

Colorado Mountain Junior College District

Auditors' Reports and Financial Statements

Year Ended June 30, 2012

Colorado Mountain Junior College District
June 30, 2012

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Independent Auditors' Report on Financial Statements and Supplementary Information

Board of Trustees
Colorado Mountain Junior College District
Glenwood Springs, Colorado

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Colorado Mountain Junior College District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Colorado Mountain College Foundation, Inc. (the Foundation), the discretely presented component unit of the District as of and for the year ended June 30, 2012. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for Colorado Mountain College Foundation, Inc., are based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation, the discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report 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 discretely presented component unit of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
Colorado Mountain Junior College District

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the District's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and postemployment benefits other than pensions information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information (combining financial statements, budget to actual comparison schedules of the District's funds, and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

November 29, 2012

Colorado Mountain Junior College District

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2012

Following is our discussion of Colorado Mountain Junior College District's (College or CMC) financial performance for the fiscal year ended June 30, 2012. It should be read in conjunction with the College's financial statements which begin on page 18.

FINANCIAL HIGHLIGHTS

- Fiscal year 2011/12 was the first year that Colorado Mountain College offered bachelor degrees. Two degrees were offered – Bachelor of Science in Business Administration and Bachelor of Arts in Sustainability Studies. The College received final approval from the Higher Learning Commission (the accrediting body) in May of 2011 and was able to start recruiting students at that time. Despite the approval date being late in the recruitment cycle, in 2011/12 the College enrolled 69 full time equivalent (FTE) students and for fall semester 2012/13 there are 138 FTE enrolled. The expectation is that the programs will grow by 5% or more each year for the foreseeable future. The State of Colorado approved the College to offer up to five different bachelor degrees. Additional degree offerings are currently being researched and the plan is to seek approval of one or two more degrees in the next two years.
- The following major capital projects took place during fiscal year 2011/12:
 - Construction of a new academic building in Steamboat Springs (replaces three older buildings)
 - Purchase and minor renovation of an additional academic building in Dillon
 - Major renovation of a purchased administrative building in Glenwood Springs, which is almost complete
 - Completion of a building addition (doubling the size) in Edwards
- The College sold a building in downtown Eagle which has been used recently for non-credit classes and leased to Red Canyon High School. CMC classes were moved to the Edwards campus.
- At June 30, 2012, the College reported an overall increase in net assets of \$12.2 million from June 30, 2011. Largely this is due to capital building projects, increased property tax revenue over the budgeted amount, and expenditures under budget in the General Fund.
- Overall enrollments were down 4.2% from the prior year. Credit enrollments were down 4%, non-credit enrollments were up 1%, and English as a Second Language (ESL) enrollments were down 13% from the previous year. The drop in ESL is attributed to the economy and is significantly less than the drop the year before. The ESL enrollments seem to be stabilizing.
- Gross property tax assessments were higher than originally budgeted by \$6.2 million, most of which came from three counties – Pitkin, Garfield and Eagle. This is year one of a two year assessment cycle, so the next year revenue should not fluctuate much. One major exception is that in Garfield County oil and gas make up 70% of the value, so the College must be conservative in spending these dollars.
- The College continued to fund additional smart classrooms in our academic facilities and has reached the goal of a minimum of 75% of all classrooms being “smart”.

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

- The College replaced approximately one-third of its computers used in instruction and added a mobile computer lab for multiple classroom use at one campus.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows represent the activities of the College as a whole, with all funds combined into one statement. Fund financial statements start on page 47. They provide detail on the activities related to a specific fund.

Financial highlights are presented in this discussion and analysis to help your assessment of the College's financial activities. Since the presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following parts:

- Independent Auditors' Report which presents an unqualified opinion prepared by our auditors, BKD, LLP, an independent certified public accounting firm, on the fairness, in all material respects, of our financial statements.
- Statement of Net Assets which presents the assets, liabilities, and net assets of the College at June 30, 2012. Its purpose is to present a financial snapshot of the College. It aids readers in determining the assets available to continue College operations; how much the College owes to employees, vendors, and creditors; and a picture of net assets and their availability for expenditure by the College.
- Statement of Revenues, Expenses and Changes in Net Assets which presents the total revenues earned and expenses incurred by the College for operating, nonoperating and other related activities during the fiscal year ended June 30, 2012. Its purpose is to assess the College's operating and nonoperating activities.
- Statement of Cash Flows which presents the cash receipts and disbursements of the College for fiscal year ended June 30, 2012. Its purpose is to assess the College's ability to generate net cash flows to meet its obligations as they come due.
- Notes to the Financial Statements which present additional information to support the financial statements and are commonly referred to as "Notes". Their purpose is to clarify and expand on the information in the financial statements.
- Required Supplementary Information which presents a Schedule of Funding Progress for the College's Health Insurance Plan as required by Governmental Accounting Standards Board.

Colorado Mountain Junior College District

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2012

Reporting the College as a Whole

The analysis of the College as a whole begins on page 18. The Statement of Net Assets includes *all* assets and liabilities using the accrual basis of accounting. This means that regardless of which fund the assets and liabilities were recorded in, they all are included in these reports. All of the current year's revenue and expenses are also taken into account, regardless of the fund they were recorded in.

Net assets represent the difference between assets and liabilities. Increases or decreases in net assets are an indicator of the College's financial position. There are other factors that contribute to the College's financial position. They include, but are not limited to:

- Student enrollment
- State funding
- Property tax base
- Condition of CMC owned property

Reporting the College's Most Significant Funds

The fund financial statements are included as Supplemental Information. These provide financial information for each of the funds established within CMC, not the College as a whole. The primary funds are as follows:

- General Fund
- Auxiliary Services Fund & Residence Hall Fund (Auxiliary Enterprises Fund)
- Financial Aid Funds
- Grants and Contracts Fund (Sponsored Programs Fund)
- Capital Equipment Fund (Unexpended Plant Fund)
- Facilities Fund (Renewal and Replacement Fund)
- Student Government Fund (Other Fiduciary Fund)

Some of these funds are restricted. That means the money held in them can only be used for a specific purpose. For example, the Financial Aid Funds can only be used to provide students with financial aid resources to help offset the cost of their education. Another example is Grants and Contracts Funds that are restricted by the Grantor. Other funds are unrestricted and can be used to support the College as the administration and the Board of Trustees see fit.

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

THE COLLEGE AS A WHOLE

The College's combined net assets are \$184,810,445 at June 30, 2012. This is an increase of \$12,187,974 from last year. The following table breaks this down further:

Table 1
Net Assets

	6/30/12	06/30/11
Capital Assets, net	\$ 132,307,071	\$ 111,082,504
Other Assets	88,404,098	99,699,907
Total Assets	\$ 220,711,169	\$ 210,782,411
Long-Term Liabilities	\$ 24,554,283	\$ 26,939,687
Other Liabilities	11,346,441	11,220,253
Total Liabilities	\$ 35,900,724	\$ 38,159,940
Capital Assets, net of debt	\$ 106,594,399	\$ 86,911,992
Restricted Net Assets	3,157,208	41,410,189
Unrestricted Net Assets	75,058,838	44,300,290
Total Net Assets	\$ 184,810,445	\$ 172,622,471

As noted in the highlights, a number of capital projects took place this year which contributed to the increase in capital assets over last year of approximately \$21.2 million. These include a new academic building in Steamboat Springs, completion of the Edwards building addition, near completion of a major remodel in the downtown Glenwood Springs building, purchase of a building in Dillon, and breaking ground for a parking garage/building partnership in Glenwood Springs. These capital investments drew on cash reserves and in turn decreased overall other assets by approximately \$11.3 million. The College continues to pay down debt which is seen in the decrease in long-term liabilities from year to year. Contributing to the total increase in net assets is the additional revenue over budget received this year. A large part of it will be dedicated to a reserve to fund a partnership project with the Glenwood Springs Library. A Board of Trustee initiative to have a reserve available to backfill state funding if it continues to be cut, equal to 25% of the total budget, contributes to the overall increase in unrestricted net assets.

Restricted net assets include the required legal emergency reserve in compliance with the TABOR amendments, grant funds and loan funds.

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

Following is a recap of the change in net assets:

Table 2
Change in Net Assets

	Year Ended	
	6/30/12	6/30/11
Operating Revenues:		
Tuition and Fees, net	\$ 7,612,046	\$ 8,481,968
Federal, state, private grants and contracts	3,797,850	2,728,636
Auxiliary enterprises	7,091,810	5,939,259
Other	842,210	1,223,843
Total Operating Revenue	\$19,343,916	\$18,373,706
Nonoperating Revenue:		
State Appropriations	\$ 5,038,179	\$ 6,066,635
Federal Nonoperating	4,228,580	3,699,236
Property Taxes	47,912,653	55,832,297
Gifts	-	196,200
Gain (Loss) on Sale of Assets	137,001	(252,355)
Investment Income	3,161,439	701,917
Other	-	42,626
Total Nonoperating Revenue	\$60,477,852	\$66,286,556
Capital Contributions	\$ 1,944,111	\$ 666,868
Total Revenues	\$81,765,879	\$85,327,130
Operating Expenses:		
Instruction	\$23,611,164	\$23,105,460
Community Service	1,065,012	1,266,771
Academic Support	3,777,613	3,265,560
Student Services	5,652,620	5,543,874
Institutional Support	15,078,373	13,715,631
Operation and Maintenance of Plant	6,788,514	9,447,265
Scholarships	3,499,594	2,521,131
Auxiliary Enterprises	6,722,106	7,011,970
Depreciation	3,235,498	2,801,293
Total Operating Expenses	\$69,430,494	\$68,678,955

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

Nonoperating Expenses:		
Interest expense on capital debt	\$103,853	\$1,153,544
Amortization of bond issue costs	43,558	43,558
Total Nonoperating Expenses	\$147,411	\$1,197,102
Total Expenses	\$69,577,905	\$69,876,057
Change in Net Assets	\$12,187,974	\$15,451,073

With total general fund revenues budgeted to be down for 2011/12 (due mostly to property tax revenue), the general fund expenditures in turn were kept to a minimum increase over the prior year to accommodate the general increase in the cost of doing business. For example, annual increases are experienced in software and hardware maintenance agreements and new positions are considered each year. Zero based budgeting helped the College to better align expenditures with strategic needs and with enrollments down a bit this year, the budget was not fully expended. The unexpended budgeted expenditures were added to the overall reserve balance for the year. The decrease in enrollments for the year were also reflected in actual tuition revenue ending approximately \$805,000 less than originally budgeted. The 2012-15 strategic plan calls for transformational growth in enrollments which will be funded through reserves and the goal is aimed at increasing tuition revenue for the College. Gross property taxes were \$6.2 million more than what was originally budgeted (a budget adjustment was made mid- year) which is mostly attributed to the very conservative estimates by the county assessors. The assessments were based on the June 30, 2010 values and the economy and the housing market were just starting to decline. Assessors thought it would be worse than first thought. Also, oil and gas in Garfield County made up \$2 million of the increase which can fluctuate widely from year to year. Next year, the College anticipates another decrease in property taxes which may continue for the next two to four years. The assessments for the next two years will be based on values as of June 30, 2012 and although the housing market is beginning to pick up at this point, it is mostly short sales and foreclosures at lower values. The largest revenue contributor of the College is property tax and with the decline in these revenues expected for the next couple of years there is a possibility that the College will need to rely on reserves in the next couple of years to bridge the operating and capital needs of the College.

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

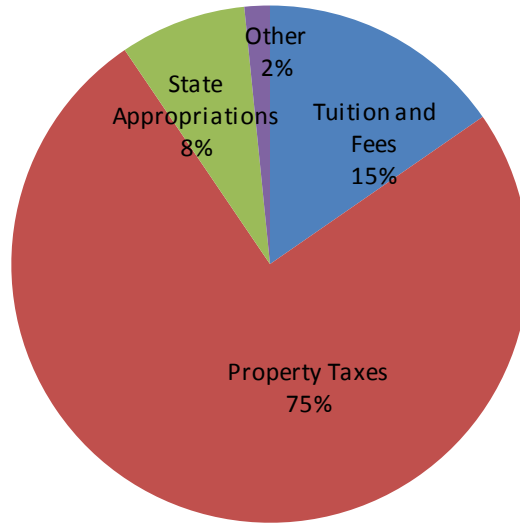
The College's Funds

The College's General Fund revenue comes from three primary sources: 1) tuition and fees, 2) state funding, and 3) property tax revenues, as seen in the amounts and percentages below:

Table 3
Revenue Sources

	2011/12	2010/11
Tuition and Fees	\$ 9,799,879	\$ 9,049,713
Property Taxes	47,912,653	55,832,297
State Appropriations	5,038,179	6,066,635
Other	1,011,905	1,410,923
Total	\$ 63,762,616	\$ 72,359,568

2011/12:



As indicated above, property taxes are the largest revenue source the College has. In recent years, the revenue received from the State of Colorado has declined regularly, causing the proportion of revenue from tuition and fees to increase. However, the tolerance for tuition and fee increases cannot be maintained year after year. This can be a catch-22 because increasing tuition revenue simply through increased enrollments versus creating higher tuition rates are equally difficult in this economy. For fiscal year 2011/12, the College's budget planned to need a small amount of reserve dollars in order to balance the budget. This reserve spending was approved by the Board of Trustees during the budget process. As it turned out, gross property tax revenue was \$6.2 million more than what was originally budgeted (a mid-year budget

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

adjustment was done) and thus there was no longer a need to use reserves to balance the budget. When budgeting state revenue the College took a conservative approach by budgeting almost a 30% drop from the 2010/11 fiscal year based on information received at the state level. Things turned out a little better than anticipated and the College ended up with \$379,000 more in state revenue over what was originally budgeted (a budget adjustment was done mid-year). However, when comparing the actual with the prior year actual, there is still a decline in state revenue of about 17%.

For fiscal year 2011/12, the College increased tuition rates as seen in the chart below. With the financial picture at the State level being very undependable and the concern for future cuts in these revenues, management felt a tuition increase was in line. Other colleges in the state have also been faced with increased tuition as the state funding has decreased.

Following is a table that shows the different categories of tuition rates from 2008/09 to 2011/12:

Tuition Category	2008/2009 Rate/Credit Hr.	2009/2010 Rate/Credit Hr.	2010/2011 Rate/Credit Hr.	2011/2012 Rate/Credit Hr.
In District	\$45.00	\$45.00	\$49.00	\$53.00
In State	\$75.00	\$75.00	\$82.00	\$89.00
Out of State	\$235.00	\$235.00	\$256.00	\$279.00
Industry Rate	\$85.00	\$85.00	\$93.00	\$101.00

Credit enrollments for 2011/12 were 4% lower than the prior year and 10% lower than the budget. This caused the actual tuition revenue to be short from the original budget by about \$805,000. Specifically, enrollments were down during fiscal year 2011/12 in the credit and ESL categories. Classes taken for non-credit were up but not enough to offset the decrease on the credit classes. Enrollments are generally measured in full time equivalents (FTE) and were down 194 FTE for the year. This can be partially attributed to the economy in the district. It has not yet fully rebounded and has negatively impacted a lot of the population. Increased tuition rates are also a factor to consider. Work continues on marketing, recruitment and retention across the College. This is part of the College's strategic plan.

