College	\$	15,415,000
Pikes Peak Community College		<u>2,925,000</u>
	\$	<u><u>18,340,000</u></u>

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

(b) Security

The bonds are special obligations of CCCS payable from certain net pledged revenues as defined in the bond indentures. The Series 2016, 2013, 2012, and 2010 bonds are payable solely out of and secured by an irrevocable pledge of 10.0% 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 CCD, CNCC, FRCC, NJC, PCC, and RRCC colleges. Principal and interest paid for the current year were \$7,997,901 and \$7,766,637 for fiscal years 2017 and 2016, respectively. The pledge expires upon the extinguishment of the debt with the final debt payment on November 1, 2046

Total net pledged revenue for bonds was \$27,232,170 and \$25,712,066 for fiscal years 2017 and 2016, respectively. These amounts primarily consisted of \$26,568,122 and \$25,044,836 student tuition and fees, net of scholarship allowance for fiscal years 2017 and 2016, respectively. The remaining pledged revenue represents the Federal Direct Payments received on the “Build America Bonds” which the Board has pledged to pay the Series 2010B-2 bonds.

In fiscal year 2016, the remaining balances for the Series 2004 bonds were paid in full and the Series 2003 bonds were refunded in their entirety, with the issuance of the Series 2016 Revenue bonds. Thus the obligation for pledging auxiliary revenues has been extinguished as of June 30, 2016.

(c) 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.

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(d) *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.

(e) *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.

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Notes to Financial Statements

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(f) Long-Term Bond Principal Maturities

Bond principal payments to be made during fiscal years 2018 through 2022 are enumerated in the following tables:

Bond Issue	Principal maturing in next five years by year				
	FY18	FY19	FY20	FY21	FY22
Series 2010A:					
Community College of Aurora	\$ 81,513	84,669	86,935	-	-
Morgan Community College	37,873	41,803	-	-	-
Northeastern Junior College	232,841	233,038	173,040	-	-
Pueblo Community College	-	-	-	-	-
Red Rocks Community College	203,495	210,490	220,025	-	-
Trinidad State Junior College	74,278	-	-	-	-
Series 2010B-2:					
Colorado Northwestern					
Community College	115,000	120,000	125,000	130,000	130,000
Northeastern Junior College	120,000	125,000	130,000	135,000	140,000
Series 2010C:					
Community College of Denver	900,000	-	-	-	-
Pueblo Community College	360,000	-	-	-	-
Series 2010D:					
Community College of Denver	-	925,000	945,000	970,000	995,000
Pueblo Community College	-	375,000	385,000	390,000	405,000
Series 2012A:					
Arapahoe Community College	85,000	90,000	90,000	95,000	95,000
Colorado Community College					
System	250,000	260,000	265,000	270,000	280,000
Pikes Peak Community College	205,000	210,000	215,000	220,000	225,000
Series 2013:					
Front Range Community College	755,000	785,000	810,000	845,000	875,000
Series 2016:					
Pikes Peak Community College	320,000	330,000	335,000	340,000	345,000
Red Rocks Community College	190,000	200,000	200,000	205,000	205,000
Total revenue bonds payable	3,930,000	3,990,000	3,980,000	3,600,000	3,695,000
Interest	3,801,057	3,672,944	3,543,065	3,417,681	3,294,120
Total annual debt service	\$ 7,731,057	7,662,944	7,523,065	7,017,681	6,989,120

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Bond debt service payments after fiscal year 2022 to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023–2027	\$ 20,425,000	14,104,103	34,529,103
2028–2032	22,705,000	9,202,961	31,907,961
2033–2037	16,260,000	4,023,574	20,283,574
2038–2042	7,655,000	1,384,929	9,039,929
2043–2047	3,545,000	307,547	3,852,547
	<u>\$ 70,590,000</u>	<u>29,023,113</u>	<u>99,613,113</u>

Remaining debt service by bond issuance is as follows:

