COLORADO COMMUNITY COLLEGE SYSTEM

Financial Statements and Compliance Audit

Year ended June 30, 2015

(With Independent Auditors' Reports Thereon)

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Report Summary

Year ended June 30, 2015

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged KPMG LLP (KPMG) to conduct a financial and compliance audit of the Colorado Community College System (CCCS or the System) for the year ended June 30, 2015. KPMG performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. We conducted the related fieldwork from April 2015 to November 2015.

The purpose and scope of our audit was to:

- Express an opinion on the financial statements of CCCS as of and for the year ended June 30, 2015 and report on internal control over financial reporting and on compliance and other matters as required by auditing standards generally accepted in the United States of America and Government Auditing Standards.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Evaluate progress in implementing prior audit findings and recommendations.

CCCS' Schedule of Expenditures of Federal Awards and applicable opinions thereon, issued by the Office of the State Auditor, are included in the fiscal year ended June 30, 2015 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Report

We expressed an unmodified opinion on CCCS' financial statements as of and for the year ended June 30, 2015. Our report stated that CCCS implemented *Governmental Accounting Standards Board Statement (GASB) No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* in fiscal year 2015. Our report included a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on CCCS' financial statements, and an explanatory paragraph stating that the June 30, 2014 financial statements of the aggregate discretely presented component units have been restated to correct a certain misstatement.

We issued a report on CCCS' compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with Government Auditing Standards. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. A deficiency in internal control over financial reporting 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 significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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We identified two deficiencies in internal control over financial statement reporting that we consider to be significant deficiencies. We also noted the following deficiencies in internal control related to the Federal Student Financial Aid (Title IV) program that we consider to be significant deficiencies: one deficiency in internal control related to Disbursements to Students of Title IV Direct Loans, and one deficiency in internal control related to Enrollment Reporting for students who received Title IV funding. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Summary of Key Findings

Colorado Northwestern Community College (CNCC)

Our fiscal year ended June 30, 2015, audit identified the following at CNCC:

- Accounts receivable reconciliations between the Banner student module and the Banner finance module were not performed throughout the year; and
- Purchases over $5,000 did not always comply with State Fiscal Rules.

Trinidad State Junior College (TSJC)

Our fiscal year ended June 30, 2015, audit identified the following at TSJC:

- Accounts receivable reconciliations between the Banner student module and the Banner finance module were not performed timely throughout the year and were not performed accurately.

Disbursements To or On Behalf of Students

Arapahoe Community College (ACC) lacked adequate retention policies to prove that notification letters for direct loan disbursements made to students were in compliance with federal requirements. All eight disbursements tested for students who received direct loans were identified with exceptions.

Enrollment Reporting

Front Range Community College (FRCC), Pikes Peak Community College (PPCC), Arapahoe Community College (ACC), Red Rocks Community College (RRCC), and Otero Junior College (OJC) lacked adequate controls to ensure that enrollment status changes were reported to the National Student Loan Data System (NSLDS) in compliance with federal requirements. Out of 40 enrollment status changes tested for students who received Title IV funding, 17 were identified with exceptions.

Recommendations and CCCS Responses

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

(Continued)

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Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2014 included five recommendations. The disposition of these audit recommendations as of December 16, 2015 was as follows:

Implemented	2
Partially implemented	3
Total	5

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Recommendation Locator

Year ended June 30, 2015

Rec no.	Page no.	Recommendation summary	Agency addressed	Agency response	Implementation date
1	7	Colorado Community College Systems (CCCS) should ensure that Colorado Northwestern Community College evaluate its policies and procedures and make appropriate changes as necessary to ensure that the College's internal controls are adequate and that financial information is accurate and complete. Specifically, CNCC should: A. Enforce the CCCS policy requiring monthly reconciliations of information contained in the Banner finance module to information in the Banner student accounts receivable module. This should include providing adequate training to staff members to ensure that reconciliations are prepared at month-end, are reviewed and signed off by a supervisor to ensure that all activity during the month has been properly reconciled and reported, and that the underlying used to prepare the reconciliation support is documented and retained. B. Establish a policy requiring that, in the event an invoice is received without a purchase order, the related payment will not be processed until a statutory violation ratification is obtained, and ensure that management and staff are adequately trained on the policy.	CNCC	Agree	May 2015 and January 2016
2	11	Colorado Community College System (CCCS) should ensure that Trinidad State Junior College has appropriate policies and procedures in place for timely preparation of the Banner Finance module to Banner Student module reconciliation.	TSJC	Agree	July 2015
3	13	The Colorado Community College System (CCCS) should ensure that Arapahoe Community College implements appropriate internal controls over Title IV disbursement notifications to ensure that appropriate documentation is retained.	ACC	Agree	January 2016
4	15	Colorado Community College System (CCCS) should ensure that there are appropriate controls and procedures in place over Title IV Enrollment Reporting to ensure compliance.	CCCS	Agree	February 2016

Organization

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

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

The Board consists of nine members appointed by the governor to four-year staggered terms of service. The statute requires that board members be selected so as to represent certain economic, political, and geographical constituencies.

Colorado Community College System's (CCCS') operations and activities are funded primarily through tuition and fees; federal, state, and local grants; the College Opportunity Fund stipends; a fee-for-service contract with the Department of Higher Education; and Amendment 50 funding. In addition, the SBCCOE receives and distributes state appropriations for LDCs, AVSs, and school districts offering vocational programs.

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

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

Enrollment, tuition, and faculty and staff information are presented below. Enrollment information was obtained from the Colorado Commission on Higher Education (CCHE), Final Student Full-Time Equivalent (FTE) Enrollment Report. Staff information was obtained from Format 10 and 40 within the Budget Data Book for fiscal year 2015 that is prepared by higher education institutions for CCHE.

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

FTE Student Enrollment

	Resident	Nonresident	Total
Fiscal year:			
2014–2015	50,001	3,014	53,015
2013–2014	52,792	3,279	56,071
2012–2013	55,475	3,589	59,064

FTE Faculty and Staff

	Faculty	Staff	Total
Fiscal year:			
2014–2015	3,897	2,019	5,916
2013–2014	3,924	2,009	5,933
2012–2013	3,951	2,116	6,067

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Findings and Recommendations

Year ended June 30, 2015

We have audited the financial statements of the Colorado Community College System (CCCS or the System) as of and for the year ended June 30, 2015, and have issued our report thereon, dated December 16, 2015. Our report included a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on CCCS' financial statements, and an explanatory paragraph stating that the June 30, 2014 financial statements of the aggregate discretely presented component units have been restated to correct a certain misstatement. In planning and performing our audit of the financial statements, we considered CCCS' internal control solely to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control. In addition, in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, we also have issued our report dated December 16, 2015 on our consideration of CCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. We have not considered internal control since the date of this report.