Following is an enrollment comparison with last year:

FTE Category	2011/2012 Actual	2010/2011 Actual
Credit FTE	3,601.32	3,750.68
Non-Credit FTE	532.26	527.38
ESL FTE	324.07	373.94
Total	4,457.65	4,652.00

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

The College receives state funding based on our full time equivalent (FTE) enrollments. Colorado Mountain College and Aims Community College are the only independent colleges in the state and are funded by a block grant. Because we are able to levy property taxes, we do not receive as much state funding as the colleges within the state system. In addition, the College does not receive any funding for capital improvements or equipment from the state, as the other state institutions do. However, we do get about 8% of our general fund revenues from the state. For 2011/12 our state funding was \$5.0 million compared to \$6.1 million in 2010/11, or a 17% decrease. The picture for revenue at the state level did not seem to be improving at the start of the budget process for this fiscal year, but in the end did show some promise for improvement. Sales tax and other revenues came in higher than first anticipated. Each quarterly revenue forecast throughout the year brought better news. In the end, we budgeted conservatively and ended up with more revenue than budgeted, even though it was still significantly less than we received the prior year. We expect that the revenue forecasts will continue to improve with each small sign of economic recovery. The College has established reserve funds to help offset the fluctuation in this revenue source.

Property tax revenues provided about 75% of our total general fund revenue in 2011/12. This includes real estate and vehicle ownership tax. The College is located within six different counties and collects taxes in all of those counties. Our tax mill levy is 3.997 and has remained at this level for nearly 20 years. This was a year when the County Assessors were significantly more conservative in their estimates than usual. The economy was still at a low and their estimates to the College of assessed values were quite a bit lower than they could have been. This meant that the College received \$6.2 million more than originally budgeted in gross property tax revenue this year. About a third of that was from oil and gas in Garfield County. We have seen that the consistency of oil and gas valuation is unreliable and so the College is cautious in spending this revenue on things with long-term financial impact. Values are assessed every other year and 2011/12 was the first year of that process. The assessed values were calculated at June 30, 2010 when the market was substantially down. Oil and gas production is assessed every year. The College anticipates that the 12/13 fiscal year will see oil and gas production decline due to prices and that the real property values will remain constant since it will be a non-assessment year.

The College's Auxiliary Fund holds the activity for our enterprise or business type activities. The main activities are student related and include the residence hall, food service and bookstore operations. All non-credit instruction runs through the Auxiliary Fund as well. The activity or cost centers in the Auxiliary Fund are expected to break even or make a slight profit. Outstanding debt in this fund relates to revenue bonds which were issued to finance the construction of residence halls in 1996. These bonds are scheduled to be paid off in June 2023. However, the College put aside reserve dollars to pay these bonds off at the earliest date in which no penalty would be incurred, June 2013. This year the College continued to see low occupancy rates at two of the three residence halls. The third campus was not at full occupancy, but had a higher rate than the other two campuses. With overall enrollment numbers down for the year, there was a direct impact on the residence hall occupancy rates. The College has a live on

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

requirement for freshman students, but second year students are able to find affordable housing off campus in this economy, whereas in the past there was not much difference between the housing rates.

The food service for students and staff is outsourced to Sodexo. The College reimburses Sodexo on a per student basis. This outsourcing arrangement is negotiated each year so that the College can keep the cost to the student reasonable. Campuses are working with Sodexo to involve them in potential future student partnerships such as greenhouses on campus and growing food for the cafeteria.

The College has three main bookstore operations, which are housed at the residential campuses. The commuter campuses offer a very limited bookstore service to students due to space and staff time. Residential sites offer some books on campus but have partnered with Follett for online books, which seem to be preferable for a lot of students. The College anticipates that the online offerings will become more and more prominent in the next couple of years. Merchandise, other than books, is mainly offered at the residential campuses and via the web. The bookstore industry is constantly changing and the addition of the web has kept us looking for new ways to serve our students.

Another large contributor to the Auxiliary Fund is non-credit course offerings. These are courses offered to the community at a cost that allows the College to break even on the offering or make a small profit. These courses are not offered for credit, therefore the pricing can be flexible and in accordance with what the community is willing to pay. Non-credit courses and customized business training are fairly consistent in student numbers from year to year. The offerings change constantly due to community interest and seem to be well received by our community members. This is especially important due to the nature of our property tax funding.

The Financial Aid Fund is a restricted fund. The funds are only allowed to be spent on financial aid packages available to qualifying students. Available federal and state financial aid funds have fluctuated from year to year, and this year there was a very small increase in total funds compared to the prior year. The State has struggled financially in recent years and is just beginning to see small increases in revenue. They are committed to trying to allocate more budget dollars to higher education and financial aid in particular. The federal government Pell grant was not increased for 2011/12 and in fact, depending on a student's estimated family contribution, the amount they receive for Pell grant could be less than it would have been in 2010/11. While state and federal grant funds for students were steady or decreasing, we saw student loan numbers increasing. Holding the cost of attendance down is important to CMC. Lower total cost of attendance can help students to cover more of their costs with grants and scholarships, and perhaps not have to take out as many loans. The College has also invested more institutional money into student scholarships in order to offset the cuts in funding we have experienced in federal and state financial aid funds. It is hoped that the trend of increased revenue at the state and federal level will continue.

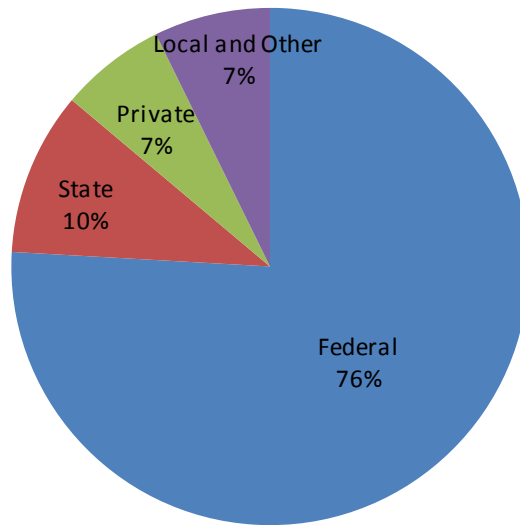
Colorado Mountain Junior College District
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The Grants and Contracts Fund (Sponsored Program Fund) is also a restricted fund. Revenue sources come from federal, state or local grants, private donations or contracts with other agencies for specific services. Federal programs are an important part of what CMC does, and offer many valuable partnership opportunities. This year the College partnered with other colleges and was awarded a three-year grant related to integrated energy education in the amount of \$1.2 million. Grant and contract funds continue to help support declines in General Fund revenue and allow the College to do programs it might not otherwise be able to offer. The majority of revenues in this fund are Federal as seen below:

Table 4
Revenue Sources

	2011/12	2010/11
Federal	\$ 1,863,190	\$ 1,869,454
State	250,920	12,549
Private	162,337	143,414
Local and Other	178,383	151,142
Total	\$ 2,454,830	\$ 2,176,559

2011/12:



Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

CAPITAL ASSETS AND DEBT

Capital Assets

At June 30, 2012, the College had \$132.3 million invested in capital assets, net of depreciation, consisting of buildings, land, land improvements, equipment, infrastructure, library materials and construction in progress. Following is a breakdown of those assets:

Table 5

Capital Assets at Year End
Net of Depreciation

	6/30/12	06/30/11
Land	\$ 8,305,612	\$ 8,305,612
Library Materials	515,415	695,367
Construction In Progress	28,078,548	19,131,326
Land Improvements	836,412	914,139
Buildings	88,322,668	77,956,013
Equipment and Software	2,514,923	2,212,566
Infrastructure	3,327,223	1,462,568
Other Fixed Assets	406,270	404,913
Total Capital Assets	\$ 132,307,071	\$ 111,082,504

The Steamboat Springs campus has a new academic center which is substantially complete at June 30, 2012. It will be open to welcome students back to campus for fall semester. This building replaces three older, pod-type buildings which will be torn down once the new building is open. For health and safety reasons, the old buildings were not retained. The new building space is much more functional and will serve the student population more effectively. Also at June 30, 2012 the building in Glenwood Springs which was purchased last fiscal year and renovated to house the central administration of the college, is substantially complete. All staff has moved into the building along with the Chamber of Commerce with whom we have partnered in the new building. The previous office space which has been vacated is currently for sale. Another partnership project is also underway in Glenwood Springs. The College and the Public Library have partnered to build a parking garage and library building directly behind the downtown college administrative building. This project just got underway in April and is anticipated to be complete in August of 2013. Depreciation expense of \$3,235,498 was recorded during 2011/12. The net change, after additions, deletions and depreciation is an increase in capital assets of \$21.2 million.

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

Debt

The College has two debt issues outstanding. Revenue bonds were issued for the purpose of financing residence halls in Leadville, Steamboat Springs and Glenwood Springs, and Certificates of Participation were issued for the purpose of financing construction of an academic building in Rifle and in Breckenridge. The revenue bonds were originally issued in 1996. The outstanding principal balance at June 30, 2012 is \$8,510,000 and the bonds are scheduled to be paid off in the year 2023. The College has funded a reserve account to pay the revenue bonds off early, in June of 2013, the earliest date without penalty. The Certificates of Participation were issued in fiscal year 2006/07 for \$19,580,000. The outstanding principal balance at June 30, 2012 is \$16,510,000 and the bonds are scheduled to be paid off in the year 2027.

Colorado Mountain College Foundation

The Colorado Mountain College Foundation is a discretely presented component unit of the College. The Foundation's primary purpose is to fundraise to help support College initiatives and student scholarships. The Foundation's financial statements have been audited by Monahan, Lampman and Hays, P.C., an audit firm, different than the College's audit firm. The Foundation's financial statements are included in the basic financial statements in accordance with GASB Statements Nos. 14 and 39.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As shown in the revenue graph above (table 3), the College's revenue is highly impacted by the economy and the property tax revenue generated each year. Assessed property values for 2011/12 were higher than assessors had first predicted. These assessments were done as of June 30, 2010 and assessors had predicted we could experience as much as a 35% decline in valuations. As it turned out, the values were down 15.5% on average. Since valuations are done every other year, the 2012/13 budget revenue from property taxes will be very similar to the 2011/12 year. Oil and gas production is valued every year thus being more timely for the college budget process. It is anticipated that the production, thus the assessment, will remain flat or decrease slightly in near future years. The College projects the tax revenues to be significantly lower in 2013/14 when the next true assessment will be based on the market decline in June 2012. We are forecasting budgets and making plans to handle the declining revenue we are facing in the next couple of years.

In 2011/12 the College saw a decrease in credit enrollments which is a trend throughout the country. Overall enrollments, including non-credit and ESL classes, were down 4.2% over prior year. The economy has not recovered completely and it seems that people are still struggling financially and, therefore, it is seen in enrollment numbers. Yet we anticipate that 2012/13 will be better. The economy seems to be picking up a little which will help with enrollments overall. The bachelor program offerings are strong and at the date this is being written we do know that

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

enrollments are up 174% in 2012/13 over last fall semester, as a second class of students began their degrees. We anticipate that these programs will see increasing enrollments for the upcoming years.

The overall State is starting to see a slight recovery in revenue. This year the funding from the State was down just slightly and it is predicted that state funding will increase over the next couple of years as the economy recovers. Since it may be a while before state funding is restored to a level prior to cuts, the College has established reserve funds to help fill this possible gap in revenue.

The tuition rates increased slightly for the 2011/12 fiscal year over what they were in 2010/11, and increased again for 2012/13. The new bachelor degree programs' tuition rates were originally set at a higher rate than the two year programs, and will remain level for 2012/13. The College receives no state revenue for the enrollments in the bachelor programs so the tuition must cover more of the cost of these programs. The Board of Trustees must approve all tuition rate increases.

For fiscal year 2012/13, the College will continue its commitment to technology upgrades with investments in additional smart classroom equipment, server and PC replacements, new computer labs, upgrades of networking core closets, expansion of wireless access points across the college and software for academic programs. The College is continuing its commitment to rotating PC's from instructional labs every three years and from staff every four years. Investments in instructional equipment directly related to programs such as outdoor studies, EMT, ski and snowboard business, math, veterinary technology, graphic design and photography are also budgeted in 2012/13. All of these things support our AQIP (Academic Quality Improvement Program) goals of student access and student success. Unknown future funding may impact this area of investment for the college. So, as the dollars have been available, the College has invested wisely and strategically.

Almost \$7.5 million is planned to be invested in 2012/13 for facility maintenance and new construction. The next couple of years may not provide as much capital money, so the college is investing in our physical assets while money is available. Since the economic downturn, the College has experienced savings in the cost of minor maintenance projects and contractors are available more timely. Therefore, the College is getting a better return on investment. We are just beginning to see small signs of price increases, which hopefully is a sign of economic recovery.

AQIP is the College's method of accreditation. In June 2007, the College was visited by an accreditation team, and during the fall of 2009 a team of college administrators visited with AQIP facilitators in Chicago. Feedback received after the 2007 visit was very positive and the College was awarded a "Vanguard College" designation as a result. This is a prestigious designation and the College is honored to be included in this category with other great colleges. The AQIP accreditation process is continual. Annual updates are made of our continuous

Colorado Mountain Junior College District
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2012

improvement projects and periodic visits from the Higher Learning Commission take place. The next reaffirmation visit is likely scheduled for Spring 2014.

CONTACTING THE COLLEGE

The purpose of this financial report is to provide our students, taxpayers, investors, creditors and the general public with an overview of the College's finances. The financial statements show that the College is accountable for the money it receives and is committed to being good stewards of the public funds it receives. If you have any questions about this report or need additional information, please contact the office of the Chief Financial Officer at 802 Grand Avenue, Glenwood Springs, CO 81601.