	<u>Revenue bonds outstanding*, June 30, 2017</u>	<u>Interest rate</u>	<u>Maximum annual principal</u>	<u>Callable</u>	<u>Call premium</u>	<u>Final payment</u>
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds:						
Series 2010A:						
Community College of Aurora	\$ 253,117	2.00% to 3.00%	\$ 86,935	No	None	11/1/2019
Morgan Community College	79,676	2.00% to 3.00%	41,803	No	None	11/1/2018
Northeastern Junior College	638,919	2.00% to 3.00%	233,038	No	None	11/1/2019
Red Rocks Community College	634,010	2.00% to 3.00%	220,025	No	None	11/1/2019
Trinidad State Junior College	74,278	2.00% to 2.75%	74,278	No	None	11/1/2017
Series 2010B-2:						
Colorado Northwestern Community College	4,360,000	2.00% to 6.10%	280,000	Yes (after 11/2021)	None	11/1/2040
Northeastern Junior College	4,845,000	2.00% to 6.10%	305,000	Yes (after 11/2021)	None	11/1/2041
Series 2010C:						
Community College Denver	900,000	4.00%	900,000	No	None	11/1/2017
Pueblo Community College	360,000	4.00%	360,000	No	None	11/1/2017
Series 2010D:						
Community College Denver	19,970,000	3.37% to 5.35%	1,510,000	Yes (after 11/2021)	None	11/1/2034
Pueblo Community College	11,485,000	3.37% to 5.50%	730,000	Yes (after 11/2021)	None	11/1/2039

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	Revenue bonds outstanding*, June 30, 2017	Interest rate	Maximum annual principal	Callable	Call premium	Final payment
Series 2012A:						
Arapahoe Community College	1,745,000	2.50% to 3.375%	140,000	Yes (after 11/2022)	None	11/1/2032
Colorado Community College System	4,625,000	2.50% to 3.375%	375,000	Yes (after 11/2022)	None	6/30/2032
Pikes Peak Community College	2,575,000	2.50% to 3.375%	270,000	Yes (after 11/2022)	None	6/30/2028
Series 2013:						
Front Range Community College	19,405,000	3.00% to 5.00%	1,500,000	Yes (after 11/2023)	None	11/1/2034
Series 2016:						
Red Rocks Community College	15,100,000	1.50% to 4.00%	760,000	Yes (after 11/2026)	None	11/1/2046
Pikes Peak Community College	2,735,000	3.375% to 4.125%	285,000	Yes (after 11/2026)	None	11/1/2030
	<u>\$ 89,785,000</u>					

* Bonds have related unamortized bond premium and discount of \$2,552,223

(10) Leases and State of Colorado Certificates of Participation

CCA, CNCC, FRCC LCC, NJC, RRCC, TSJC, and CCCS have recorded capital leases in conjunction with building improvements and equipment related to energy performance contracts. The interest rate on the capital leases range from 4.75% to 5.35%. Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life. In 2017 and 2016, capitalized assets relating to these leases were approximately \$20,109,232, with amortization expense of \$1,068,916 and \$1,060,798, and accumulated amortization of \$6,889,903 and \$5,820,987, respectively.

Future minimum payments under capital leases are as follows for the years ending June 30:

	Principal	Interest	Total
2018	\$ 1,019,392	387,617	1,407,009
2019	948,044	351,520	1,299,564
2020	999,064	315,986	1,315,050
2021	1,064,645	278,197	1,342,842
2022	1,365,685	262,804	1,628,489
2023–2027	3,609,119	664,655	4,273,774
2028–2032	1,630,801	116,957	1,747,758
Total	<u>\$ 10,636,750</u>	<u>2,377,736</u>	<u>13,014,486</u>

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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 2019. 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 lease proceeds and any unexpended lease proceeds. The 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 underlying capitalized assets are contributed to CCCS from the State and are reflected in the accompanying financial statements.