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

A control deficiency 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 to detect, misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting and its operation that we consider to be material weaknesses. We consider Recommendation Nos. 1 and 2 to be significant deficiencies in internal control over financial statement reporting. We consider Recommendation Nos. 3, and 4 to be significant deficiencies in internal control related to the Federal Student Financial Aid (Title IV) program and noncompliance with Title IV funding.

CCCS' responses to the findings have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Colorado Northwestern Community College (CNCC) - Partial Implementation from Prior Year

CNCC is located in Rangely, Colorado with a second campus in Craig, Colorado. Approximately 807.3 full time equivalent students in northwestern Colorado attended CNCC in Fiscal Year 2015. This is an enrollment increase of 7.3% from Fiscal Year 2014. CNCC's net position at June 30, 2015 totaled $34,042,926 million or 5.3% of CCCS total net position. Fiscal Year 2015 operating revenues were $11,430,301 or 2.6% of CCCS' operating revenue and operating expenses totaled $15,403,359 or 2.6% of CCCS' operating expenses. CNCC's accounts receivable balance was $2,378,473 at June 30, 2015.

CNCC operations include accounting processes for employee payroll expenses, non-payroll expenses including purchases made through purchasing cards, and student accounts receivable. CNCC has instituted internal controls designed to detect and prevent misstatements in the related financial statement accounts. Financial activities are processed through the Banner Enterprise Resource Planning System (Banner). Below is a summary of those internal control processes:

- Payroll Expense: CCCS' payroll expenses include each employee's gross salary plus his or her elected benefits. Employees annually document benefits they have elected to receive on manual benefit election forms.

- Non-Payroll Expense: Non-payroll expenses include transactions related to operations and maintenance of property, student services, academic support, institutional support and auxiliary enterprises. Included within these transactions are purchase card (P-Card) expenses. P-Cards are CNCC-issued credit cards that are given to employees in order to make immediate purchases for their departments or classes. Supervisor approvals are required to ensure the expense is reasonable, necessary and allowable for the department requesting it.

- Student Accounts Receivable: The student accounts receivable module in Banner is populated when students register for classes and incur fees and this information is then interfaced into the finance module in Banner. The finance module is used to generate the financial statements; CNCC has instituted a reconciliation process between the modules to ensure that the information generated in the student accounts receivable module is properly reflected in the finance module.

What Was the Purpose of the Audit Work?

The purpose of the audit work was to evaluate the remediation of internal control deficiencies over CNCC's payroll expenses, non-payroll expenses and student account receivables from the prior year audit and to test the accuracy of the related account balances as of June 30, 2015. Specifically, as a result of our Fiscal Year 2014 audit testwork, we first recommended that CCCS should ensure that CNCC provide adequate training to staff members to ensure that information contained in the Banner finance module is reconciled to the Banner student accounts receivable module on a monthly basis and that any discrepancies are identified, documented, and resolved timely. The reconciliations should be prepared at month-end and be signed off by a supervisor to ensure that all activity during the month has been properly reconciled and reported and the underlying support used to prepare the reconciliation should be documented and retained.

What Audit Work Was Performed and How Were Results Measured?

To review CNCC's Fiscal Year 2015 remediation of our second recommendation related to Banner reconciliations, we performed a process walkthrough and a test of design for one monthly accounts receivable reconciliation performed in Fiscal Year 2015. Specifically, our audit work included reviewing CNCC staff's reconciliations of the student accounts receivable balances for one month.

CCCS provides accounting policies for each of the community colleges to follow and, according to CCCS staff, the various college controllers discuss these policies at monthly controller meetings. According to these policies, internal controls over the process should include proper segregation of duties, a management review, and the reconciliation of student accounts receivable balances from the Banner student accounts receivable module to the general ledger (Banner finance module). CCCS policies also require that each reconciliation be performed timely and include the full month's activity.

State Fiscal Rule 2-2 requires that all purchases over $5,000, with exemptions for utilities, insurance, conference registrations, etc., must have an accompanying purchase order (PO), pursuant to Section 24-30-202, C.R.S. If a purchase does not have a related PO, a request for a statutory violation ratification (a State Controller discretionary approval of a disbursement with a statutory violation) must be submitted to the State prior to payment.

What Problems Did the Audit Work Identify?

We identified a continuation of the one deficiency in internal control at CNCC related to accounts receivable reconciliations. In addition, we determined that CNCC did not comply in all cases with statutes and State Fiscal Rules related to purchase orders. We consider the identified issues, in the aggregate, to be a significant deficiency. The identified issues are discussed in more detail below.

Accounts Receivable Reconciliations

We determined that CNCC failed to perform the March 2015 accounts receivable reconciliation between the Banner accounts receivable and finance modules; as a result, we were unable to verify the completeness and accuracy of the reconciliation. CNCC staff indicated they did not perform reconciliations for the 6 months of the fiscal year, October 2014 through March 2015, when the Controller position was not staffed. CCCS staff also indicated the new controller resumed the reconciliation process in May of 2015 and completed a June 30, 2015 year-end reconciliation.

State Procurement Requirements

During our inquiries, we determined that CNCC failed to prepare required PO's for several purchases over $5,000 that were made during Fiscal Year 2015; further, CNCC failed to request and obtain a statutory violation ratification from the State Controller prior to payment. Although internal controls at CNCC are designed to detect and correct invoices over the threshold without a PO, CNCC management overrode this control and caused the invoice to be paid without the PO or subsequently obtaining approval of a statutory violation ratification. In response to our inquiries, CCCS' internal audit department investigated this matter to determine the extent of the issue. Internal Audit's testing revealed $909,110 of $5,840,531 invoices did not comply with State procurement requirements.

Why Did the Problem Occur?