Colorado Mountain Junior College District
Statement of Net Assets
June 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 47,320,036
Short-term investments	6,377,877
Property tax receivable, net of allowance of \$311,000	10,139,674
Student accounts receivable, net of allowance of \$260,000	179,974
Other accounts receivable	1,150,427
Inventories	193,022
Prepaid expenses	897,280
Total current assets	66,258,290

Noncurrent assets:

Restricted cash and cash equivalents	2,118,613
Restricted investments	1,173,854
Long-term investments	18,223,728
Other noncurrent assets	629,613

Nondepreciable capital assets:

Land	8,305,612
Other fixed assets	406,270
Construction in progress	28,078,548

Depreciable capital assets (net):

Land improvements	836,412
Buildings and improvements	88,322,668
Infrastructure	3,327,223
Equipment and software	2,514,923
Library materials	515,415

Total noncurrent assets	154,452,879
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TOTAL ASSETS	220,711,169
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Colorado Mountain Junior College District
Statement of Net Assets
June 30, 2012

LIABILITIES

Current liabilities:	
Accounts payable	4,522,886
Due to discretely presented component unit	27,800
Deposits payable	278,773
Accrued salaries	829,192
Other accrued liabilities	1,717,633
Deferred revenue	911,596
Funds held for others	110,895
Bonds and capital leases payable	1,457,144
Deferred compensation payable	17,305
Compensated absences	1,473,217
Total current liabilities	<u>11,346,441</u>
Noncurrent liabilities:	
Due to discretely presented component unit	83,400
Bonds and capital leases payable	23,674,732
Land obligation payable	632,461
Compensated absences	163,690
Total noncurrent liabilities	<u>24,554,283</u>
TOTAL LIABILITIES	<u>35,900,724</u>

NET ASSETS

Invested in capital assets, net of related debt	106,594,399
Restricted for:	
TABOR reserve	2,575,000
Loans	1,775
Other purposes - expendable	580,433
Unrestricted	75,058,838
TOTAL NET ASSETS	<u>\$ 184,810,445</u>

Colorado Mountain College Foundation, Inc.
Statement of Financial Position
June 30, 2012

ASSETS

Current assets:

Cash and cash equivalents

Unrestricted	\$ (56,041)
Temporarily restricted	628,081
	572,040

Other current assets:

Grant reimbursement receivable - unrestricted	55,600
Other receivables - unrestricted	2,002
Other receivables - temporarily restricted	24,558
Other receivables - restricted for permanent endowment	505
Unconditional promise to give, net	
Unrestricted	28,170
Temporarily restricted	726,836
Restricted for permanent endowment	59,075
	896,746

Total current assets	1,468,786
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Noncurrent assets:

Other noncurrent assets:

Grant reimbursement receivable, net - unrestricted	52,433
Cash surrender value of life insurance	35,000

Long-term unconditional promise to give, net

Unrestricted	66,238
Temporarily restricted	1,459,336
Restricted for permanent endowment	116,640

Long-term investments

Unrestricted	175,697
Temporarily restricted	2,367,315
Restricted for permanent endowment	7,472,056

Total noncurrent assets	11,744,715
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TOTAL ASSETS	\$ 13,213,501
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 79,717
Other current liabilities	9,829
Gift annuity payable - current portion	1,591
Total current liabilities	91,137

Noncurrent liabilities

Long-term gift annuity payable	4,868
TOTAL LIABILITIES	96,005

NET ASSETS

Unrestricted	358,714
Temporarily restricted	5,110,507
Permanently restricted	7,648,275
Total net assets	13,117,496
TOTAL LIABILITIES AND NET ASSETS	\$ 13,213,501

Colorado Mountain Junior College District
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012

REVENUES

Operating revenues:	
Tuition and fees, net of scholarship allowance of \$2,187,833	\$ 7,612,046
Federal, state, private grants and contracts	3,797,850
Auxiliary enterprises	7,091,810
Other operating revenue	842,210
Total operating revenues	<u>19,343,916</u>

EXPENSES

Operating expenses:	
Instruction	23,611,164
Community service	1,065,012
Academic support	3,777,613
Student services	5,652,620
Institutional support	15,078,373
Operation and maintenance of plant	6,788,514
Student aid	3,499,594
Auxiliary enterprises	6,722,106
Depreciation	3,235,498
Total operating expenses	<u>69,430,494</u>
Operating loss	<u>(50,086,578)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	5,038,179
Federal nonoperating revenue	4,228,580
Property taxes	47,912,653
Investment income	958,066
Unrealized gain on investments	2,203,373
Gain on disposition of capital assets	137,001
Amortization of bond issuance cost	(43,558)
Interest expense on capital debt	(103,853)
Net nonoperating revenues	<u>60,330,441</u>
Income before other revenues	<u>10,243,863</u>
Capital contributions	1,944,111
Change in net assets	<u>12,187,974</u>
Net assets, beginning of year	<u>172,622,471</u>
Net assets, end of year	<u><u>\$ 184,810,445</u></u>

Colorado Mountain College Foundation, Inc.

Statement of Activities Year Ended June 30, 2012

REVENUES AND OTHER SUPPORT	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions	\$ 44,311	\$ 1,878,641	\$ 268,100	\$ 2,191,052
In-kind contributions:				
From Colorado Mountain College	845,778	-	-	845,778
Other in-kind contributions	104,994	-	-	104,994
Administrative fee income	78,075	-	-	78,075
Interest and dividends	2,949	393,275	-	396,224
Realized gain on investments	991	39,140	-	40,131
Unrealized gain (loss) on investments	8,244	(47,316)	-	(39,072)
Less investment fees	(428)	(53,603)	-	(54,031)
Change in value of gift annuity	-	962	-	962
Net assets released from restrictions	2,057,240	(2,077,781)	20,541	-
Total revenues and other support	3,142,154	133,318	288,641	3,564,113
EXPENSES:				
Scholarships	694,007	-	-	694,007
Distributions to or for the benefit of				
Colorado Mountain College	1,389,699	-	-	1,389,699
In-kind distributions to College	104,994	-	-	104,994
General and administrative	907,180	-	-	907,180
Total expenses	3,095,880	-	-	3,095,880
Change in net assets	46,274	133,318	288,641	468,233
Net assets--beginning of year	312,440	4,977,189	7,359,634	12,649,263
Net assets--end of year	\$ 358,714	\$ 5,110,507	\$ 7,648,275	\$ 13,117,496

Colorado Mountain Junior College District
Statement of Cash Flows
Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received:		
Tuition and fees	\$	7,883,971
Contracts and grants (operating revenue)		3,926,587
Sales and services of auxiliary enterprises		7,157,912
Other operating receipts		1,059,755
Cash payments:		
Payments to suppliers		(10,357,162)
Payments to employees		(45,426,086)
Payments for auxiliary enterprises		(6,770,263)
Scholarships disbursed		(3,499,594)
Net cash used in operating activities		<u>(46,024,880)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations		5,038,179
Deposits held in custody for others		(15,987)
Property taxes		50,624,663
Federal nonoperating revenue		4,228,580
Net cash provided by noncapital financing activities		<u>59,875,435</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Gifts and grants for capital purposes		1,944,111
Acquisition or construction of capital assets		(20,075,287)
Payment of prior year payables for capital assets		(3,886,132)
Proceeds from sale of capital assets		328,766
Principal paid on capital debt		(1,397,697)
Interest payments on capital debt and leases		(1,107,265)
Payments on note payable		(27,800)
Net cash used in capital and related financing activities		<u>(24,221,304)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments		3,477,978
Investment income		970,399
Net cash provided by investing activities		<u>4,448,377</u>

Decrease in cash and cash equivalents		(5,922,372)
Cash and cash equivalents, beginning of year		55,361,021
Cash and cash equivalents, end of year	\$	<u>49,438,649</u>

Reconciliation of cash and cash equivalents to the statement of net assets

Cash and cash equivalents	\$	47,320,036
Restricted cash and cash equivalents		2,118,613
Total cash and cash equivalents	\$	<u>49,438,649</u>

Colorado Mountain Junior College District
Statement of Cash Flows (continued)
Year Ended June 30, 2012

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (50,086,578)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,235,498
Amortization of land obligation payable	(26,210)
Decrease in assets:	
Receivables, net	772,143
Inventories	104,697
Prepaid expenses	134,091
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(359,804)
Deposits payable	323,692
Deferred revenue	(88,780)
Deferred compensation payable	(33,629)
Net cash used in operating activities	<u>\$ (46,024,880)</u>

Noncash investing, capital, and financing activities:	
Accounts payable incurred for purchase of capital assets	\$ 3,544,906
Amortization of bond issue costs	43,558
Proceeds from capital leases	35,727
Change in estimate of arbitrage liability	20,119
Unrealized gain/loss on investments	2,203,373
Amortization of bond premium	7,502
Tuition provided under land obligation agreement	26,210

Colorado Mountain Junior College District

Notes to Financial Statements

June 30, 2012

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Colorado Mountain Junior College District (the District) is a self-governing junior college district with taxing authority. The District was formed in 1965 to serve post-high school education needs, including vocation and adult education. The District operates under the name Colorado Mountain College (the College).

The financial statements of the District include all of the integral parts of the District's operations. The District applied various criteria to determine if it is financially accountable for any organization that would require that organization to be included in the District's reporting entity. These criteria include fiscal dependency, financial benefit/burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

As required by generally accepted accounting principles, these financial statements present the District (primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationships with the District in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*.

Discretely Presented Component Unit

The District's financial statements include one supporting organization as a discretely presented component unit (DPCU) of the District.

Colorado Mountain College Foundation, Inc. (the Foundation) is a separate not-for-profit 501(c)(3) corporation formed to promote the welfare, development, and being of the College. The Foundation is a separate legal entity with its own board of trustees. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the District. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. Separately issued financial statements are available by contacting the Foundation at P.O. Box 1763, Glenwood Springs, CO 81602.

Basis of Accounting and Presentation

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's 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 an obligation is incurred.

Colorado Mountain Junior College District

Notes to Financial Statements

June 30, 2012

The District prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That use Proprietary Fund Accounting*, the District applies the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The District has elected not to apply FASB pronouncements issued at November 30, 1989.

The Foundation reports under FASB Standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences. Because the Foundation uses a generally accepted accounting principles (GAAP) reporting model that is different from the District's reporting model, the District has choose to report the Foundation financial statements on separate pages as permitted by GASB Statement No. 39.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012, cash and cash equivalents consisted primarily cash on hand, demand deposits and money market funds with brokers.

Investments and Investment Income

Investments are carried at fair value. Fair value is determined using quoted market prices.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Colorado Mountain Junior College District
Notes to Financial Statements
June 30, 2012

Inventories

Inventories are stated at cost, determined using the first-in, first-out (FIFO) method, except for bookstore inventories which are determined utilizing the retail method.

Deferred Bond Issue Costs

Bond issue costs incurred on the revenue bond issues have been deferred and are being amortized using the straight-line method over the life of the bonds.

Property Taxes

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on February 28 and June 15 or in full on April 30. An allowance for uncollectible taxes of \$311,000 has been provided based on an analysis of historical trends. The original January 1, 2012 levy for the District was 3.997 mills.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset with a half-month convention for assets additions. The following estimated useful lives are being used by the District:

Land improvements	15 years
Buildings and improvements	20 - 50 years
Equipment and software	3 - 10 years
Library materials	20 years

The District follows the policy of capitalizing only those plant assets with an initial cost or fair value equal to or greater than \$5,000. A physical inventory of all plant assets is updated annually with appropriate adjustments made to the financial records. Annual revisions of statement of values for insurance purposes are performed. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Interest cost is capitalized on assets constructed by the District during the period of construction.

The District leases copier equipment under capital leases to conduct its operations at the various campuses. Assets recorded under capital lease agreements are recorded at the present value of future minimum lease payments and are amortized over either the term of the lease or the estimated useful life of the asset, whichever period is shorter. Such amortization is included is depreciation expense in the accompanying financial statements.

Colorado Mountain Junior College District
Notes to Financial Statements
June 30, 2012

Compensated Absences

Employees' compensated absences are accrued at year-end for financial statement purposes. The current portion represents estimated amounts that will be paid out within one year.

Deferred Revenue

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues for summer tuition and fees are calculated based on the number of days falling within each respective fiscal year. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Budget

While the District's various funds used for internal accounting purposes are combined for financial reporting purposes, the Board of Trustees adopts an annual budget to authorize and control spending at the fund level. The 2011-2012 budget was amended in June 2012. The District's expenditures for a fund may not exceed the amount budgeted. Budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America.

	Original Budget	Supplemental Appropriation	Revised Budget
General Fund	\$ 56,295,449	\$ 10,196,862	\$ 66,492,311
Auxiliary Funds	8,155,882	(138,017)	8,017,865
Current Restricted Funds	11,671,572	2,278,823	13,950,395
Plant Funds	5,184,935	12,030,722	17,215,657
Other Fiduciary Funds	197,500	68,000	265,500
	\$ 81,505,338	\$ 24,436,390	\$ 105,941,728

Net Assets

Net assets of the District are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation, and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the District or imposed by law through constitutional provisions or enabling legislature, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted net assets.

Colorado Mountain Junior College District
Notes to Financial Statements
June 30, 2012

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues - Revenues generally resulting from providing goods and services for instruction, community service or related support services to an individual or entity separate from the College.

Nonoperating revenues - Revenues that do not meet the definition of operating revenues. Nonoperating revenues include property taxes, state appropriations, gifts, investment income and insurance reimbursements.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing for the year ended June 30, 2012 was \$2,187,833.

Application of Restricted and Unrestricted Resources

The District's policy is to first apply an expense against restricted resources then toward unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

Reclassifications

Certain 2011 amounts have been reclassified to conform to 2012 presentation.

Colorado Mountain Junior College District
Notes to Financial Statements
June 30, 2012

Note 2: Cash and Cash Equivalents and Investments

Cash and cash equivalents as of June 30, 2012 is comprised of the following:

Deposits	\$ 20,549,810
COLOTRUST	22,854,626
Money market funds	3,907,276
Cash total	47,311,712
Cash on hand	8,324
Total cash and cash equivalents	47,320,036
Restricted money market funds	2,118,613
Total	\$ 49,438,649

The restricted money market funds are restricted for the required reserves associated with the outstanding 2004 bonds and 2007 COPs.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The Colorado Public Deposit Protection Act (PDPA) requires eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State.

At June 30, 2012, the carrying amount of the District's deposits was \$28,608,943. The District's deposits in banks and non-negotiable certificates of deposit in banks totaled \$30,430,597, of which \$1,518,252 was insured by federal deposit insurance and \$28,912,345 was collateralized in accordance with PDPA. The District also had cash on hand of \$8,324 at June 30, 2012.

Investments

The statutes of the State of Colorado authorize the District to invest in certificates of deposit, money market certificates, bonds or other interest-bearing obligations of the United States, state, county and school district bonds, and state, county and municipal warrants, obligations of national mortgage associations, certain repurchase agreements, local government investment pools, and government money market funds.