CCCS also has building and equipment operating leases. One of these leases included in Fiscal Year 2016 was by and between CCA and a discretely presented component unit, CCA Foundation, for approximately \$600 thousand for the year ended June 30, 2016. Total rent expense for all operating leases for the years ended June 30, 2017 and 2016 was \$5,232,061 and \$6,950,968, respectively. Future minimum rental payments, exclusive of real estate taxes and other expenses, under operating leases are as follows:

Year ending June 30:	
2018	\$ 4,589,938
2019	3,086,937
2020	2,496,464
2021	1,451,103
2022	423,529
2023–2027	939,066
2028–2032	661,086
2033–2037	661,086
2038–2042	533,586
2043–2047	448,586
2048–2052	179,434
	<u>\$ 15,470,815</u>

The minimum rentals are subject to adjustment based on increases in the cost of maintenance, insurance, utilities, and operating costs. The leases may be renewed for additional periods of various lengths. All leases are subject to cancellation in the event the State General Assembly does not appropriate funds for the annual lease payments.

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(11) Other Long-Term Liabilities

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

2018	\$	407,222
2019		291,367
2020		160,300
2021		462,523
2022		351,633
2023–2027		486,788
		486,788
Total	\$	2,159,833

(12) 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, 2017 and 2016 is \$19,625,749 and \$19,946,001, respectively.

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.

At June 30, 2017 and 2016, the Public Employees’ Retirement Association of Colorado (PERA) estimated that 54.3% and 56.5%, respectively, 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.

(13) Retirement Plan

(a) Defined-Benefit Pension Plan

Plan Description. Prior to legislation 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 twelve 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 State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined-benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the fiduciary net position of the SDTF have been determined on the same basis as they are reported by the SDTF. 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.

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Benefits Provided. Eligible employees of CCCS are provided with pensions through the SDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

PERA members electing the defined-contribution plan are allowed an irrevocable election between the second and fifth year to use their defined-contribution account to purchase service credit and be covered under the defined-benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined-contribution plans are the same as the contributions to the PERA defined-benefit plan.

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 also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

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

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

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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 retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

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

	Fiscal Year 2016		Fiscal Year 2017	
	CY15	CY16	CY17	
	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Employer contribution rate	10.15	10.15	10.15	10.15
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)	(1.02)	(1.02)
Amount Apportioned to the SDTF	9.13	9.13	9.13	9.13
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20	4.60	4.60	5.00
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	4.00	4.50	4.50	5.00
Total employer contribution rate to the SDTF	<u>17.33%</u>	<u>18.23%</u>	<u>18.23%</u>	<u>19.13%</u>

Rates in the above table 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 \$48,196,132 and \$44,916,963 for the years ended June 30, 2017 and 2016, respectively.

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

At June 30, 2017 and 2016, CCCS reported a liability of \$1,647.2 million and \$947.1 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and 2014, respectively. Standard update procedures were used to roll forward the total pension liability to December 31, 2016 and 2015, respectively. The CCCS proportion of the net pension liability was based on CCCS contributions to the SDTF for the calendar year associated with the above measurement date, relative to the total contributions of participating employers to the SDTF.

At December 31, 2016, CCCS proportion was 8.97%, which was a decrease of 0.02% from its proportion measured as of December 31, 2015. At December 31, 2015, CCCS proportion was 8.99%, which was a decrease of 0.18% from its proportion measured as of December 31, 2014.

For the years ended June 30, 2017 and 2016, the CCCS recognized pension expense of \$325.8 million and \$77.6 million, respectively. At June 30, 2017 and 2016, the CCCS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,372,900	-
Changes of assumptions or other inputs	419,047,373	5,070,029
Net difference between projected and actual earnings on pension plan investments	54,604,552	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	6,642,775
Contributions subsequent to the measurement date	24,978,233	N/A
Total	<u>\$ 515,003,058</u>	<u>11,712,804</u>

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	2016	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 13,791,904	29,797
Changes of assumptions or other inputs	-	11,211,393
Net difference between projected and actual earnings on pension plan investments	71,617,044	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	16,461,824
Contributions subsequent to the measurement date	<u>24,279,800</u>	<u>N/A</u>
Total	<u>\$ 109,688,748</u>	<u>27,703,014</u>

At June 30, 2017, the System reported \$24,978,233 as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017 will be recognized in pension expense as follows:

Year ending June 30:	
2018	\$ 257,239,718
2019	205,352,146
2020	15,142,115
2021	<u>578,042</u>
	<u>\$ 478,312,021</u>

Actuarial assumptions. The total pension liability in the actuarial valuations for each measurement date presented were determined using the following actuarial cost method, actuarial assumptions and other inputs:

<u>Measurement date</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.80 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.90 percent
Salary increases, including wage inflation	3.50 – 9.17 percent	3.90 – 9.57 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent	7.50 percent
Discount rate	5.26 percent	7.50 percent
Post-retirement benefit increases:		
PERA benefit structure hired prior to 1/1/07	2.00 percent	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

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The December 31, 2016 measurement period utilized the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

Mortality rates used in the December 31, 2015 measurement period were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was based upon the same mortality rates but adjusted to 55% of the base rate for males and 40% of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back two years for males and set back two years for females) was assumed.

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016.

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The actuarial assumptions used in the December 31, 2015 measurement period were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014. There were no changes to assumptions or other inputs from the prior measurement period.

The long-term expected return on plan assets is also reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50% per year, compounded annually, net of investment expenses to 7.25% per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80% per year to 2.40% per year.
- 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.
- Wage inflation assumption decreased from 3.90% per year to 3.50% per year.

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

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The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table for each measurement date:

Asset Class	December 31, 2016		December 31, 2015	
	Target Allocation	30 Year Expected Geometric Real Rate of Return	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%	26.76%	5.00%
U.S. Equity – Small Cap	7.42%	4.80%	4.40%	5.19%
Non U.S. Equity – Developed	18.55%	5.20%	22.06%	5.29%
Non U.S. Equity – Emerging	5.83%	5.40%	6.24%	6.76%
Core Fixed Income	19.32%	1.20%	24.05%	0.98%
High Yield	1.38%	4.30%	1.53%	2.64%
Long Duration Gov't/Credit	0.00%	0.00%	0.53%	1.57%
Non U.S. Fixed Income – Developed	1.84%	0.60%	0.00%	0.00%
Emerging Market Debt	0.46%	3.90%	0.43%	3.04%
Core Real Estate	8.50%	4.90%	7.00%	5.09%
Opportunity Fund	6.00%	3.80%	0.00%	0.00%
Private Equity	8.50%	6.60%	7.00%	7.15%
Cash	1.00%	0.20%	0.00%	0.00%
Total	100.00%		100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25% and 7.50% for the 2016 and 2015 measurement dates, respectively.

Discount rate. The discount rate used to measure the total pension liability was 5.26% for the 2016 measurement date and 7.50% for the 2015 measurement date. 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 for each measurement date presented, as applicable:

- Updated economic and demographic actuarial assumptions for the 2016 measurement date adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50% and 3.90% in the 2016 and 2015 measurement period, respectively.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate for the 2016 measurement date. The long-term expected rate of return of 7.25% on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the 2016 measurement date, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%.

As of the 2015 measurement date, the projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50%, 2.24% higher compared to the 2016 measurement date. There was no change in the discount rate from the 2014 measurement date.

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Sensitivity of the 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 5.26%, 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 (4.26%) or one-percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current discount rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$ 2,040,105,924	1,647,157,033	1,324,319,248

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

(14) Other Retirement Plans

(a) Defined Contribution Retirement Plan (DC Plan)

Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA’s comprehensive annual financial report as referred to above.

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

	Fiscal Year 2016		Fiscal Year 2017	
	CY15	CY16	CY17	
	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	4.00%	4.50%	4.50%	5.00%
Total employer contribution rate to the SDTF	<u>8.20%</u>	<u>9.10%</u>	<u>9.10%</u>	<u>10.00%</u>

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Rates in the above table 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 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Employer contributions recognized by the DC Plan from CCCS were \$1,451,986 and \$1,252,660 for the years ended June 30, 2017 and 2016, respectively.

(b) 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. 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. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports. At December 31, 2016 and 2015 the plan had 760 and 765 participants, respectively.

(c) 457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. Contributions and earnings are tax deferred. CCCS does not match contributions made by employees participating in this plan. At December 31, 2016 and 2015, the plan had 251 and 261 participants, respectively.