CNCC’s internal control environment has not been properly designed to ensure adequate performance of the established internal controls over the procurement and accounts receivable reconciliation processes. Staff members performing Banner module reconciliations have not been properly trained on how to perform the reconciliation. Additionally, there is no supervisory review over the reconciliation process to ensure the reconciliations are completed accurately and that supporting documentation is retained. Further, CNCC staff and management were not properly trained in State procurement requirements and Banner accounts reconciliation processes. Finally, there was a lack of proper oversight to prevent, detect, or correct a management override of procurement controls.

Why Does this Problem Matter?

Lack of adequately designed controls increases the risk of misappropriation of assets, inappropriate expenditures, budget overruns, and financial statement errors. Errors in reported financial information may result in management and users of the financial statements not having accurate information on which to base business decisions.

Classification of Finding:

Significant Deficiency

Recommendation No. 1:

CCCS should ensure that CNCC evaluate its policies and procedures and make appropriate changes as necessary to ensure that the College’s internal controls are adequate and that financial information is accurate and complete. Specifically, CNCC should:

A. Enforce the CCCS policy requiring monthly reconciliations of information contained in the Banner finance module to information in the Banner student accounts receivable module. This should include providing adequate training to staff members to ensure that reconciliations are prepared at month-end, are reviewed and signed off by a supervisor to ensure that all activity during the month has been properly reconciled and reported, and that the underlying support used to prepare the reconciliation is documented and retained.

B. Establish a policy requiring that, in the event an invoice is received without a purchase order, the related payment will not be processed until a statutory violation ratification is obtained, and ensure that management and staff are adequately trained on the policy.

CCCS Response

A. Agree Implementation Date: May 2015

The CNCC Controller has received training and will complete monthly reconciliations of information contained in the Banner finance module to information in the Banner students accounts receivable module by the 20th day of the following month and will obtain supervisor approval of the reconciliation. The CNCC Controller has been completing the AR reconciliations and obtaining supervisor approval within this timeframe since May 2015.

B. Agree Implementation Date: January 2016

The Controller and Vice President of Business and Administration will implement new internal controls which will focus on the prevention and detection of procurement fiscal violations. In an effort to detect all fiscal violations and to ensure proper approval has been obtained for a particular expenditure, the Controller will now review all transactions prior to being submitted to Accounts Payable for payment, ensuring the Controller can request and obtain ratification of any violations in accordance with the State of Colorado's Fiscal Rules, if necessary. Accounts payable personnel at CNCC have also been trained to detect procurement irregularities or inconsistencies to address them prior to payment. Also, a plan has been initiated to have a third-party monitor all expenditures monthly in order to gauge the effectiveness of CNCC's corrective actions and to ensure that procurement fiscal violations do not continue. The expenditures in Fiscal Year 2015, which constituted violations of the State of Colorado's Fiscal Rules, have been submitted for State Controller ratification.

Trinidad State Junior College (TSJC) – Partial Implementation from Prior Year

TSJC is located in Trinidad, Colorado with a second campus in Alamosa, Colorado. Approximately 1,400 full time equivalent students in southern Colorado attended TSJC in Fiscal Year 2015. This is an enrollment decrease of 5% from Fiscal Year 2014. TSJC's net position at June 30, 2015 totaled $16,045,510 or 2.5% of Colorado Community College System's (CCCS) total net position. Fiscal Year 2015 operating revenues were $11,191,065 or 2.6% of CCCS' operating revenue and operating expenses totaled $19,003,143 or 3.3% of CCCS' operating expenses. TSJC's accounts receivable balance was $1,581,973 at June 30, 2015.

The student accounts receivable module in Banner is populated when students register for classes and incur fees; this information is then interfaced into the finance module in Banner. TSJC staff perform reconciliations of these two modules to ensure that the information generated in the student accounts receivable module is properly reflected in the finance module.

What Was the Purpose of the Audit Work?

The purpose of the audit work was to evaluate TSJC's remediation of internal control and operational weaknesses over accounts receivable, revenue, and payroll expenses that we identified during the Fiscal Year 2014 audit and to test the accuracy of the related account balances as of June 30, 2015. Specifically, at that time we recommended that CCCS ensure that Trinidad State Junior College evaluate its policies and procedures and make appropriate changes as necessary to ensure that the College's internal controls are adequate and that financial information is accurate and complete. To do so, we recommended that individuals performing the reconciliations be properly trained to document and resolve differences identified during the reconciliation process. Additionally, we recommended that reconciliations be reviewed by management to ensure differences are adequately documented and resolved. Finally, we recommended that TSJC implement a management review over monthly reconciliations to ensure that staff perform the reconciliations prior to completion of the following month's activities to allow for prompt resolution of reconciling differences. For example, March activity should be timely reconciled by the end of April.

What Audit Work Was Performed and How Were Results Measured?

We performed testwork to determine whether TSJC remediated the previous audit's weaknesses, including whether TSJC performed reconciliations timely during Fiscal Year 2015. Specifically, we performed a process walkthrough and a test of design for TSJCs Banner student module to finance module reconciliations. This audit work included reviewing TSJC's reconciliations of the student accounts receivable and finance modules' accounts receivable balances for February 2015.

CCCS provides accounting policies for each of the community colleges to follow and, according to CCCS staff, the various college controllers discuss these policies at monthly controller meetings. According to these policies, each community college should have internal controls in place including a reconciliation process between all Banner and CORE financial statement accounts to ensure Banner is interfacing to CORE completely and accurately. These policies also require all reconciliation processes to include a proper segregation of duties and a management review. The policies specify that reconciliations should be performed within the following month after the previous month's end to ensure timely resolution of differences. Under AICPA Auditing Standards 115, inadequate documentation of the components of internal control is an indicator of a control deficiency. As such, evidence of reconciliations and management reviews of those reconciliations, as well as the date when they were performed, should be documented and maintained.

What Problem Did the Audit Work Identify?

We identified a continuation of a deficiency in internal control at TSJC related to the accounts receivable reconciliation that we consider, due to the failed remediation, to be a significant deficiency. The deficiency is discussed below.

Timeliness of Reconciliations

Based on our review of TSJC's February 2015 reconciliation between the Banner finance module and Banner student module, we determined that, although the reconciliation process was prepared in March 2015, TSJC staff did not identify the cause for or resolve an identified difference between the two modules until May 2015, or two months after the reconciliation was prepared. As such, the reconciliation was not completed in a timely manner. The difference totaled approximately $20,500 and related to forfeiture of housing deposits.

Why Did the Problem Occur?