Colorado Mountain Junior College District
Notes to Financial Statements
June 30, 2012

At June 30, 2012, the District has invested \$22,854,626 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1. In addition, the District had the following investments, money market funds and certificates of deposit with original maturities greater than 90 days:

	<u>Current</u>		<u>Current</u>	<u>Maturity</u>	<u>Credit Rating</u>	
	<u>Market Value</u>	<u>Cost Basis</u>			<u>Yield</u>	<u>Moody's</u>
<u>Certificates of Deposit (Non-Negotiable)</u>						
Alpine Bank	\$ 4,343,840	\$ 4,343,840	0.66%	5/21/2013		
Peoples Bank	2,034,037	2,034,037	1.09% & 1.24%	5/26/2013 and 5/31/2013		
Vectra Bank	160,109	160,109	various	various ranging from 5/21/2013 to 5/9/2016		
Yampa Valley Bank	1,521,147	1,521,147	0.35%	8/12/2013		
	<u>8,059,133</u>	<u>8,059,133</u>				
<u>Government issued or guaranteed bonds</u>						
US Treasury Bill *	1,013,745	1,013,745	0.00%	11/29/2012	AAA	AA+
Federal Home Loan Bank	5,440,048	4,334,536	4.03%	12/10/2021	AAA	AA+
Federal Home Loan Bank	11,262,533	8,914,178	4.28%	6/12/2026	AAA	AA+
	<u>17,716,326</u>	<u>14,262,459</u>				
<u>Money market funds</u>						
JP Morgan Prime Market Capital	386,628	386,628				
Federated Government Obligation	1,731,985	1,731,985				
Dreyfus General	3,907,276	3,907,276				
	<u>6,025,889</u>	<u>6,025,889</u>				
Total investments	<u>\$ 31,801,348</u>	<u>\$ 28,347,481</u>				
<u>Statement of net asset classification</u>						
Short-term investments	\$ 6,377,877					
Restricted cash and cash equivalents	2,118,613					
Money market funds in cash and cash equivalents	3,907,276					
Long-term investments	18,223,728					
Restricted investments	1,173,854					
	<u>\$ 31,801,348</u>					

* Investment relates to the required reserve associated with the 2004 bonds. Upon maturity, the investment must be reinvested and cannot be withdrawn and as such is classified as noncurrent restricted investments on the statement of net assets.

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Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. State law limits investments in commercial paper and corporate bonds to at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below “AA- or Aa3” by any credit rating agency. See table above for ratings associated with the government issued or guaranteed bonds.

As of June 30, 2012, the District’s investment in COLOTRUST investment pool was rated AAAM by Standard and Poors.

None of the District’s money market funds are deemed to be exposed to custodial credit risk as they are considered open-ended money market mutual funds (i.e. a fund that does not have restrictions on the number of shares it can issue).

Concentration of Credit Risk – is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. The District’s investment policy states that no more than 50% of the portfolio may be placed in an investment pool, such as COLOTRUST. As of June 30, 2012, 42% of the District’s investments are in COLOTRUST. In addition, the District’s investments in U.S. Government Agencies constituted 38% of its total investments.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. State law allows the investment of public funds in any security issued by, guaranteed by, or the credit of which is pledged for payment by the United States, a federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, or the government national mortgage association. Investments in these types of securities are limited to a term of five years from the date of purchase, unless the governing body authorizes investment for such period in excess of five years. The District does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Colorado Mountain Junior College District
Notes to Financial Statements
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Note 3: Capital Assets

Capital assets activity for the year ended June 30, 2012 is:

	Balance, July 1, 2011	Additions	Retirements	Transfers In (Out)	Balance, June 30, 2012
Nondepreciable capital assets					
Artwork	\$ 327,750	\$ -	\$ -	\$ -	\$ 327,750
Land	8,305,612	-	-	-	8,305,612
Other fixed assets	77,163	1,357	-	-	78,520
Construction in progress	19,131,326	21,227,169	-	(12,279,947)	28,078,548
Total nondepreciable capital assets	<u>27,841,851</u>	<u>21,228,526</u>	<u>-</u>	<u>(12,279,947)</u>	<u>36,790,430</u>
Depreciable capital assets					
Land improvements	1,640,619	-	-	-	1,640,619
Buildings & improvements	98,978,757	2,316,693	(390,992)	10,390,926	111,295,384
Equipment	5,500,890	963,956	(194,043)	-	6,270,803
Library materials	2,917,621	85,918	(32,346)	-	2,971,193
Software	727,460	-	-	-	727,460
Infrastructure	1,507,802	56,737	-	1,889,021	3,453,560
Total depreciable capital assets	<u>111,273,149</u>	<u>3,423,304</u>	<u>(617,381)</u>	<u>12,279,947</u>	<u>126,359,019</u>
Less accumulated depreciation					
Land improvements	726,480	77,727	-	-	804,207
Buildings & improvements	21,022,744	2,160,687	(210,715)	-	22,972,716
Equipment	3,309,956	637,838	(182,555)	-	3,765,239
Library materials	2,222,254	265,870	(32,346)	-	2,455,778
Software	705,828	12,273	-	-	718,101
Infrastructure	45,234	81,103	-	-	126,337
Total accumulated depreciation	<u>28,032,496</u>	<u>3,235,498</u>	<u>(425,616)</u>	<u>-</u>	<u>30,842,378</u>
Net depreciable capital assets	<u>83,240,653</u>	<u>187,806</u>	<u>(191,765)</u>	<u>12,279,947</u>	<u>95,516,641</u>
Net carrying amount	<u>\$ 111,082,504</u>	<u>\$ 21,416,332</u>	<u>\$ (191,765)</u>	<u>\$ -</u>	<u>\$ 132,307,071</u>

Interest cost capitalized for the year ended June 30, 2012 is \$995,910.

Colorado Mountain Junior College District
Notes to Financial Statements
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Note 4: Long-term Liabilities

The following is a summary of long-term obligation transactions for the District for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Revenue bonds	\$ 9,105,000	\$ -	\$ 595,000	\$ 8,510,000	\$ 620,000
Bond premiums	85,503	-	7,125	78,378	-
Certificates of participation (COP's)	17,305,000	-	795,000	16,510,000	825,000
COP's premiums	5,845	-	377	5,468	-
Capital leases	-	35,727	7,697	28,030	12,144
Compensated absences	1,332,051	304,856	-	1,636,907	1,473,217
Arbitrage	20,119	-	20,119	-	-
Total	\$ 27,853,518	\$ 340,583	\$ 1,425,318	\$ 26,768,783	\$ 2,930,361

On August 4, 2004, the University issued \$12,655,000 in Student Housing Facilities Enterprise Revenue Bonds, Series 2004 at a premium of \$135,379, with interest rates varying from 3% to 5%. The bonds will be repaid from auxiliary revenues and require annual debt service payments ranging from \$805,627 to \$1,014,390, including interest. Final payments are due in June 2023.

The premium on the bond of \$135,379 and the bond issue costs of \$304,974 are being amortized over the life of the bonds. The balance of the premium at June 30, 2012 is \$78,378 and the unamortized balance of the bond issuance costs is \$176,564. The amount of the premium credited as a reduction of interest expense for the year was \$7,125 and the amount of the bond issuance costs amortized for the year was \$16,051.

The future bond payment requirements as of June 30, 2012, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 620,000	\$ 385,965	\$ 1,005,965
2014	650,000	360,390	1,010,390
2015	670,000	334,390	1,004,390
2016	705,000	307,590	1,012,590
2017	735,000	279,390	1,014,390
2018-2022	4,170,000	867,205	5,037,205
2023	960,000	48,000	1,008,000
	\$ 8,510,000	\$ 2,582,930	\$ 11,092,930

Colorado Mountain Junior College District
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The District has pledged all available funds or revenues from the Residence Hall Fund to repay the revenue bonds annually. In addition, when necessary, the District pledges related Summer Conference, Food Service or other Auxiliary funds or revenues to repay the revenue bonds. For example, if the halls are full, additional pledged revenue is not needed. If the halls are not full the amount of revenue pledged from the other funds varies. From the Residence Hall Fund, 100% of the net revenues for 2011/12, or \$770,495, was needed to repay the bonds. Food Service pledged 48% of net available funds totaling \$483,029, or \$232,373, to the annual principal and interest payment on the revenue bonds.

On January 1, 2008, the District issued \$19,580,000 in Certificates of Participation, Series 2008, at a premium of \$7,353, with interest rates varying from 3.75% to 4.375%. The certificates of participation require annual debt service payments ranging from \$871,433 to \$1,540,200, including interest. Final payments are due in August 2026.

The premium on the certificates of participation (COP's) of \$7,353 and the issuance costs of \$550,137, are being amortized over the life of the COP's. The balance of the premium at June 30, 2012 is \$5,468 and the unamortized balance of the issuance cost is \$398,849. The amount of the premium credited as a reduction of interest expense for the year was \$377 and the amount of the issuance costs amortized for the year was \$27,507.

The following is a schedule of the future COP's payments as of June 30, 2012:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 825,000	\$ 665,100	\$ 1,490,100
2014	860,000	633,550	1,493,550
2015	885,000	600,800	1,485,800
2016	925,000	565,344	1,490,344
2017	960,000	529,088	1,489,088
2018-2022	5,405,000	2,024,491	7,429,491
2023-2027	6,650,000	747,922	7,397,922
	\$ 16,510,000	\$ 5,766,295	\$ 22,276,295

In June 2009, the District entered into a loan agreement with the Foundation for \$139,000 to assist with the initial funding of the Timberline Analytical Lab. This loan is unsecured and is repayable to the Foundation in five equal annual installments, without interest, beginning July 1, 2011. The balance outstanding as of June 30, 2012 is \$111,200 and is payable as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 27,800
2014	27,800
2015	27,800
2016	27,800
	\$ 111,200

Colorado Mountain Junior College District
Notes to Financial Statements
June 30, 2012

Capital Lease Obligations

The District has an outstanding liability for capital leases of \$28,030 relating to copiers at various campuses. The following is a schedule of the future capital lease's payments as of June 30, 2012:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 12,144
2014	12,144
2015	<u>5,060</u>
Gross capital lease obligation	29,348
Less interest	<u>1,318</u>
Net capital lease obligation	<u><u>\$ 28,030</u></u>

The underlying gross capitalized asset cost of the capital leases is \$35,727 and the accumulated amortization as of June 30, 2012 is \$11,477.

Note 5: Operating Leases

The District, as lessor, has several real estate operating leases for classroom, office, and parking lot space, generally for periods of one year or less. Rental payments received on these leases for the year ended June 30, 2012, were approximately \$478,626. Rental payments received on multi-year leases expiring from 2015 to 2030, for the year ended June 30, 2012, were approximately \$88,962. The District entered into the following operating lease contract as the "Lessor."

Aspen Ballet Company

On March 20, 2000, Colorado Mountain Junior College District entered into a lease contract with the Aspen Ballet Company and School (ABC) to lease a portion of the new Aspen Campus Building for 30 years. Rent for the entire 30-year term will be \$637,000. This was paid in the following manner: a gift by John and Carrie Morgridge of \$250,000 was paid to the Colorado Mountain College in installments through the year 2004; \$162,000 was paid on the date that the contract began; and \$75,000 was paid on the first three anniversary dates of the commencement of the contract. The receipt of these funds is deferred and then recognized as revenue over the 30-year term of the lease. The lease commenced in January 2001, at the completion of the building.

For the year ended June 30, 2012, the District earned \$21,333 of rental income.

Colorado Mountain Junior College District
Notes to Financial Statements
June 30, 2012

Note 6: Accrued Salaries and Compensated Absences

Salaries of certain contractually employed personnel are paid over a twelve month period but are earned during an academic year of approximately nine months. The salaries and benefits earned but unpaid as of June 30, 2012 are estimated to be \$543,701. Additionally, other part-time employees' salaries and benefits earned but unpaid as of June 30, 2012 are estimated to be \$285,491.

Some employees receive annual leave which may accumulate to 240 hours. Unused leave is paid upon termination. The liability for unused annual leave and comp time at June 30, 2012 is \$1,636,907. Sick leave accumulates, but does not vest.

Note 7: Pension Plan

The District contributes to the Public Employees' Retirement Association of Colorado (PERA), a cost-sharing, multiple-employer public employee retirement system. The secondary retirement program for full-time faculty and some administrators is a Defined Contribution Plan (DCP) which was established October 1, 1994 and is administered by two fund sponsors, VALIC and TIAA-CREF.

Plan Description (PERA)

The District contributes to the State Division Trust Fund (SDTF), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association (PERA). SDTF provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. Most employees of the District are members of the SDTF. Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or online at www.copera.org or by calling PERA's InfoLine at 1-800-759-PERA(7372) or Denver metro area 303-832-9550.

Funding Policy (PERA)

Plan members and the District are required to contribute to the SDTF at a rate set by the statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 12.25% of covered salary for July 1, 2011 through December 31, 2011 and 13.15% of covered salary for January 1, 2012 through June 30, 2012. Also, a portion of the District's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (see below). The District's contributions to SDTF for the years ended June 30, 2012, 2011, 2010 were \$2,923,567, \$2,783,187, and \$3,108,539, respectively, equal to their required contributions for each year.

Colorado Mountain Junior College District
Notes to Financial Statements
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Plan Description (DCP)

The SDTF members of the District may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns authority to establish the 401(k) Plan provisions to the State Legislature. The Defined Contribution Plan (DCP) was established October 1, 1994 and is administered by two fund sponsors, VALIC and TIAA-CREF. Employees who elect to the DCP as established under Colorado Statutes and IRS Code 401(a) are immediately vested. Full retirement benefits are available to those employees as early as 55 unless other qualifying events occur as outlined in the Plan Document, section 7.1. Contribution requirements are the same as those of PERA.

Funding Policy (DCP)

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS. The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended.

Covered payrolls for the DCP plan for the fiscal year ended June 30, 2012 were \$8,645,805. For the current fiscal year the employer's contribution to the DCP was \$1,098,338, which is 12.25% of covered payrolls for July 1, 2011 through December 31, 2011 and 13.15% for January 1, 2012 through June 30, 2012. Contributions by employees were \$907,810, which is 10.5% of covered payrolls. District contributions for the years ended June 30, 2012, 2011, and 2010 were \$1,098,338, \$971,013, and \$1,017,142, respectively, equal to their required contributions for each year.

Note 8: Postemployment Health Care Plan

Plan Description

The District contributes to the Health Care Trust Fund, a cost-sharing multiple-employer postretirement health care plan administered by the PERA. The plan provides a healthcare premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or online at www.copera.org or by calling PERA at 1-800-759-PERA(7372) or Denver metro area 303-832-9550.