(15) Other Postemployment Benefits

(a) Health Care Trust Fund

CCCS contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a healthcare premium subsidy and healthcare programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program,

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including the administration of healthcare subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

CCCS is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the CCCS are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. Employer contributions recognized by the HCTF Plan from CCCS were \$2,536,488, \$2,513,729, and \$2,479,015, for 2017, 2016, and 2015, respectively, equal to their required contributions for each year.

(b) Other Programs

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. 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.

(16) Employee Benefit 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 years 2017 and 2016, CCCS made contributions to the Benefit Trust of approximately \$290,000 and \$272,500, respectively.

(17) 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.

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(18) Commitments and Contingencies

The System has \$23.3 million and \$28.8 million in commitments for various capital construction and controlled maintenance projects as of June 30, 2017 and 2016, respectively.

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.

(19) 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 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 years 2017 and 2016, the System received 3.1% and 4.5%, in State support, respectively. 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 CVA.

(20) Related-Party Transactions

Approximately \$5.1 million and \$12.4 million was transferred to the colleges from the foundations for the years ended June 30, 2017 and 2016, respectively, in pursuit of providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities. Included in this support for 2016 is a donation of \$6.0 million of land and buildings from the CCA Foundation to the CCA campus.

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June 30, 2017 and 2016

(21) New Accounting Standard

GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75), which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as amended*, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. CCCS participates in one OPEB plan with PERA – a cost-sharing plan administered by the Public Employees' Retirement Association of Colorado (PERA). Statement No. 75 requires the liability of employers for defined benefit OPEB (net OPEB liability) to be 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 period of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position, based on actuarial valuations.

The PERA cost-sharing plan is partially funded and no liability is currently reported for the PERA cost-sharing plan. Information to determine the impact of PERA's cost-sharing plan is not available as PERA has not provided information necessary to estimate the amount.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO COMMUNITY COLLEGE SYSTEM

Schedule of Proportionate Share of Net Pension Liability (NPL)

(Unaudited)

Last Ten Fiscal Years *

(Dollars in thousands)

<u>June 30,</u>	<u>Proportion of the of the net pension liability</u>	<u>Proportionate share of the net pension liability</u>	<u>Covered payroll</u>	<u>Proportionate share of the NPL as a percentage of covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
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

(Unaudited)

Last Ten Fiscal Years *

(Dollars in thousands)

<u>June 30,</u>	<u>Statutorily required contributions</u>	<u>Contributions related to the statutory contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contribution as a percentage of covered employee payroll</u>
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

June 30, 2017 and 2016

Changes in actuarial assumptions

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

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, 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, the financial statements of the business-type activities and the aggregate discretely presented component units 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, 2017 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 1, 2017, which contained paragraphs emphasizing matters regarding the financial statements and contained a reference to the report of other auditors. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the System's internal control to determine the 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
December 1, 2017

Independent Auditor's Required Communications to Those Charged with Governance

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

As part of our audit of the financial statements 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, 2017, we wish to communicate the following to you.

Auditor's Responsibility Under 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

An audit performed 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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. 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.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The System's significant accounting policies are described in Note 2 of the audited financial statements.

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America 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

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve 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:

- Allowance for doubtful accounts
- Allocation of deferred tuition revenue
- Fair value of investments
- Useful lives of capital assets and related depreciation expense
- Compensated absences
- Net pension liability
- Scholarship allowance

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:

- Retirement plan (Note 13)
- Related-party transactions (Note 20)

Audit Adjustments

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

Areas in which adjustments were proposed include:

- Provision for doubtful accounts
- GASB 68 calculation
- Prepaid assets

Proposed Audit Adjustments Not Recorded

- Included on page 90 is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole

Auditor's Judgments 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

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

Consultation with Other Accountants

During our audit, we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- As disclosed in the Independent Auditor's Report, the financial statements as of and for the year ended June 30, 2016 were audited by other auditors and their report thereon, dated November 30, 2016 expressed an unmodified opinion.
- The Foundations included in the aggregate discretely presented component units are audited by other auditors. We placed reliance on the audit of the financial statements of the Foundations as of June 30, 2017, and for the year then ended. The audits of the Foundations are not audited in accordance with *Government Accounting Standards*.