TSJC failed to improve its internal controls related to the Banner accounts receivable student to Banner finance module reconciliation process to ensure the reconciliations are adequately performed. Specifically, TSJC did not adequately train staff on the process or perform appropriate supervisory reviews of the reconciliations.

Why Does this Problem Matter?

A lack of adequately training over designed controls, such as reconciliations of financial information, increases the risk of misappropriation of assets, budget overruns, and financial statement errors. Errors in the reported financial information may result in management and users of the financial statements relying on inaccurate information as a basis for business decisions.

Classification of Finding:

Significant Deficiency

Recommendation No. 2

CCCS should ensure that TSJC evaluates its policies and procedures and makes appropriate changes as necessary to ensure that the College's internal controls are adequate and that financial information is accurate and complete. Specifically, TSJC should:

A. Ensure individuals performing the reconciliations are properly trained to document and resolve differences identified during the reconciliation process.

B. Implement supervisory reviews over monthly reconciliations to ensure that staff perform the reconciliations prior to completion of the following month's activities to allow for prompt resolution of reconciling differences. For example, March activity should be timely reconciled by the end of April.

CCCS Response

A. Agree Implementation Date: July 2015

Trinidad State Junior College (TSJC) experienced staff turnover between the A/R reconciliation performed in March and the corrections completed in May. As part of the on-boarding of the new TSJC Controller, training immediately commenced with the assistance of another CCCS College Controller on A/R reconciliations and future reconciliations and corrections.

B. Agree Implementation Date: July 2015

Beginning July 2015, TSJC reconciliations will be performed by the new Controller within ten business days of the CCCS month-end close and will be reviewed and approved by the TSJC Chief Financial Officer.

Controls over Disbursements Notifications To or On Behalf of Students: FRCC, PPCC, ACC, RRCC, and OJC participate in several federal student financial aid programs authorized under Title IV of the Higher Education Act of 1965 (Title IV), including Direct Loans, Pell, and Federal Work Study. Title IV establishes general rules for notifying students or parents receiving loan disbursements. FRCC distributed $69,527,098, PPCC distributed $40,454,190, ACC distributed $22,095,908, RRCC distributed $21,724,600 and OJC distributed $6,218,052 in Title IV funds to students during Fiscal Year 2015.

What was the purpose of the audit work?

The purpose of the audit work was to assess the adequacy of FRCC's, PPCC's, ACC's internal controls over and compliance with the federal reporting requirements related to disbursement notification for students who received Title IV funding during Fiscal Year 2015. Additionally, the purpose of the audit work was to assess the adequacy of RRCC's and OJC's remediation of the prior year significant deficiency issued for Fiscal Year 2014.

What audit work was performed and how were results measured?

The audit work included reviewing a sample of 40 students who received Title IV direct loan funding through FRCC, PPCC, ACC, RRCC, and OJC during Fiscal Year 2015 to determine whether the colleges properly notified the student or parent, as applicable, of the appropriate conditions of the disbursement. The audit work also included reviewing FRCC's, PPCC's, and ACC's internal controls over disbursement notifications. Of the 40 students tested, nine were from FRCC, eight each were from PPCC, ACC, and RRCC, and seven were from OJC. No exceptions were identified at FRCC, PPCC, RRCC or OJC.

Title IV establishes general rules that apply to student financial aid direct loan programs and requires that an institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan. Institutions must notify a student no earlier than 30 days before, but no later than seven days after crediting the student's account and must give the student 30 days to cancel all or part of the loan. Additionally, Title IV requires that a school must ensure that loan counseling is conducted with each direct loan prior to making the first disbursement of the proceeds of a loan to a student borrower. The colleges have written policies in place instructing student financial aid staff to send out notification letters within the Title IV guideline and conduct loan counseling prior to disbursement of aid.

What problem did the work identify?

ACC could not provide evidence that the disbursement notification letters were sent within the required timeframe for eight of eight disbursements tested (100 percent).

Why did the problem occur?

ACC does not use a sufficient system of document retention to prove that the compliance requirement was completed. Institution staff does not have a process in place to maintain evidence that required letters are sent to student aid recipients.

Why does this problem matter?

A lack of adequate policies over Title IV disbursement notification processes increases the risk that ACC will not be in compliance with federal regulations and may result in federal sanctions.

(CFDA No. 84.063; 84.268; Student Financial Aid Cluster, Special Tests and Provisions.)

Classification of Finding:

Non-Compliance and Significant Deficiency

Recommendation No. 3:

CCCS should ensure that ACC implements appropriate internal controls over Title IV disbursement notifications to ensure that appropriate documentation is retained.

CCCS Response:

Agree Implementation Date: January 2016

ACC will maintain electronic copies of the notification letters sent via the automated Banner process beginning spring term January 2016. In addition, the Director of Financial Aid, the Registrar and the Vice President of Student

Affairs attended the 2015 FSA Conference for training on the new and changing regulatory requirements and will continue to attend trainings annually to ensure ACC maintains compliance moving forward.

Controls over Accuracy of Enrollment Reporting:

FRCC, PPCC, ACC, RRCC, and OJC participate in several federal student financial aid programs authorized under Title IV of the Higher Education Act of 1965 (Title IV), including Direct Loans, Pell, and Federal Work Study. Title IV establishes general rules for reporting changes in student enrollment to the National Student Loan Data System (NSLDS). These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. To report enrollment changes to the NSLDS, CCCS staff use a third party servicer, the National Student Clearinghouse (Clearinghouse), which acts as a single point of contact for reporting. School personnel generate enrollment reports through CCCS's Banner system and manually upload them to the Clearinghouse. The Clearinghouse then reports each school's student enrollment information to the NSLDS.

FRCC distributed $69,527,098, PPCC distributed $40,454,190, ACC distributed $22,095,908, RRCC distributed $21,724,600 and OJC distributed $6,218,052 in Title IV funds to students during Fiscal Year 2015.

What was the purpose of the audit work?

The purpose of the audit work was to assess the adequacy of FRCC's, PPCC's, and ACC's internal controls over and compliance with the federal reporting requirements related to changes in enrollment status for students who received Title IV funding during Fiscal Year 2015. Additionally, the purpose of the audit work was to assess the adequacy of RRCC's and OJC's remediation of the prior year significant deficiency issued for Fiscal Year 2014. At that time, we recommended CCCS provide oversight and training to assist RRCC and OJC with implementing appropriate internal controls over Title IV enrollment reporting to ensure enrollment status changes are reported to the Clearinghouse in a timely manner. These internal controls should include policies and procedures to ensure required information is reported to the NSLDS from the Clearinghouse in accordance with Title IV regulations.