Colorado Mountain Junior College District
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Funding Policy

The District is required to contribute at a rate of 1.025 for all PERA members as set by statute. No member contributions are required. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the Health Care Trust Fund is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The District's contributions to the HCTF for the years ended June 30, 2012, 2011, and 2010 were \$234,816, \$240,525, and \$244,069, respectively, equal to their required contributions for each year.

Other Postemployment Benefits

District retirees have an option to continue, at their own expense, health insurance on the District health insurance plan. This funding policy is a pay-as-you-go (PAYGO) where the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 62,899
Annual OPEB cost (expense)	62,899
Contributions made	<u>23,018</u>
Increase in net OPEB obligation	39,881
Net OPEB obligation, beginning of year	<u>130,807</u>
Net OPEB obligation, end of year	<u><u>\$ 170,688</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$ 69,755	0%	\$ 139,510
6/30/11	88,597	110%	130,807
6/30/12	62,899	37%	170,688

Colorado Mountain Junior College District
Notes to Financial Statements
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Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$531,765, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$531,765.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table details the actuarial assumptions made:

<u>Assumptions</u>	<u>Health Care Plan</u>
Actuarial valuation date	June 30, 2012
Actuarial cost method	Projected Unit Credit Cost
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	4.5%
Payroll growth rate	3.0%
Health care cost trend	8%
decreasing to for 2020 and later	3.50%

Colorado Mountain Junior College District
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Note 9: Commitments and Contingencies

Tax, Spending, and Debt Limitations

In 1992 the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from enterprise activities, gifts, federal funds, reserve expenditures, damage awards, or property sales. Also required by TABOR are emergency reserves of at least 3% of fiscal year spending. During 2000, the voters in the District passed an initiative allowing the College to retain all revenues from whatever source without increasing the mill levy.

Federally Assisted Grant Program

The District is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Health Insurance Benefits

Health insurance benefits are being provided to a former President of the District. The fair value of those benefits is not currently determinable.

Contracts

The District has negotiated an intergovernmental agreement related to property in Edwards, Colorado. The District has paid \$800,000 for improvements to the property. The agreement also calls for Eagle County and Eagle school district employees to receive credit towards classes taken at the District for up to \$400,000 for each entity. \$167,539 has been used through June 30, 2012. The remaining obligation of \$632,461 is reflected as land obligation payable on the statement of net assets.

Construction Commitments

As of June 30, 2012, the District had various contracts for the acquisition and construction of projects which totaled \$9,310,933.

Colorado Mountain Junior College District
Notes to Financial Statements
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Note 10: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have been no significant decreases in insurance coverage.

Note 11: Component Unit – Foundation

The following details the investments held by the Foundation for each major category of investments and the related fair market value at June 30, 2012:

	Cost Basis	Fair / Carrying Value
Unrestricted:		
Money market funds / uninvested cash	\$ 349	\$ 349
Fixed income funds / corporate bonds	42,333	43,494
Equity funds / corporate stock	72,780	131,854
Temporarily Restricted:		
Money market funds / uninvested cash	18,951	18,951
Fixed income funds / corporate bonds	1,152,359	1,180,335
Equity funds / corporate stock	1,137,066	1,168,029
Permanently Restricted:		
Money market funds / uninvested cash	120,212	120,212
Fixed income funds / corporate bonds	3,727,355	3,795,270
Equity funds / corporate stock	3,506,740	3,556,574

Temporarily restricted net assets are available for the Foundation to provide scholarships to the students of the Colorado Mountain Junior College District, support the faculty and leaders of the College, fund College facilities' construction and maintenance, and support various academic and community programs.

Permanently restricted net assets are comprised of fifty endowment funds restricted in perpetuity to provide for scholarships for the students of the College and two funds restricted in perpetuity to provide maintenance for College facilities. Income generated by these assets is to be used for scholarships or maintenance expenses as the endowment agreements stipulate and cannot be used for operating expenses. During the year ended June 30, 2012, one donor released a previously restricted endowment balance of \$5,000 to temporarily restricted to support the College's Alpine Campus in Steamboat Springs while another donor imposed restrictions on a previously temporarily restricted balance of \$25,541 to support landscape maintenance at the Timberline Campus – Chaffee County Building.

Colorado Mountain Junior College District
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June 30, 2012

The following details the Foundation's unconditional promises to give at June 30, 2012:

	Carrying Value	
Receivable in less than one year:		
Unrestricted	\$ 28,170	
Temporarily restricted	726,836	
Permanently restricted	59,075	
Total receivable in less than one year		\$ 814,081
Receivable in one to five years:		
Unrestricted	67,119	
Temporarily restricted	1,436,859	
Permanently restricted	124,088	
Total receivable in one to five years		1,628,066
Receivable thereafter:		
Unrestricted	6,375	
Temporarily restricted	196,125	
Permanently restricted	-	
Total receivable thereafter		202,500
Total gross unconditional promises to give		2,644,647
Less discounts to net present value		(188,352)
Total unconditional promises to give		2,456,295
Less allowance for uncollectible promises		-
Net unconditional promises to give		\$ 2,456,295

The discount rate used on long-term unconditional promises to give is 4%.

Note 12: Rent and Down Payment Assistance Programs

Full-time, benefit eligible employees of the District may request a loan for housing rent assistance or a home down payment, subject to program requirements and limitations. For the rent assistance, the loan can be up to the amount of first and last month rent plus security deposit, for a rental within the District or within 60 miles, and is repaid without interest through a payroll deduction by the end of the lease or within one year, whichever is sooner. For the down payment assistance, the employee must contribute at least 2% of the purchase price, and the District's down payment assistance cannot exceed the lesser of 5% of the purchase price or \$20,000, which is in the form of a second mortgage made by Vectra Bank or a signed note payable to Colorado Mountain Junior College District and collateralized by college funds held in a CD at Vectra Bank. The second mortgage or signed note is amortized over a 30-year period, with a balloon in 5 years, and the employee is required to make at least monthly interest payments during the 5 year period.

Colorado Mountain Junior College District

Notes to Financial Statements

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Due to changes in the banking industry, all future loans will be in the form of a signed note payable.

As of June 30, 2012, the Rent Assistance Program has eight employees owing the District a total of \$10,839, and the Down Payment Assistance Program has 11 participants with a balance of \$160,109.

Note 13: Current Economic Conditions

The current economic environment presents colleges and universities with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in contributions, property tax revenues and state appropriations, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the District.

Current economic conditions have made it difficult for many donors to continue to contribute to colleges and universities. A significant decline in contribution revenue, property tax revenues and state appropriations could have an adverse impact on the District's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values, allowances for contributions receivable and the valuation of intangibles that could negatively impact the District's ability to meet debt covenants or maintain sufficient liquidity.

Note 14: Future Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* (Statement No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The College provides its employees with pension benefits through the state's multiple-employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program.

Statement No. 68 requires employers participating multiple-employer, cost-sharing defined benefit portion plans such as PERA, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The College 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. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability could negatively impact the College's future unrestricted net position. Statement No. 68 is effective for Fiscal Year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

Required Supplementary Information

Colorado Mountain Junior College District
Required Supplementary Information
Schedule of Funding Progress
June 30, 2012

Health Insurance Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	
6/30/2008	\$	-	\$ 691,945	\$ 691,945	0%	\$ 20,163,929	3%
6/30/2010	\$	-	\$ 852,617	\$ 852,617	0%	\$ 23,052,264	4%
6/30/2012	\$	-	\$ 531,765	\$ 531,765	0%	\$ 23,805,436	2%

Supplementary Information

Colorado Mountain Junior College District
Combining Balance Sheet
June 30, 2012

	<u>Unrestricted</u>		<u>Restricted</u>	
	General Fund	Auxiliary Enterprises Fund	Federal Financial Aid	State Financial Aid
ASSETS				
Cash and investments, pooled	\$ 72,080,929	\$ -	\$ -	\$ -
Property taxes receivable, net of allowance of \$311,000	10,139,674	-	-	-
Accounts receivable				
Student, net of allowance of \$260,000	179,974	-	-	-
Federal government	-	-	191,742	-
State government	-	-	-	-
Other	767,457	2,716	-	-
Inventories	-	193,022	-	-
Prepaid expenses	852,389	77	-	-
Due from other funds	-	2,025,578	-	302
Other assets	54,200	-	-	-
Nondepreciable fixed assets	-	-	-	-
Depreciable fixed assets, net	-	-	-	-
TOTAL ASSETS	<u>\$ 84,074,623</u>	<u>\$ 2,221,393</u>	<u>\$ 191,742</u>	<u>\$ 302</u>
LIABILITIES AND FUND BALANCES/NET ASSETS				
LIABILITIES				
Accounts payable	\$ 2,643,520	\$ 544,018	\$ 13,380	\$ -
Due to discretely presented component unit	-	-	-	-
Deposits payable	278,773	-	-	-
Accrued salaries	829,192	-	-	-
Other accrued liabilities	1,716,506	1,127	-	-
Deferred revenue	438,477	37,332	-	-
Funds held for others	-	-	-	-
Due to other funds	34,847,612	-	168,782	-
Land obligation payable	-	-	-	-
Bonds and capital lease payable	-	-	-	-
Deferred compensation payable	17,305	-	-	-
Compensated absences	1,461,087	74,885	-	-
TOTAL LIABILITIES	<u>\$ 42,232,472</u>	<u>\$ 657,362</u>	<u>\$ 182,162</u>	<u>-</u>
FUND BALANCES/NET ASSETS				
Invested in capital assets, net of related debt	\$ (1,822,229)	\$ -	\$ -	\$ -
Restricted	2,735,109	-	9,580	302
Unrestricted	40,929,271	1,564,031	-	-
TOTAL FUND BALANCES/NET ASSETS	<u>41,842,151</u>	<u>1,564,031</u>	<u>9,580</u>	<u>302</u>
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	<u>\$ 84,074,623</u>	<u>\$ 2,221,393</u>	<u>\$ 191,742</u>	<u>\$ 302</u>

Colorado Mountain Junior College District
Combining Balance Sheet
June 30, 2012

<u>Restricted</u>			<u>Plant Funds</u>				
Sponsored Programs	Scholarship	Loans	Retirement of Indebtedness	Unexpended	Renewal and Replacement	Investment in Plant	2007 COPs
\$ -	\$ -	\$ 821	\$ 1,400,373	\$ -	\$ -	\$ -	\$ 1,731,985
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
526,684	-	-	-	-	-	-	-
39,282	-	-	-	-	-	-	-
67,064	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,025	-	-	-	-	39,789	-	-
-	25,724	954	2,375,573	373,822	16,241,415	-	16,563,052
-	-	-	176,564	-	-	-	398,849
-	-	-	-	-	-	36,790,430	-
-	-	-	-	-	-	95,516,641	-
<u>638,055</u>	<u>25,724</u>	<u>1,775</u>	<u>3,952,510</u>	<u>373,822</u>	<u>16,281,204</u>	<u>132,307,071</u>	<u>18,693,886</u>
\$ 31,391	\$ 14,148	\$ -	\$ -	\$ 9,704	\$ 1,708,095	\$ -	\$ -
-	-	-	-	-	-	111,200	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	392,817	-	-
-	-	-	-	-	-	-	-
161,951	-	-	-	-	-	2,585,088	-
-	-	-	-	-	-	632,461	-
-	-	-	78,378	-	-	8,538,030	16,515,468
-	-	-	-	-	-	-	-
65,008	-	-	-	-	35,927	-	-
<u>\$ 258,350</u>	<u>\$ 14,148</u>	<u>\$ -</u>	<u>\$ 78,378</u>	<u>\$ 9,704</u>	<u>\$ 2,136,839</u>	<u>\$ 11,866,779</u>	<u>\$ 16,515,468</u>
\$ (19,161)	\$ -	\$ -	\$ 1,498,559	\$ -	\$ (1,703,516)	\$ 123,025,380	\$ (14,384,634)
398,866	11,576	1,775	-	-	-	-	-
-	-	-	2,375,573	364,118	15,847,881	(2,585,088)	16,563,052
<u>379,705</u>	<u>11,576</u>	<u>1,775</u>	<u>3,874,132</u>	<u>364,118</u>	<u>14,144,365</u>	<u>120,440,292</u>	<u>2,178,418</u>
<u>\$ 638,055</u>	<u>\$ 25,724</u>	<u>\$ 1,775</u>	<u>\$ 3,952,510</u>	<u>\$ 373,822</u>	<u>\$ 16,281,204</u>	<u>\$ 132,307,071</u>	<u>\$ 18,693,886</u>

Colorado Mountain Junior College District
Combining Balance Sheet
June 30, 2012

	Other Fiduciary	Total	Eliminations	Combined Totals
ASSETS				
Cash and investments, pooled	\$ -	\$ 75,214,108	\$ -	\$ 75,214,108
Property taxes receivable, net of allowance of \$311,000	-	10,139,674	-	10,139,674
Accounts receivable				
Student, net of allowance of \$260,000	-	179,974	-	179,974
Federal government	-	718,426	-	718,426
State government	-	39,282	-	39,282
Other	-	837,237	(444,518)	392,719
Inventories	-	193,022	-	193,022
Prepaid expenses	-	897,280	-	897,280
Due from other funds	157,013	37,763,433	(37,763,433)	-
Other assets	-	629,613	-	629,613
Nondepreciable fixed assets	-	36,790,430	-	36,790,430
Depreciable fixed assets, net	-	95,516,641	-	95,516,641
TOTAL ASSETS	\$ 157,013	\$ 258,919,120	\$ (38,207,951)	\$ 220,711,169
LIABILITIES AND FUND BALANCES/NET ASSETS				
LIABILITIES				
Accounts payable	\$ 3,148	\$ 4,967,404	\$ (444,518)	\$ 4,522,886
Due to discretely presented component unit	-	111,200	-	111,200
Deposits payable	-	278,773	-	278,773
Accrued salaries	-	829,192	-	829,192
Other accrued liabilities	-	1,717,633	-	1,717,633
Deferred revenue	42,970	911,596	-	911,596
Funds held for others	110,895	110,895	-	110,895
Due to other funds	-	37,763,433	(37,763,433)	-
Land obligation payable	-	632,461	-	632,461
Bonds and capital lease payable	-	25,131,876	-	25,131,876
Deferred compensation payable	-	17,305	-	17,305
Compensated absences	-	1,636,907	-	1,636,907
TOTAL LIABILITIES	\$ 157,013	\$ 74,108,675	\$ (38,207,951)	\$ 35,900,724
FUND BALANCES/NET ASSETS				
Invested in capital assets, net of related debt	\$ -	\$ 106,594,399	\$ -	\$ 106,594,399
Restricted	-	3,157,208	-	3,157,208
Unrestricted	-	75,058,838	-	75,058,838
TOTAL FUND BALANCES/NET ASSETS	-	184,810,445	-	184,810,445
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	\$ 157,013	\$ 258,919,120	\$ (38,207,951)	\$ 220,711,169