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

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

- Recording of the net pension liability as measured according to GASB Statement No. 68

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

* * * * *

This letter is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the State Board for Community Colleges and Occupational Education, and the Colorado Community College System’s management and is not intended to be and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

BKD, LLP

December 1, 2017

Colorado Community College System - OSA

ATTACHMENT

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

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	360,330,622	1,797,348	362,127,970	0.50%
Non-Current Assets & Deferred Outflows	1,011,329,482	1,205,934	1,012,535,416	0.12%
Current Liabilities	(89,818,546)	(1,797,348)	(91,615,894)	2.00%
Non-Current Liabilities & Deferred Inflows	(1,776,316,067)	(574,108)	(1,776,890,175)	0.03%
Current Ratio	4.012		3.953	-1.47%
Total Assets & Deferred Outflows	1,371,660,104	3,003,282	1,374,663,386	0.22%
Total Liabilities & Deferred Inflows	(1,866,134,613)	(2,371,456)	(1,868,506,069)	0.13%
Total Net Position	494,474,509	(631,826)	493,842,683	-0.13%
Operating Revenues	(466,627,306)	(64,037)	(466,691,343)	0.01%
Operating Expenses	899,256,133	658,315	899,914,448	0.07%
Nonoperating (Revenues) Exp	(131,111,299)	(1,733,311)	(132,844,610)	1.32%
Change in Net Position	290,764,735	(1,139,033)	289,625,702	-0.39%

Client: Colorado Community College System - OS
 Period Ending: June 30, 2017

Major Enterprise Fund
 SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Assets & Deferred Outflows				Liabilities & Deferred Inflows				Operating Revenues		Operating Expenses		Nonoperating (Revenues) Exp		Change in Net Position		Net Effect on Following Year			
		Current		Non-Current		Current		Non-Current		DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR
		DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR
To record the effect of expenditures relating to construction in progress incurred in the prior year but not capitalized until fiscal year 2017 for Pueblo Community College	Beginning Net Position	F	0	0	0	0	0	0	0	0	595,293	0	0	0	0	0	0				
		Expense																			
To record the understatement of depreciation of library materials (systemwide)	Depreciation Expense	J	0	(215,903)	0	0	0	0	0	0	215,903	0	0	0	0	0	0				
		Accumulated Depreciation																			
To record capitalized interest on construction in process for projects not associated with specific tax-exempt debt. Capitalized interest should be recorded for all institutions with outstanding debt with active construction projects per GASB 62 (systemwide)	Construction in Process	J	0	1,009,219	0	0	0	0	0	0	(1,009,219)	0	0	0	0	0	0				
		Interest Expense																			
To record the additional capitalized interest that should have been capitalized by Red Rocks Community College for the Recreation center project as the project was financed with specific tax-exempt debt per GASB 62.	Construction in Process	F	0	412,618	0	0	0	0	0	0	(412,618)	0	0	0	0	0	0				
		Interest Expense																			
To record the effect of the under accrual of the compensated absence payable due to campuses not using the proper PERA percentages (systemwide)	Expense	F	0	0	0	0	0	0	0	0	574,108	0	0	0	0	0	0				
		Compensated Absences Payable																			
To record the effect of correction of errors in prior year GASB 68 calculation (systemwide)	Beginning net position	F	0	0	0	0	0	0	0	0	(1,102,500)	0	0	0	0	0	0				
		Pension Expense																			
To record effect for the under accrual of Perkins grant estimate of amounts to be paid to subrecipients (school districts) (CCCS)	Due from other governments	J	1,797,348	0	0	0	0	0	0	0	1,797,348	0	0	0	0	0	0				

	Federal Grant Revenue	Accounts Payable	Expense	(1,797,348)	1,797,348				
To reclassify donations recorded as other operating revenues to nonoperating revenues (systemwide)	F	0	0	0	0	1,733,311	0	(1,733,311)	0
Other operating revenue and gifts						1,733,311			
Gifts (nonoperating revenues)								(1,733,311)	

Total passed adjustments	1,797,348	1,205,934	(1,797,348)	(574,108)	(64,037)	688,315	(1,733,311)	507,207	(161,490)	161,490
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Impact on Change in Net Position (1,139,033)

Impact on Net Position (631,826)