What audit work was performed and how were results measured?

The audit work included reviewing a sample of 40 students who graduated from, withdrew from, dropped out of, or enrolled but never attended FRCC, PPCC, ACC, RRCC, and OJC during Fiscal Year 2015 to determine whether the colleges reported the students' enrollment status changes in compliance with Title IV federal regulations. The audit work also included reviewing FRCC's, PPCC's, ACC's, RRCC's and OJC's internal controls over reporting of enrollment status changes. Of the 40 students tested, nine were from FRCC, eight each were from PPCC, ACC, and RRCC, and seven were from OJC.

Title IV establishes general rules that apply to students who have an enrollment status change and receive Title IV funding. The schools must ensure the Clearinghouse responds to the NSLDS within 15 days of receiving a roster from NSLDS. It is each institution's responsibility to understand their individually-required Clearinghouse transmission schedules to the NSLDS, as Title IV guidance requires institutions to be responsible for timely reporting, whether they report directly or via a third-party service provider. Because the institutions tested scheduled roster transmission schedules from the NSLDS every 30 days, and Title IV requires responses to the rosters in 15 days, the schools have 45 days from the day they are notified of a status change to report that change to NSLDS.

What problem did the work identify?

Overall, we identified problems with 17 of the 40 (43 percent) student enrollment status changes we tested. We noted the following specific exceptions:

- For six of the nine (67 percent) enrollment status changes tested at FRCC, staff failed to ensure the enrollment status changes were reported to the NSLDS in compliance with federal regulations. Specifically, for five of the nine (56 percent), the enrollment changes were reported from 6 to 159 days later than the Title IV enrollment reporting requirement. Additionally, for three of the nine (33 percent) status changes, the effective date reported by FRCC did not agree to the date the student's status changed according to school records.

- For five of the eight (63 percent) enrollment status changes tested at PPCC, staff failed to ensure the enrollment status changes were reported to the NSLDS in compliance with federal regulations. Specifically, for four of eight (50 percent), the enrollment changes were reported from 20 to 72 days later than the Title IV enrollment reporting requirement. Additionally, for two of the eight (25 percent) status changes, the effective date reported by PPCC did not agree to the date the student's status changed according to school records.

- For two of the eight (25 percent) enrollment status changes tested at ACC, staff failed to ensure the enrollment status changes were reported to the NSLDS in compliance with federal regulations. Specifically, one enrollment change was reported 57 days later than the Title IV enrollment reporting requirement. Additionally, for one of the eight (13 percent) status changes, the effective date reported by ACC did not agree to the date the student's status changed according to school record.

- For one of the eight (13 percent) enrollment status changes tested at RRCC, staff failed to ensure the enrollment status change was reported to the NSLDS in compliance with federal regulations. Specifically, the enrollment change was reported 28 days later than the Title IV enrollment reporting requirement.

- For three of the seven (43 percent) enrollment status changes tested at OJC, staff failed to ensure the enrollment status changes were reported to the NSLDS in compliance with federal regulations. Specifically, the enrollment changes were not reported for the Title IV enrollment reporting requirement.

Why did the problem occur?

Due to the findings issued over the enrollment reporting compliance requirement during fiscal year 2014, CCCS reported that it worked to implement policies and procedures during fiscal year 2015 to correct this finding. For example, during fiscal year 2015 CCCS provided oversight and training to the colleges to ensure they reported enrollment status changes within federal requirements, and that the colleges had effective monitoring processes in place over the Clearinghouse to ensure submissions are timely and accurate. However, these corrective improvements were not fully implemented until the end of the Spring 2015 semester. We were unable to test that the corrective action had been implemented as of June 30, 2015 due to the timing of when the corrective action was implemented. Further, a Banner system error occurred in the Fall Semester of Fiscal Year 2015 that did not appropriately trigger the status change reporting to the Clearinghouse for students that had an official withdrawal during the semester. CCCS staff reported that this system error was detected and corrected by CCCS for the Spring semester. However, we still identified errors with students that had an enrollment change in the Spring 2015 semester. The errors identified from the Spring 2015 semester were a result of manual errors incurred at the respective college and not the Banner system error.

Why does this problem matter?

A lack of adequate policies over Title IV enrollment status change reporting, including timely and accurate reporting of status change information to NSLDS increases the risk that FRCC, PPCC, ACC, RRCC and OJC will not be in compliance with federal regulations, and may result in federal sanctions.

(CFDA No. 84.063; 84.268; Student Financial Aid Cluster, Special Tests and Provisions.)

Classification of Finding:

Non-Compliance and Significant Deficiency

Recommendation No. 4:

CCCS should provide oversight and training to assist FRCC, PPCC, ACC, RRCC, and OJC with implementing appropriate internal controls over Title IV enrollment reporting to ensure enrollment status changes are reported to the Clearinghouse in a timely and accurate manner. These internal controls should include formalizing policies and procedures, such as gaining access to NSLDS separately, if necessary, to ensure required information is reported to the NSLDS in accordance with Title IV regulations.

CCCS Response:

Agree Implementation Date: February 2016

Policies and procedures were formalized with the Registrar's group as a result of the 2014 Audit Findings, including resolving program parameter errors that led to the reporting of improper attendance status, and late processing outside of the required timeframes. All colleges worked in collaboration to update reporting schedules to report on a 21 day schedule throughout the year. Beginning the spring 2015 term, CCCS resolved the timing and remaining errors from prior year. The Department of Education made significant changes in the reporting format and data requirements for Enrollment Reporting, effective October 1, 2014, reporting both campus-level and program-level enrollments which were not accurately reported to NSLDS during Fiscal Year 2015.

The Banner programming for the Student Information System did not provide support for the extraction of data and creation of Enrollment Reporting files by the October 1, 2014 deadline and Colleges that utilized the Clearinghouse or reported directly to NSLDS were impacted by the lack of support.

CCCS will work directly with the schools to ensure more stringent quality assurance methods are established and encourage attendance at Federal Student Aid Conferences and implement tools provided by NSLDS to ensure third party reporting is timely and accurate. Banner programming will be revised in February 2016 and will address the remaining changes related to October 1, 2014 and October 1, 2015 regulations.