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Colorado Mountain Junior College District
Combining Statements of Revenues, Expenditures and Changes in Net Assets
Year Ended June 30, 2012

	<u>Unrestricted</u>		Unrestricted Fund Total
	General Fund	Auxiliary Enterprises Fund	
REVENUES			
Tuition and fees, net	\$ 9,799,879	\$ -	\$ 9,799,879
State appropriations	5,038,179	-	5,038,179
State Fiscal Stabilization	-	-	-
General property taxes	47,912,653	-	47,912,653
Federal grants and contracts	-	-	-
State grants and contracts	-	-	-
Local grants and contracts	-	-	-
Private grants and contracts	-	-	-
Other sources	1,011,905	-	1,011,905
Expended for plant facilities	-	-	-
Sale of plant facilities	-	-	-
Auxiliary enterprises			
Sales and services	-	4,619,835	4,619,835
Fee revenue	-	1,471,958	1,471,958
Other	-	1,000,017	1,000,017
Total revenues	63,762,616	7,091,810	70,854,426
EXPENDITURES			
Education and general			
Instruction	23,340,695	-	23,340,695
Community service	265,210	-	265,210
Academic support	3,254,176	-	3,254,176
Student services	4,815,640	-	4,815,640
Institutional support	15,064,523	-	15,064,523
Operation and maintenance	4,700,420	-	4,700,420
Financial aid	63,945	-	63,945
Total education and general	51,504,609	-	51,504,609
Plant fund			
Operation and maintenance			
Rent expense	-	-	-
Salaries and benefits	-	-	-
Equipment	-	-	-
Land and building	-	-	-
Depreciation	-	-	-
Amortization of bond issuance cost	-	-	-
Interest expense	-	-	-
Other expenses - operation and maintenance	-	-	-
Total plant fund	-	-	-
Auxiliary enterprises	-	6,722,106	6,722,106
Total expenditures	51,504,609	6,722,106	58,226,715
Transfers (in) out	13,102,872	1,184,279	14,287,151
Total expenditures and transfers	64,607,481	7,906,385	72,513,866
Net increase (decrease) in fund balances/net assets	(844,865)	(814,575)	(1,659,440)
Fund balances/net assets - beginning of year, before reclassification	42,687,016	2,239,608	44,926,624
Reclassification of note payable	-	138,998	138,998
Fund balances/net assets - beginning of year, after reclassification	42,687,016	2,378,606	45,065,622
Fund balances/net assets - end of year	\$ 41,842,151	\$ 1,564,031	\$ 43,406,182

Colorado Mountain Junior College District
Combining Statements of Revenues, Expenditures and Changes in Net Assets
Year Ended June 30, 2012

Restricted					
Federal Financial Aid *	State Financial Aid	Sponsored Programs	Scholarship	Loans	Restricted Fund Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
4,298,590	-	1,863,190	-	-	6,161,780
-	697,559	250,920	-	-	948,479
-	-	173,141	-	-	173,141
-	-	162,337	580,693	-	743,030
-	-	5,242	-	240	5,482
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,298,590	697,559	2,454,830	580,693	240	8,031,912
-	-	270,469	-	-	270,469
-	-	799,802	-	-	799,802
-	-	523,437	-	-	523,437
-	-	836,980	-	-	836,980
-	-	13,850	-	-	13,850
-	-	-	-	-	-
4,326,252	714,560	-	582,670	-	5,623,482
4,326,252	714,560	2,444,538	582,670	-	8,068,020
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,326,252	714,560	2,444,538	582,670	-	8,068,020
(27,671)	(17,001)	6,367	-	-	(38,305)
4,298,581	697,559	2,450,905	582,670	-	8,029,715
9	-	3,925	(1,977)	240	2,197
9,571	302	375,780	13,553	1,535	400,741
-	-	-	-	-	-
9,571	302	375,780	13,553	1,535	400,741
\$ 9,580	\$ 302	\$ 379,705	\$ 11,576	\$ 1,775	\$ 402,938

* - Federal direct loan program revenues and expenses of \$6,237,284 are not included because they net to \$0.

Colorado Mountain Junior College District
Combining Statements of Revenues, Expenditures and Changes in Net Assets
Year Ended June 30, 2012

	Plant Funds		
	Retirement of Indebtedness	Unexpended	Renewal and Replacement
REVENUES			
Tuition and fees, net	\$ -	\$ -	\$ -
State appropriations	-	-	-
State Fiscal Stabilization	-	-	-
General property taxes	-	-	-
Federal grants and contracts	-	-	-
State grants and contracts	-	-	-
Local grants and contracts	-	-	-
Private grants and contracts	-	-	1,944,111
Other sources	43,911	2,477	34,989
Expended for plant facilities	-	-	-
Sale of plant facilities	-	-	328,767
Auxiliary enterprises			
Sales and services	-	-	-
Fee revenue	-	-	-
Other	-	-	-
Total revenues	43,911	2,477	2,307,867
EXPENDITURES			
Education and general			
Instruction	-	-	-
Community service	-	-	-
Academic support	-	-	-
Student services	-	-	-
Institutional support	-	-	-
Operation and maintenance	-	-	-
Financial aid	-	-	-
Total education and general	-	-	-
Plant fund			
Operation and maintenance			
Rent expense	-	82,966	23,360
Salaries and benefits	-	-	406,154
Equipment	-	1,169,410	338,396
Land and building	-	-	20,372,371
Depreciation	-	-	-
Amortization of bond issuance cost	16,051	-	-
Interest expense	34,153	-	-
Other expenses - operation and maintenance	1,350	701,849	2,629,574
Total plant fund	51,554	1,954,225	23,769,855
Auxiliary enterprises	-	-	-
Total expenditures	51,554	1,954,225	23,769,855
Transfers (in) out	(1,004,763)	(1,311,341)	(11,904,942)
Total expenditures and transfers	(953,209)	642,884	11,864,913
Net increase (decrease) in fund balances/net assets	997,120	(640,407)	(9,557,046)
Fund balances/net assets - beginning of year, before restatement	2,877,012	1,004,525	23,701,411
Reclassification of note payable	-	-	-
Fund balances/net assets - beginning of year, after restatement	2,877,012	1,004,525	23,701,411
Fund balances/net assets - end of year	\$ 3,874,132	\$ 364,118	\$ 14,144,365

Colorado Mountain Junior College District
Combining Statements of Revenues, Expenditures and Changes in Net Assets
Year Ended June 30, 2012

Plant Funds					
Investment in Plant	2007 COPs	Plant Fund Total	Total	Eliminations	Combined Totals
\$ -	\$ -	\$ -	\$ 9,799,879	\$ (2,187,833)	\$ 7,612,046
-	-	-	5,038,179	-	5,038,179
-	-	-	-	-	-
-	-	-	47,912,653	-	47,912,653
-	-	-	6,161,780	-	6,161,780
-	-	-	948,479	-	948,479
-	-	-	173,141	-	173,141
-	-	1,944,111	2,687,141	-	2,687,141
-	2,904,885	2,986,262	4,003,649	-	4,003,649
23,428,428	-	23,428,428	23,428,428	(23,428,428)	-
-	-	328,767	328,767	(191,766)	137,001
-	-	-	4,619,835	-	4,619,835
-	-	-	1,471,958	-	1,471,958
-	-	-	1,000,017	-	1,000,017
23,428,428	2,904,885	28,687,568	107,573,906	(25,808,027)	81,765,879
-	-	-	23,611,164	-	23,611,164
-	-	-	1,065,012	-	1,065,012
-	-	-	3,777,613	-	3,777,613
-	-	-	5,652,620	-	5,652,620
-	-	-	15,078,373	-	15,078,373
-	-	-	4,700,420	-	4,700,420
-	-	-	5,687,427	(2,187,833)	3,499,594
-	-	-	59,572,629	(2,187,833)	57,384,796
-	-	106,326	106,326	-	106,326
-	-	406,154	406,154	-	406,154
-	-	1,507,806	1,507,806	(1,507,806)	-
-	-	20,372,371	20,372,371	(20,372,371)	-
3,235,498	-	3,235,498	3,235,498	-	3,235,498
-	27,507	43,558	43,558	-	43,558
-	69,700	103,853	103,853	-	103,853
-	(17,142)	3,315,631	3,315,631	(1,740,017)	1,575,614
3,235,498	80,065	29,091,197	29,091,197	(23,620,194)	5,471,003
-	-	-	6,722,106	-	6,722,106
3,235,498	80,065	29,091,197	95,385,932	(25,808,027)	69,577,905
(27,800)	-	(14,248,846)	-	-	-
3,207,698	80,065	14,842,351	95,385,932	-	69,577,905
20,220,730	2,824,820	13,845,217	12,187,974	-	12,187,974
100,358,560	(646,402)	127,295,106	172,622,471	-	172,622,471
(138,998)	-	(138,998)	-	-	-
100,219,562	(646,402)	127,156,108	172,622,471	-	172,622,471
\$ 120,440,292	\$ 2,178,418	\$ 141,001,325	\$ 184,810,445	\$ -	\$ 184,810,445

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
General Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Tuition and fees, net	\$ 10,605,099	\$ 9,799,879	\$ (805,220)
State appropriation	5,038,178	5,038,179	1
Property taxes	46,855,431	47,912,653	1,057,222
Other sources	372,315	1,011,905	639,590
Total revenues	<u>62,871,023</u>	<u>63,762,616</u>	<u>891,593</u>
Expenditures			
Instruction	24,025,794	23,340,695	685,099
Community service	280,697	265,210	15,487
Academic support	3,303,958	3,254,176	49,782
Student services	4,425,584	4,815,640	(390,056)
Institutional support	17,038,704	15,064,523	1,974,181
Operation and maintenance	4,644,052	4,700,420	(56,368)
Financial aid	61,408	63,945	(2,537)
Total expenditures	<u>53,780,197</u>	<u>51,504,609</u>	<u>2,275,588</u>
Excess (deficiency) of revenues over expenditures	9,090,826	12,258,007	3,167,181
Transfers among funds, net	<u>(12,712,114)</u>	<u>(13,102,872)</u>	<u>(390,758)</u>
Excess (deficiency) of revenues and transfers over expenditures	(3,621,288)	(844,865)	2,776,423
Fund balance, beginning of year	<u>42,687,016</u>	<u>42,687,016</u>	<u>-</u>
Fund balance, end of year	<u>\$ 39,065,728</u>	<u>\$ 41,842,151</u>	<u>\$ 2,776,423</u>

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
Auxiliary Enterprises Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales and services	\$ 5,840,899	\$ 4,619,835	\$ (1,221,064)
Tuition and fees	1,490,721	1,471,958	(18,763)
Other	955,911	1,000,017	44,106
Total revenues	<u>8,287,531</u>	<u>7,091,810</u>	<u>(1,195,721)</u>
Expenditures			
Timberline	1,164,738	1,009,003	155,735
Alpine	2,102,258	1,808,734	293,524
Roaring fork	2,292,300	2,087,763	204,537
Vail	474,412	433,023	41,389
Summit	187,000	251,176	(64,176)
Aspen	184,994	185,234	(240)
Garfield	434,085	543,595	(109,510)
District office	370,675	332,846	37,829
Collegewide	17,000	70,732	(53,732)
Total expenditures	<u>7,227,462</u>	<u>6,722,106</u>	<u>505,356</u>
Excess (deficiency) of revenues over expenditures	1,060,069	369,704	(690,365)
Transfers among funds, net	(790,403)	(1,184,279)	(393,876)
Excess (deficiency) of revenues and transfers over expenditures	<u>269,666</u>	<u>(814,575)</u>	<u>(1,084,241)</u>
Fund balance, beginning of year, before reclassification	2,239,608	2,239,608	-
Reclassification of note payable	-	138,998	138,998
Fund balance, beginning of year, after reclassification	<u>2,239,608</u>	<u>2,378,606</u>	<u>138,998</u>
Fund balance, end of year	<u>\$ 2,509,274</u>	<u>\$ 1,564,031</u>	<u>\$ (945,243)</u>

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
Federal Financial Aid Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Federal grants			
Federal grants	\$ 4,366,889	\$ 4,298,590	\$ (68,299)
Federal direct loan program	6,250,000	6,237,284	(12,716)
Total revenues	<u>10,616,889</u>	<u>10,535,874</u>	<u>(81,015)</u>
Expenditures			
Federal pell grants	4,289,989	4,228,580	61,409
Federal supplemental educational opportunity grants	30,000	40,000	(10,000)
Federal work study	40,000	57,672	(17,672)
Federal direct loan program	6,250,000	6,237,284	12,716
Other	14,400	-	14,400
Total expenditures	<u>10,624,389</u>	<u>10,563,536</u>	<u>60,853</u>
Excess (deficiency) of revenues over expenditures	(7,500)	(27,662)	(20,162)
Transfers among funds, net	7,500	27,671	20,171
Excess (deficiency) of revenues and transfers over expenditures	-	9	9
Fund balance, beginning of year	9,571	9,571	-
Fund balance, end of year	<u>\$ 9,571</u>	<u>\$ 9,580</u>	<u>\$ 9</u>

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
State Financial Aid Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State grants	\$ 715,559	\$ 697,559	\$ (18,000)
Total revenues	<u>715,559</u>	<u>697,559</u>	<u>(18,000)</u>
Expenditures			
Colorado work study	103,691	120,656	(16,965)
Colorado student grants	593,868	593,904	(36)
Colorado leveraging educational assistance program and other	18,000	-	18,000
Total expenditures	<u>715,559</u>	<u>714,560</u>	<u>999</u>
Excess (deficiency) of revenues over expenditures	-	(17,001)	(17,001)
Transfers among funds, net	<u>-</u>	<u>17,001</u>	<u>17,001</u>
Excess (deficiency) of revenues and transfers over expenditures	-	-	-
Fund balance, beginning of year	<u>302</u>	<u>302</u>	<u>-</u>
Fund balance, end of year	<u>\$ 302</u>	<u>\$ 302</u>	<u>\$ -</u>

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
Sponsored Programs Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Federal	\$ 1,930,670	1,863,190	\$ (67,480)
State	258,535	250,920	(7,615)
Local and other	291,576	178,328	(113,248)
Interest income	40	55	15
Private	137,126	162,337	25,211
Total revenues	<u>2,617,947</u>	<u>2,454,830</u>	<u>(163,117)</u>
Expenditures			
Instruction	232,067	270,469	(38,402)
Community service	1,245,561	799,802	445,759
Academic support	372,323	523,437	(151,114)
Student services	829,196	836,980	(7,784)
Institutional support	-	13,850	(13,850)
Total expenditures	<u>2,679,147</u>	<u>2,444,538</u>	<u>234,609</u>
Excess (deficiency) of revenues over expenditures	(61,200)	10,292	71,492
Transfers among funds, net	61,200	(6,367)	(67,567)
Excess (deficiency) of revenues and transfers over expenditures	-	3,925	3,925
Fund balance, beginning of year	375,780	375,780	-
Fund balance, end of year	<u>\$ 375,780</u>	<u>\$ 379,705</u>	<u>\$ 3,925</u>

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
Scholarship Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Private grants and contracts	\$ 600,000	\$ 580,693	\$ (19,307)
Total revenues	<u>600,000</u>	<u>580,693</u>	<u>(19,307)</u>
Expenditures			
Financial aid	600,000	582,670	17,330
Total expenditures	<u>600,000</u>	<u>582,670</u>	<u>17,330</u>
Excess (deficiency) of revenues over expenditures	-	(1,977)	(1,977)
Fund balance, beginning of year	13,553	13,553	-
Fund balance, end of year	<u>\$ 13,553</u>	<u>\$ 11,576</u>	<u>\$ (1,977)</u>

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
Retirement of Indebtedness Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest	\$ 10,000	\$ 43,911	\$ 33,911
Total revenues	<u>10,000</u>	<u>43,911</u>	<u>33,911</u>
Expenditures			
Interest and fiscal charges	409,800	35,503	374,297
Amortization	19,500	16,051	3,449
Total expenditures	<u>429,300</u>	<u>51,554</u>	<u>377,746</u>
Excess (deficiency) of revenues over expenditures	(419,300)	(7,643)	411,657
Transfers among funds, net	<u>1,004,800</u>	<u>1,004,763</u>	<u>37</u>
Excess (deficiency) of revenues and transfers over expenditures	585,500	997,120	411,620
Fund balance, beginning of year	<u>2,877,012</u>	<u>2,877,012</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,462,512</u>	<u>\$ 3,874,132</u>	<u>\$ 411,620</u>

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
Unexpended Plant (Capital Equipment and Maintenance) Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest	\$ 6,000	\$ 2,477	\$ (3,523)
Total revenues	<u>6,000</u>	<u>2,477</u>	<u>(3,523)</u>
Expenditures			
Equipment	1,630,760	1,169,410	461,350
Rent	146,500	82,966	63,534
Other	635,100	701,849	(66,749)
Total expenditures	<u>2,412,360</u>	<u>1,954,225</u>	<u>458,135</u>
Excess (deficiency) of revenues over expenditures	(2,406,360)	(1,951,748)	454,612
Transfers among funds, net	<u>1,232,809</u>	<u>1,311,341</u>	<u>78,532</u>
Excess (deficiency) of revenues and transfers over expenditures	(1,173,551)	(640,407)	533,144
Fund balance, beginning of year	<u>1,004,525</u>	<u>1,004,525</u>	<u>-</u>
Fund balance, end of year	<u>\$ (169,026)</u>	<u>\$ 364,118</u>	<u>\$ 533,144</u>

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
Renewal and Replacement Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest	\$ 150,000	34,989	\$ (115,011)
Private grants and contracts	-	1,944,111	1,944,111
Sale of plant facilities	-	328,767	328,767
Total revenues	<u>150,000</u>	<u>2,307,867</u>	<u>2,157,867</u>
Expenditures			
Salaries and benefits	364,392	406,154	(41,762)
Equipment	-	338,396	(338,396)
Land and building	12,890,000	20,372,371	(7,482,371)
Rent	-	23,360	(23,360)
Other	863,683	2,629,574	(1,765,891)
Total expenditures	<u>14,118,075</u>	<u>23,769,855</u>	<u>(9,651,780) *</u>
Excess (deficiency) of revenues over expenditures	(13,968,075)	(21,461,988)	(7,493,913)
Transfers among funds, net	<u>1,468,075</u>	<u>11,904,942</u>	<u>10,436,867</u>
Excess (deficiency) of revenues and transfers over expenditures	(12,500,000)	(9,557,046)	2,942,954
Fund balance, beginning of year	<u>23,701,411</u>	<u>23,701,411</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,201,411</u>	<u>\$ 14,144,365</u>	<u>\$ 2,942,954</u>

* Actual expenditures have not been reduced for transfers reflected in the budget.

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
2007 Certificates of Participation Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest	\$ 2,000	\$ 2,904,885	\$ 2,902,885
Total revenues	<u>2,000</u>	<u>2,904,885</u>	<u>2,902,885</u>
Expenditures			
Other	730,000	80,065	649,935
Total expenditures	<u>730,000</u>	<u>80,065</u>	<u>649,935</u>
Excess (deficiency) of revenues over expenditures	(728,000)	2,824,820	3,552,820
Fund balance, beginning of year	<u>(646,402)</u>	<u>(646,402)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1,374,402)</u>	<u>\$ 2,178,418</u>	<u>\$ 2,925,397</u>

Colorado Mountain Junior College District
Schedule of Revenues, Expenditures and Transfers – Budget to Actual
Other Fiduciary Fund
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Private grants and contracts	\$ -	\$ 1,100	\$ 1,100
Other Sources	259,500	247,605	(11,895)
Total revenues	<u>259,500</u>	<u>248,705</u>	<u>(10,795)</u>
Expenditures			
Instruction	10,000	9,896	104
Student services	198,500	246,126	(47,626)
Total expenditures	<u>208,500</u>	<u>256,022</u>	<u>(47,522) *</u>
Excess (deficiency) of revenues over expenditures	51,000	(7,317)	(58,317)
Transfers among funds, net	<u>(57,000)</u>	<u>(8,670)</u>	<u>48,330</u>
Excess (deficiency) of revenues and transfers over expenditures	(6,000)	(15,987)	(9,987)
Fund balance, beginning of year	<u>126,882</u>	<u>126,882</u>	<u>-</u>
Fund balance, end of year	<u>\$ 120,882</u>	<u>\$ 110,895</u>	<u>\$ (9,987)</u>

* Actual expenditures have not been reduced for transfers reflected in the budget.

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

Board of Trustees
Colorado Mountain Junior College District
Glenwood Springs, Colorado

We have audited the financial statements of the business-type activities and the discretely presented component unit of Colorado Mountain Junior College District (the District) as of and for the year ended June 30, 2012, which collectively comprise its basic financial statements and have issued our report thereon dated November 29, 2012, which contained a reference to the report of 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. The financial statements of Colorado Mountain College Foundation, Inc., the discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Board of Trustees
Colorado Mountain Junior College District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as item 2012-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

We noted certain matters that we reported to the District's management in a separate letter dated November 29, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, management and others within the District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 29, 2012

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Board of Trustees
Colorado Mountain Junior College District
Glenwood Springs, Colorado

Compliance

We have audited Colorado Mountain Junior College District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in items 2012-05 and 2012-06 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Special Tests and Provisions – Enrollment Reporting and Special Tests and Provisions – Return of Title IV Funds requirements that are applicable to its Student Financial Assistance Cluster. Compliance with such requirements is necessary, in our opinion, for the Colorado Mountain Junior College District to comply with the requirements applicable to that program.

Board of Trustees
Colorado Mountain Junior College District

In our opinion, except for the noncompliance described in the preceding paragraph, the Colorado Mountain Junior College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-02, 2012-03 and 2012-04.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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 combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-02, 2012-05 and 2012-06 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-04 to be significant deficiencies.

Board of Trustees
Colorado Mountain Junior College District

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, management and others within the District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 29, 2012

Colorado Mountain Junior College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Interior</u>		
<i>Passed through Colorado State Office Bureau of Land Management</i>		
ARRA - Environmental Quality and Protection Resource Management	15.236	\$ 43,360
<i>Passed through U.S. Fish and Wildlife Service, Mountain Prairie Region</i>		
Natural Resource Damage Assessment, Restoration and Implementation	15.658	101,589
<i>Total U.S. Department of Interior</i>		<u>144,949</u>
<u>U.S. Department of Labor</u>		
Trade Adjustment Assistance Community College and Career Training Grants	17.282	78,473
<i>Total U.S. Department of Labor</i>		<u>78,473</u>
<u>U.S. Small Business Administration</u>		
<i>Passed through Colorado Office of Economic Development and International Trade</i>		
Small Business Development Centers	59.037	30,575
<i>Total U.S. Small Business Administration</i>		<u>30,575</u>
<u>Environmental Protection Agency</u>		
<i>Passed through Colorado Department of Public Health and Environment</i>		
Nonpoint Source Implementation Grants	66.460	58,388
ARRA - Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	161,200
<i>Total Environmental Protection Agency</i>		<u>219,588</u>
<u>U.S. Department of Education</u>		
Student Financial Assistance Cluster		
Federal Supplemental Educational Opportunity Grants	84.007	30,000
Federal Work-Study Program	84.033	40,000
Federal Pell Grant Program	84.063	4,228,580
Federal Direct Student Loans	84.268	6,237,285
Subtotal Student Financial Assistance Cluster		<u>10,535,865</u>

Colorado Mountain Junior College District
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u><i>U.S. Department of Education</i></u>		
TRIO Cluster		
Trio Student Support Services	84.042	260,465
Trio Student Support Services	84.042A	224,473
Trio Upward Bound	84.047	239,087
Subtotal TRIO Cluster		724,025
<i>Passed through Colorado Department of Education</i>		
Adult Education - Basic Grants to States	84.002	200,274
<i>Passed through Colorado Department of Corrections</i>		
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331	45,430
<i>Passed through Colorado Community College System</i>		
Career and Technical Education -- Basic Grants to States	84.048	197,280
Total U.S. Department of Education		11,702,874
<u><i>U.S. Department of Health and Human Services</i></u>		
TANF Cluster		
<i>Passed through Colorado Department of Human Services and Garfield County DHS</i>		
Temporary Assistance For Needy Families (TANF)	93.588	34,030
Subtotal TANF Cluster		34,030
<i>Passed through Colorado Department of Regulatory Agencies, Division of Insurance (SHIP)</i>		
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	7,850
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	3,000
Total U.S. Department of Health and Human Services		44,880
<u><i>Corporation for National and Community Service</i></u>		
Retired and Senior Volunteer Program	94.002	48,646
Total Corporation for National and Community Service		48,646
Total Expenditures of Federal Awards		\$ 12,269,985

Colorado Mountain Junior College District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

1. This schedule includes the federal awards activity of Colorado Mountain Junior College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, there were no funds passed on to subrecipients.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued:

Unqualified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None Reported

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major programs:

Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None Reported

5. Types of auditor's report issued on compliance for major programs:

Unqualified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

7. Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.268	Student Financial Assistance Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

9. Auditee qualified as low-risk auditee? Yes No

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

Section II – Financial Statement Findings

**Reference
Number**

Finding

2012-01 Finding: Accounting for Capital Assets

Criteria or Specific Requirement: In accordance with Financial Accounting Standards Board Codification ASC 835-20-30-10, *Capitalization of Interest*, interest paid on capital construction-related debt related to business-type activities should be capitalized as a cost of the project. In addition, when debt is outstanding during the period of capital construction, even when the debt is unrelated to the construction, interest should be capitalized to account for the "opportunity cost" of the cash outlays.

Condition: Capitalized interest related to the Series 2004 and 2007 bonds was not recorded on construction-in-progress additions for the fiscal year. An adjusting journal entry of \$995,910 was made by management to properly record capitalized interest for the current year. In addition, an adjustment was proposed but not recorded in the amount of \$1,428,000 to properly record capitalized interest to the prior audit period.

Effect: An audit adjustment was recorded to capitalize the interest costs on construction-in-progress.

Cause: Management was unaware of the continued need to capitalize interest costs associated with outstanding capital-related debt for any capital construction projects initiated after the completion of the initial debt-financed project.

Recommendation: We recommend that the District review the methodology surrounding the recording of capitalized interest to be consistent with US GAAP.

Views of Responsible Officials and Planned Corrective Actions:

Response: Management did capitalize interest cost to the buildings associated with the debt issued years ago when the debt was issued. Management is now aware that when an unrelated capital project is paid for with cash that GASB requires a capitalization of interest expense connected with unrelated debt. An adjusting entry was made to the general ledger in 2011/12 and will be done each year- end in the future until all debt is paid off.

Person responsible for implementing: Linda English, CFO.

Implementation date: June 30, 2012.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs

**Reference
Number**

Finding

2012-02 Finding: Eligibility and Special Tests & Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster:

Federal Pell Grant Program (CFDA No. 84.063)

Federal Supplemental Educational Opportunity Grants (FSEOG) (CFDA No. 84.007)

Federal Work-Study Program (CFDA No. 84.033)

Federal Direct Student Loans (CFDA No. 84.268)

Department of Education - Award Year: 2011- 2012

Criteria: *Eligibility - Federal Direct Student Loans (CFDA No. 84.268):* The Direct Student Loan Programs specify annual and aggregate loan limits for students receiving subsidized and unsubsidized loans awarded under the program. The loan limits are based on the year in school and dependency status of the student (i.e. dependent or independent student). Aggregate limits for both dependent and independent undergraduates is \$23,000 in subsidized loans. Likewise the total aggregate amount, including both subsidized and unsubsidized loans, allowed for undergraduate dependent and independent students is \$31,000 and \$57,500, respectively.

Disbursements To or On Behalf of Students: Per the OMB A-133, *Compliance Supplement* and in accordance with 34 CFR Section 668.19, if a student has received financial aid while attending one or more institutions, a school is required to request financial aid history using the National Student Loan Data System (NSLDS) Transfer Monitoring Process. Under this process, a school informs the NSLDS about its transfer students and NSLDS will monitor these students and inform the school of any changes. A school must wait seven days after informing NSLDS before disbursing Title IV aid to that student. If the school receives an alert from NSLDS it must determine if the change to the student's financial aid history affects the student's eligibility.

Condition: Of the 25 students selected for eligibility and disbursement testing, four students were identified as being transfer students in the current year. None of these students were added to the transfer monitoring list prior to Title IV aid being disbursed. In addition, a prior year transfer student was awarded in excess of the aggregate subsidized direct loan limit by Colorado Mountain Junior College District.

Questioned Costs: \$731.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

**Reference
Number**

Finding

Context: Colorado Mountain Junior College District awarded a total of \$10,535,865 in federal student financial assistance to a total of 1,751 students. We tested 25 students who were awarded \$144,831 in federal aid for eligibility and disbursement testing. Included in the total amount awarded by the District was \$6,237,285 in federal direct student loans. Of the 25 students selected for eligibility and disbursement testing identified above, we tested 18 students who were awarded a total of \$94,595 under the Direct Student Loan Program.

Effect: A student was awarded funds over the aggregate subsidized direct loan limit by the District. In addition, by not monitoring transfer students using the NSLDS Transfer Monitoring Process, aid could be awarded to ineligible individuals.