Recommendations Issued for Year Ended June 30, 2014	Disposition
Recommendation No. 1 Colorado Community College System (CCCS) should ensure that Colorado Northwestern Community College evaluate its policies and procedures and make appropriate changes as necessary to ensure that the College's internal controls are adequate and that financial information is accurate and complete as they relate to P-card approvals, payroll benefit documentation retention, and accounts receivable reconciliations.	Partially implemented, see current year recommendation No. 1
Recommendation No. 2 Colorado Community College System (CCCS) should ensure that Trinidad State Junior College evaluate its policies and procedures and make appropriate changes as necessary to ensure that the College's internal controls are adequate and that financial information is accurate and complete as they relate to Banner reconciliations, timeliness of reconciliations, and evidence of approvals for tuition rate table review and payroll merit increases.	Partially implemented, see current year recommendation No. 2
Recommendation No. 3 Colorado Community College System (CCCS) should ensure that Red Rocks Community College implements internal controls to ensure that calculations for returns of Title IV funds are properly reviewed to ensure accuracy prior to remitting funds to the federal government. Additionally, CCCS should ensure that Pueblo Community College implements internal controls to ensure that Title IV funds are remitted to the federal government within 45 days of the student's withdrawal date.	Implemented
Recommendation No. 4 Colorado Community College System (CCCS) should ensure that Red Rocks Community College and Otero Junior College implement adequate internal controls over Title IV direct loan disbursements.	Implemented

Recommendation No. 5 Colorado Community College System (CCCS) should provide oversight and training to assist Red Rocks Community College and Otero Junior College with implementing adequate internal controls over Title IV enrollment reporting.	Partially Implemented, see current year recommendation No. 4

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Colorado Community College System (CCCS), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise CCCS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units discussed in note 1 to the financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units, are based solely on the reports 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Colorado Community College System as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 1, the financial statements of CCCS, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of CCCS. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in note 2, CCCS adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* in fiscal year 2015. Our opinion is not modified with respect to this matter.

As discussed in note 21 to the financial statements, the June 30, 2014 financial statements of the aggregate discretely presented component units have been restated to correct a certain misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 24 to 38 and schedules of proportionate share of net pension liability and contributions and related ratio on page 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of CCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCCS' internal control over financial reporting and compliance.

KPMG LLP

Denver, Colorado
December 16, 2015

The following discussion and analysis provides management's view of the financial position and results of operations for the Colorado Community College System (CCCS or the System) as of and for the year ended June 30, 2015 (fiscal year 2015), with comparative information presented for fiscal year 2014. This analysis should be read in conjunction with CCCS' financial statements and notes to the financial statements. This analysis is intended to make CCCS' financial statements easier to understand and communicate our financial situation in an open and accountable manner.

Background

The CCCS includes 13 public community colleges throughout the State of Colorado (the State), the system office, and an employee benefit trust, presented as a blended component unit. In addition, CCCS has 14 supporting foundations, which are not included in CCCS' primary financial reporting entity, but are included as discretely presented component units in CCCS' financial statements (note 1) in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity, as amended by GASB Statement No. 61: The Financial Reporting Entity: Omnibus*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

CCCS is Colorado's largest institution of higher education and served approximately 127,000 students (53,000 full-time equivalent students) during the fiscal year ended June 30, 2015. The System has approximately 5,900 employees by FTE, of which two-thirds are faculty and adjunct instructors. The colleges offer a wide variety of both academic and career programs leading either to degrees and certificates, or otherwise enhancing personal and professional growth. In addition to the 13 community colleges, CCCS also assists the State Board for Community Colleges and Occupational Education (the Board) in exercising certain curriculum and funding authority over three Area Vocational Schools (AVSs), two Local District Colleges (LDCs), and secondary career and technical programs in over 150 school districts throughout the State.

Higher education institutions in the State have the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), if the institution meets the stated qualifications. CCCS qualified as an enterprise for fiscal year 2015 because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System was required to receive (and is expected to continue to receive) less than 10.0% (in relation to total revenues) in support from the State. In fiscal years 2015 and 2014, the System received 4.0% and 2.4%, respectively, of total revenue in State support (notes 4 and 20). Beginning in fiscal year 2008, House Bill 08 1079 specifically excluded moneys transferred from the Colorado Department of Education (CDE) for career and technical education as state grants for the purpose of this calculation, including funding under the Career and Technical Act (CTA).

CCCS is partially funded through the College Opportunity Fund (COF) stipend program and a fee for service (FFS) contract with the Colorado Department of Higher Education (CDHE), approved by the Colorado Commission on Higher Education (CCHE). COF provides state tax dollars to students through a stipend paid on a per credit hour basis to the institution at which the student is enrolled. COF may support the costs of up to 145 eligible undergraduate credits for each eligible student. For fiscal years 2015 and 2014, respectively, the COF stipend was \$75 and \$64, per credit hour, which students could use to pay for a portion of their tuition. The FFS contract is the purchase of educational services, by the State, from CCCS that are not part of the COF stipend program. In fiscal years 2015 and 2014, respectively, CDHE's contract with CCCS purchased credit hours for vestibule labs, reciprocal programs, and educational services in rural areas (notes 3 and 4).

Student tuition and fees, net of scholarship allowance, comprise several important and offsetting components. Student tuition and fees charges alone include all amounts earned for the provision of instructional services to students, including stipends paid for eligible undergraduate students under COF. In fiscal year 2015, CCCS had a $13.5 million increase in gross tuition and fee revenue resulting from a 4.5% increase in resident tuition and nonresident tuition rates offset by a 5.3% decrease in enrollment. This also includes an increase in COF funding of approximately $10.8 million compared to fiscal year 2014. This gross tuition and fee increase was offset by a decrease in the scholarship allowance, or the amount of federal and state funded financial assistance paid on behalf of students, which is netted against tuition and fee revenue. This scholarship allowance offset decreased $1.6 million in fiscal year 2015 due to a decrease in the number of students receiving Pell awards, in part, netted against an increase in Federal Pell awards received for students, on a per student basis adding to the overall increase of student tuition and fees, net.