Cause: Transfer monitoring was not completed for any students during the 2011-2012 school year. Furthermore, while the District's student information system has the ability to perform an edit check to identify and submit students requiring monitoring to NSLDS, the system was not set up to perform this check.

Recommendation: We recommend that the District implement policies and procedures to assure all transfer students are identified and reported to the NSLDS transfer monitoring list prior to being awarded Title IV funds.

Views of Responsible Officials and Planned Corrective Actions:

Response: We concur with the finding.

Corrective Action: The College has replaced the Director of Financial Aid and has implemented full transfer monitoring using the functionality in the Ellucian system. Every student for whom an application is received for federal student aid is automatically added to the transfer monitoring list for the school, not just transfer students. The Director of Financial Aid receives automatic updates from the federal system when a change of potential import occurs in any record on the list. Procedures have been implemented to review all monitoring alerts and take appropriate action to ensure students are awarded in accordance with the regulations cited in this finding.

Person responsible for implementing: Rita Bayless, Director of Financial Aid.

Implementation date: Full implementation of this corrective action was October 15, 2012.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

Reference Number	Finding
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2012-03 Finding: Reporting - Common Origination and Disbursement (COD) System
Special Tests & Provisions - Borrow Data Transmission and Reconciliation (Direct Loan)

Student Financial Assistance Cluster:

Federal Pell Grant Program (CFDA No. 84.063)

Federal Direct Student Loans (CFDA No. 84.268)

Department of Education - Award Year: 2011- 2012

Criteria: Per the OMB A-133, *Compliance Supplement*, all institutions receiving Pell grants must submit Pell payment data through the COD system within 30 calendar days after the District makes a payment or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. In addition, under the direct loan program, institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 30 days of disbursement.

Condition: We noted one instance in our testing of 40 individuals receiving Pell and 40 individuals receiving Direct Loans, in which the Datatel system failed to identify and report one student timely to COD. The delay for reporting the Pell disbursement was 171 days.

Questioned Costs: None.

Context: The District awarded \$4,228,580 of Pell to 1,236 students and awarded a combination of 1,971 subsidized, unsubsidized and PLUS direct loans totaling \$6,237,285. We tested 40 students awarded each type of grant and noted the issue identified above.

Effect: Students may not be reported to COD within the required timeframes.

Cause: The export function of Datatel used to extract and report required information to COD is not properly identifying all students who meet reporting requirements. Management was unable to determine the cause or identify the magnitude or effect this error could have on the entire population.

Recommendation: We recommend that management, along with the IT Department, review the Datatel export function and correct any glitches in the programming that would prevent students required to be reported to COD not being properly identified and reported in a timely manner.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: We concur with the finding.

Corrective Action: When exporting to COD through Datatel, the financial aid office receives an error report that identifies students who have not successfully exported (reported disbursements made). The newly hired Financial Aid Director is reviewing this error report and resolving each student issue immediately when the report is received. It is not uncommon to require assistance from IT staff and/or the help desk at COD, as these errors are often not as transparent as one might think. Resolution is required by the new procedure prior to the end of 30 days, regardless of challenges faced with the process.

In addition, the financial aid office runs a reconciliation report at least once every thirty days. Students with issues blocking transmission of data to COD also appear on this report (and frequently NOT on the "error" report). Under the direction of the new Financial Aid Director, the financial aid office now has a procedure where every student issue on the reconciliation report must be reconciled prior to the 30 day deadline. If obstacles are encountered in either of these processes that generate the possibility that the deadline will not be met, the Director of Financial Aid becomes directly involved to ensure resolution is achieved in a compliant time frame.

Person responsible for implementing: Rita Bayless, Director of Financial Aid.

Implementation date: Implementation date of this procedure was November 1, 2012.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

**Reference
Number**

Finding

2012-04 Finding: Reporting - Fiscal Operations Report and Application to Participate (FISAP)

Student Financial Assistance Cluster:

Federal Supplemental Educational Opportunity Grants (FSEOG) (CFDA No. 84.007)

Federal Work-Study Program (CFDA No. 84.033)

Department of Education - Award Year: 2011- 2012

Criteria: Per federal regulations, the District is required to annually submit a U.S. Department of Education "Fiscal Operations Report and Application to Participate (FISAP)" (OMB No. 1845-0030) to receive funds for the following campus-based programs: Federal Perkins Loans, Federal Supplemental Educational Opportunity Grant and Federal Work-Study Program. The deadline for submitting the FISAP is October 1.

Condition: We noted that there was not sufficient supporting documentation maintained by the District to support the FISAP covering the award year July 1, 2010 to June 30, 2011, submitted in October 2011.

Questioned Costs: None.

Context: We tested the FISAP covering the award year July 1, 2010 to June 30, 2011, submitted in October 2011 and noted the issue identified above.

Effect: The District was unable to provide support for some of the information included in the 2011 FISAP, thus inaccurate information may have been reported to the federal awarding agency.

Cause: There was turnover in the Student Financial Assistance Director position during the fiscal year 2011-2012 and thus the supporting documentation for the information relating to the report submitted in October 2011 could not be found or re-created by current management.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

Reference Number	Finding
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Recommendation: The District should ensure all supporting documentation used to compile the FISAP is maintained by the Financial Aid Department.

Views of Responsible Officials and Planned Corrective Actions:

Response: We concur with the finding.

Corrective Action: Colorado Mountain College has replaced the Director of Financial Aid who was responsible for the FISAP submission and the detailed documentation to back up data on the 2010-2011 FISAP report. The new Director has submitted the FISAP for the 2011-2012 fiscal year by the required September 30, 2012 deadline. Backup documentation for this report and all reports going forward is maintained in hard copy format, as well as scanned and preserved on the institution's software system.

Person responsible for implementing: Rita Bayless, Director of Financial Aid.

Implementation date: Implementation date of this action was September 30, 2012.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

**Reference
Number**

Finding

2012-05 Finding: Special Tests & Provisions - Enrollment Reporting

Student Financial Assistance Cluster:

Federal Direct Student Loans (Direct Loan) CFDA No. 84.268

Department of Education - Award Year: 2011-2012

Criteria: Per the OMB A-133, *Compliance Supplement* and in accordance with 34 CFR 685.309, unless a school expects to complete an enrollment reporting roster file within 60 days, which updates the National Student Loan Data System (NSLDS), the school must notify the lender or the guaranty agency within 30 days if it discovers a change in enrollment status including: (a) withdrawal; (b) graduation; (c) student who has ceased to be enrolled on at least a half-time basis; or (d) student who has been accepted for enrollment but never attended.

Condition: Of the 26 students selected for enrollment reporting testing, our audit procedures identified 23 students who were not timely reported to NSLDS. The delay in reporting ranged from 43 days late to 279 days late.

Questioned Costs: None.

Context: We tested 26 of the 840 students awarded direct loans during the current year who withdrew, graduated, ceased to be enrolled on at least a half-time basis, or enrolled but never attended.

Effect: Enrollment reporting requirements assist in the determination of the borrower's schedule to enter loan repayment. Thus, if the District fails to meet the required reporting timelines, the borrowers' repayment responsibilities might be reported incorrectly resulting in a lack of timely repayments by the borrowers.

Cause: The frequency of scheduled enrollment reporting roster files is not sufficient to meet the required timeframes for reporting. Furthermore, we noted several failed attempts to transmit information between the National Student Clearinghouse (third-party processor) and NSLDS which caused significant delays in the receipt of data.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

**Reference
Number**

Finding

Recommendation: We recommend that the District implement policies and procedures to assure the enrollment reporting roster file is submitted to NSLDS within 60 days for all students who graduated during the year. If the District does not expect to complete its next enrollment reporting roster file within 60 days, the District needs to notify NSLDS within 30 days. However for efficiency purposes, these policies and procedures should include increasing the frequency of the scheduled enrollment reporting roster files received to occur on a monthly basis and establishing policies and procedures to perform spot checks of submissions to ensure they are being transmitted by the National Student Clearinghouse and received timely by NSLDS. However, the District should consider reporting directly to NSLDS instead of using a third-party processor if the District's information systems will allow for such reporting.

Views of Responsible Officials and Planned Corrective Actions:

Response: We concur with the finding.

Corrective Action: Colorado Mountain College continues to complete the Student Status Certification Report (SSCR) and submit the information to the Student Loan Clearing House three times a semester as required by regulation. In addition, the newly hired Director of Financial Aid is updating student records directly on the National Student Loan Data System (NSLDS) on an individual basis when a student withdraws from the institution. The IT department is developing a report that can be run weekly to identify the population who have dropped below half-time time but remain enrolled. This information will also be used to report on a student-by-student basis to NSLDS (in addition to the SSCR reporting). (Additionally, research is ongoing to determine process and resources needed to initiate direct reporting to NSLDS rather than using the Student Loan Clearing House as a "middle-man").

Person responsible for implementing: Rita Bayless, Director of Financial Aid.

Implementation date: Implementation date of the current process was September 30, 2012.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

Reference Number	Finding
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2012-06 Finding: Special Tests & Provisions - Return of Title IV Funds

Student Financial Assistance Cluster:

Federal Supplemental Educational Opportunity Grants (FSEOG) (CFDA No. 84.007)

Federal Work-Study Program (CFDA No. 84.033)

Federal Pell Grant Program (CFDA No. 84.063)

Federal Direct Student Loans (CFDA No. 84.268)

Department of Education - Award Year: 2011- 2012

Criteria: When a recipient of Title IV assistance withdraws during a payment period or period of enrollment, the District must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student, the difference must be returned to the Title IV programs. The return must occur as soon as possible, but no later than 45 days after the date of the determination that the student withdrew. Code of Federal Regulations Title 34 Part 668 Section 22, Treatment of Title IV Funds outlines the requirements for calculating the amount of assistance earned by the student as of the withdrawal date, as well as the timeframe and the order in which funds are required to be returned to the various Title IV assistance program. Specifically, these requirements specify that the total number of calendar days in the payment period or period of enrollment should include all days within the period, except for institutionally scheduled breaks of at least five consecutive calendar days.

Condition: We noted the following issues in our testing:

1. The District did not include the institutionally scheduled break of five days in the determination of the total number of calendars in the payment period or period of enrollment for the fall semester. The amount of Title IV assistance earned by seven students was understated, thus resulting in the school returning excess funds in the amount of \$261.
2. Three instances in which the funds required to be returned to the Title IV assistance program were not returned within the 45-day timeframe. The timeframe to return the funds in the above identified calculations ranged from 75-106 days.
3. Two instances in which the Datatel system miscalculated the amount of aid to be returned by the District on behalf of the student, thus resulting in the District not returning \$169 in one instance and returning excess of \$533 in the other.

Questioned Costs: The District returned \$794 more than required and did not return \$169, thus resulting in a net overpayment of \$625.

Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

**Reference
Number**

Finding

Context: The District performed 212 Return of Title IV Funds calculations during fiscal year 2012. We tested 22 calculations performed by the District and noted the issues identified above.

Effect: Errors were identified in the calculations thus resulting in excess or insufficient funds being returned to the Department of Education. In addition, the funds were not returned within the specified timeframe.

Cause: Management relies upon its Datatel system to perform the return of Title IV assistance calculations. Item number one identified above, was due to a lack of review of the programming in the Datatel system of the calendar days in the payment period or period of enrollment and an oversight of the five day institutionally scheduled break occurring in the Fall semester. Item 3 above was caused by glitches in the Datatel system and lack of a detailed review of the calculations by someone other than the preparer due to over-reliance on the system to perform the calculation. Lastly, the District's current policy is to review all return to Title IV assistance calculations at the end of the semester in conjunction with its satisfactory academic progress review regardless of whether the withdraw is official or unofficial. The three instances identified in item two above related to students who officially withdrew from the District; however, their calculations were not completed until the end of the semester, which was more than 45 days from the date of determination of withdrawal.

Recommendation: Policies and procedures should be implemented by the District to ensure that return of Title IV Funds situations are being identified and that calculations are being performed, reviewed, and funds returned to the proper Title IV assistance programs within the required timeframe. Furthermore, the calculation and programming for the calendar days in the payment period or period of enrollment should be reviewed and approved by the Student Financial Aid Director prior to the start of the semester or academic year.

**Colorado Mountain Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012**

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions:

Response: The response below is segregated into each of the three above issues:

1. We concur with the finding.
2. We concur with the finding.
3. We concur with the finding.

Corrective Action: Corrective actions are identified for each of the issues noted in the original findings. In addition to the individual actions listed below, the College has replaced the Director of Financial Aid position and the newly hired Director brings extensive financial aid expertise to the position.

1. The number of calendar days for the Return to Title IV (R2T4) calculation has been calculated in an identical manner as that used by BKD and entered into the system for all R2T4 calculations in the spring of 2012, the 2012-13 academic year, and in set-up for the 2013-2014 academic year.

2. At issue with this finding was the need to calculate the return calculation on students who officially withdrew from the institution immediately upon their withdrawal. The financial aid office did not receive notification of official withdrawals and thus performed the calculation as soon as it was known at the end of the term that the student had withdrawn. Colorado Mountain College is working on a systemic solution whereby the financial aid office will automatically be notified when a student separates completely from the institution (thereby triggering the need for a calculation). In the interim, the IT department has created a report for the financial aid office to be run on a weekly basis that identifies all students who have ceased to be enrolled for the current term. This report is being generated regularly. After considerable research on each individual student to determine she/he is in fact no longer enrolled, the Return to Title IV calculation is performed and the appropriate funds restored to the federal accounts.

3. For the fall term 2012, there have been several necessary programming changes in the Datatel system regarding the R2T4 calculation. In order to ensure that the system is calculating correctly, the Director of Financial Aid is performing a hand calculation on every computation completed. During the fall term, this process has identified issues where attention was needed in the system and subsequent research and changes were made. The system appears to be calculating correctly at this time. The Director of Financial Aid continues to perform hand calculations on every student until a level of confidence is reached concerning the integrity of the system calculation. In the instance where the school over returned funds, this occurred in part because Colorado Mountain College had made the choice to return the Pell Grant funds for the student. This process has been changed. For the current year and into the future, CMC will no longer repay grant funds for the student. Instead, the student will be instructed to repay Colorado Mountain College within the 45 days mandated by regulation. If repayment arrangements are not made within that time frame, the student will be referred to the U.S. Department of Education for collection.

Person responsible for implementing: Rita Bayless, Director of Financial Aid.

Implementation date:

1. Implementation date of this action was July 15, 2012.
2. Implementation date of this action was September 10, 2012.
3. Implementation date of this action was October 15, 2012.

Colorado Mountain Junior College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Reference Number	Summary of Finding	Status
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No matters are reportable.