The following table represents the change in tuition and fees from fiscal year 2014 to 2015 (in millions):

Tuition and fees increase due to enrollment changes and rate increases	$	2.7
Plus increase in COF stipend funding		10.8
Gross tuition and fee increase		13.5
Increase as a result of an offsetting decrease in bad debt		2.4
Increase as a result of an offsetting decrease in scholarship allowance		1.6
Net increase in student tuition and fees, net of scholarship allowance	$	17.5

The following table represents the change in tuition and fees from fiscal year 2013 to 2014 (in millions):

Tuition and fees increase due to enrollment changes and rate increases	$	1.2
Less decrease in COF stipend funding		(2.3)
Gross tuition and fee decrease		(1.1)
Decrease as a result of an offsetting increase in bad debt (starting in FY14)		(4.4)
Increase as a result of an offsetting decrease in scholarship allowance		8.4
Net increase in student tuition and fees, net of scholarship allowance	$	2.9

In November 2008, voters passed Amendment 50, which expanded limited stakes gaming in three Colorado mountain towns. CCCS received approximately $5.6 million in Amendment 50 funding in fiscal year 2015, of which $5.0 million was used for classroom instruction related expenses and $0.1 million was awarded to students for scholarships, with the remaining $1.0 million cumulative, including prior years, available for fiscal year 2016. In fiscal year 2014, CCCS received approximately $5.5 million, of which $4.7 million was used for classroom instruction related expenses and $0.5 million was awarded to students for scholarships, with the remaining $0.5 million cumulative, including prior years, available for fiscal year 2015.

Financial Highlights

At June 30, 2015, CCCS' assets and deferred outflows of $893,844,586 were less than its liabilities and deferred inflows of $1,087,846,217 by $194,001,631. At June 30, 2014, CCCS' assets and deferred outflows of $832,033,177 exceeded its liabilities of $214,117,901 by $617,915,276. The resulting net position is summarized into the following categories:

		June 30	
		2015	**2014**
Net investment in capital assets	$	337,339,694	324,876,574
Restricted, expendable		42,630,953	41,622,072
Unrestricted		(573,972,278)	251,416,630
Total net position	$	(194,001,631)	617,915,276

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

During fiscal year 2015, the CCCS' total net position increased by $2,053,411 due to current activity offset by a decrease due to a prior period adjustment of $(813,970,318) related to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB No. 27* (Statement No. 68), discussed below.

During fiscal year 2014, the CCCS' total net position increased by $4,162,278. The increase in net position is a result of excess overall revenue streams compared to overall expenses.

Overview of the Financial Statements

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

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

In fiscal year 2015, CCCS implemented GASB No. 68, which was effective for financial statements for periods beginning after June 15, 2014. Statement No. 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The System provides certain of its employees with pension benefits through the State's multiple-employer cost-sharing Public Employees' Retirement Association of Colorado (PERA) defined-benefit retirement program.

Statement No. 68 requires cost-sharing employers participating in the PERA program, such as CCCS, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The System has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA and the General Assembly. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability negatively impacted CCCS' unrestricted net position. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

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

The Statement of Net Position presents information on all of CCCS' assets and deferred outflows and liabilities and deferred inflows at a point in time (June 30, 2015), with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. A reader of the financial statements should be able to determine the assets available to continue CCCS' operations, how much CCCS owes to vendors and lending institutions, and a picture of net position and the relative availability for expenditure by CCCS.

The Statement of Changes of Revenues and Expenses and Changes in Net Position presents information showing how CCCS' net position changed during the fiscal period (the fiscal year ended June 30, 2015). All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues, deferred outflows, expenses and deferred inflows are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., the payment for accrued compensated absences or the pension liability, or the receipt of amounts due from students and others for services rendered). The purpose is to assess CCCS' operating results. CCCS reports its activity as a special-purpose government engaged only in business-type activities using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Cash Flows presents cash receipts and payments to and from CCCS for the reporting period (the fiscal year ended June 30, 2015) using the direct method. The direct method of cash flow reporting portrays cash flows from operations, noncapital financing, capital and related financing, and investing activities. The purpose is to assess CCCS' ability to generate net cash flows and meet its obligations as they come due.

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

Financial Analysis

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

The assets and deferred outflows reported by CCCS were less than liabilities and deferred inflows at June 30, 2015, resulting in a net position of $(194,001,631) and assets and deferred outflows were more than liabilities at June 30, 2014 resulting in a net position of $617,915,276. Assets and deferred outflows were less than liabilities and deferred inflows primarily due to implementation of Statement No. 68. The majority of CCCS' net position is net investment in capital assets (e.g., land, buildings, and equipment). These assets are used to provide services to students, faculty, and administration. Consequently, these assets are not available to fund future spending.

The assets and deferred outflows reported by CCCS exceeded liabilities at June 30, 2014, resulting in a net position of $617,915,276. The majority (52.6%) of CCCS' net position is net investment in capital assets (e.g., land, buildings, and equipment). These assets are used to provide services to students, faculty, and administration. Consequently, these assets are not available to fund future spending.

		June 30	
		2015	**2014**
Current assets	$	412,318,257	395,057,104
Noncurrent assets, including capital assets of $434,667,245 and $409,714,852, respectively		441,354,229	436,922,259
Total assets	$	853,672,486	831,979,363
Total deferred outflows	$	40,172,100	53,814
Current liabilities		100,798,979	97,326,484
Noncurrent liabilities		974,881,181	116,791,417
Total liabilities	$	1,075,680,160	214,117,901
Total deferred inflows	$	12,166,057	—
Net position:			
Net investment in capital assets	$	337,339,694	324,876,574
Restricted – expendable		42,630,953	41,622,072
Unrestricted		(573,972,278)	251,416,630
Total net position	$	(194,001,631)	617,915,276

Current assets increased as of June 30, 2015 compared with June 30, 2014 by approximately $17.3 million or 4.4% as a result primarily of a $10.7 million increase in cash and cash equivalents and a $5.4 million increase in accounts receivable. Increases in accounts receivable include an increase of $3.0 million in student receivables, net, and an increase of $3.2 million in due from other governments, net, offset by a decrease of $800 thousand in other receivables, net, approximately.

Current liabilities increased as of June 30, 2015 compared with June 30, 2014 by approximately $3.5 million or 3.6% primarily due to an increase of $6.8 million in accounts payable and accrued liabilities offset by a decrease of $2.0 million in unearned revenue and a decrease of $2.0 million in unearned revenue and a decrease of $2.2 million in deposits held for others.

Non-current assets increased as of June 30, 2015 compared with June 30, 2014 by $4.4 million or 1.0% due to an increase in net capital assets of $25.0 million, including $20.9 million in construction in progress and $36.5 million in depreciable assets, offset by $32.4 million in depreciation. This is further offset by a decrease in restricted cash and cash equivalents of $19.2 million from bond proceeds expended for capital projects.

Noncurrent liabilities increased as of June 30, 2015 compared with June 30, 2014 by $858.1 million or 734%. This change was due to the recognition of the net pension liability for the adoption of Statement No. 68.

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

The negative unrestricted net position of $(573,972,278) as of June 30, 2015 is due to the implementation of Statement No. 68 in fiscal year 2015.

The Statement of Changes of Revenues and Expenses, and Changes in Net Position reports the results of operating and nonoperating revenues and expenses during the year and the resulting increase or decrease in net position at the end of the year. A key component of this statement is the differentiation between operating and nonoperating activities. Operating revenues are received for providing goods and services to the various constituencies of CCCS. The COF stipend program revenue is included in student tuition and fees and FFS contract revenue is separately presented, both of which are classified as operating revenues. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenue and to carry out the mission of CCCS. Nonoperating revenues are those where goods or services are not provided. Thus, state appropriations are nonoperating because they are provided by the State without the State directly receiving goods and services. Amendment 50 funding is provided as pass-through funds through the State without the State directly receiving goods and services and is also considered nonoperating. Federal Pell grants and most gifts and investment income are also nonoperating revenue.

State appropriations, net of distributions to LDCs and AVSs, represent approximately 4.7% and 5.1%; student tuition and fees represent approximately 41.7% and 40.4%, and FFS contracts represent approximately 5.1% and 4.7% of CCCS' total revenue (less distributions to LDC and AVS) from all sources in fiscal years 2015 and 2014, respectively, as detailed in the charts on the following pages. However, like most public institutions of higher education, public support in the form of state appropriations offsets or supplements the operating loss from the cost of operations. CCCS experienced a $166.6 million loss from operations in fiscal year 2015 compared to a $169.8 million loss from operations in fiscal year 2014. In fiscal year 2015, this operating loss was offset by net state appropriations of $28.6 million, Federal Pell grants of $114.0 million, and Amendment 50 funding of $5.6 million. Additionally, CCCS experienced other decreases of Federal Pell grants of $12.7 million. In fiscal year 2014, the operating loss of $169.8 million was offset by net state appropriations of $29.7 million, Federal Pell grants of $126.7 million, and Amendment 50 funding of $5.5 million. Additionally, CCCS experienced other decreases of Federal Pell grants of $11.6 million.

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

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

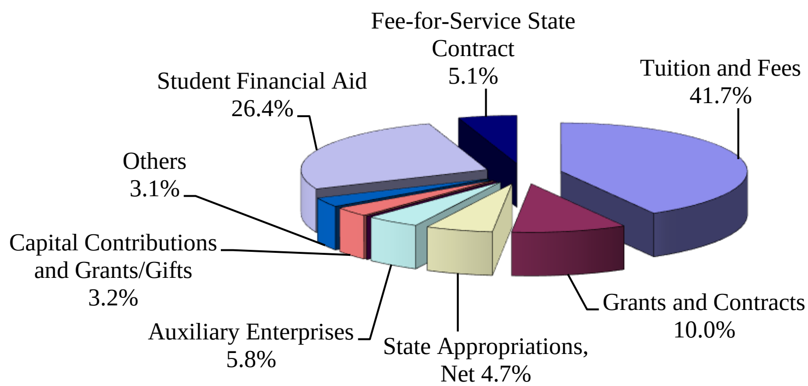
	June 30	
	2015	**2014**
Operating revenues:		
Tuition and fees, net	$ 254,455,049	236,915,442
Grants and contracts	107,806,210	96,565,185
Fee-for-service state contract	30,992,652	27,783,558
Sales and services of educational activities	1,489,873	1,132,115
Auxiliary enterprises, net	35,448,832	38,575,915
Other	7,899,974	7,937,718
Total operating revenues	438,092,590	408,909,933
Operating expenses:		
Instruction	257,193,443	242,246,446
Research	55,366	100,161
Public service	3,941,006	3,361,257
Academic support	45,040,641	44,493,476
Student services	72,363,956	68,323,331
Institutional support	83,000,576	77,106,329
Operation and maintenance of plant	49,746,442	50,105,581
Scholarships and fellowships	18,552,687	17,575,968
Auxiliary enterprises	41,368,875	42,442,287
Depreciation and amortization	33,463,675	32,931,083
Total operating expenses	604,726,667	578,685,919
Operating loss	(166,634,077)	(169,775,986)
Nonoperating revenues (expenses):		
State appropriations	51,637,095	50,395,499
Federal Pell grants	113,998,559	126,651,649
Amendment 50 funding	5,557,239	5,515,233
Distributions to Local District Colleges and Area Vocational Schools	(23,028,285)	(20,742,170)
Other nonoperating revenues and expenses, net	1,148,337	3,965,561
Net nonoperating revenues	149,312,945	165,785,772
Income before other revenues, expenses, gains, or losses	(17,321,132)	(3,990,214)

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

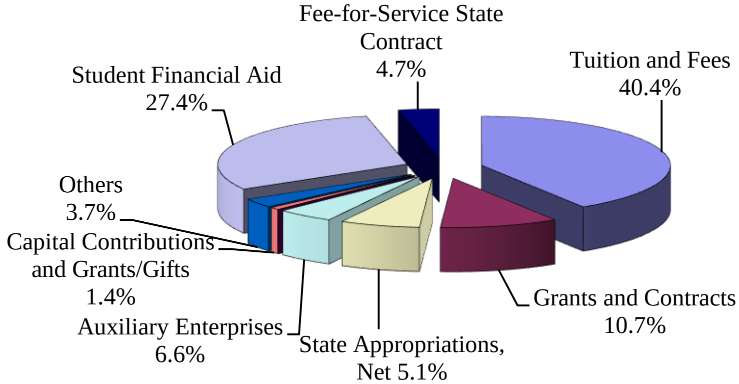
		June 30 2015	June 30 2014
State capital contributions	$	18,071,060	7,930,996
Capital grants and gifts		1,303,483	221,496
Increase (decrease) in net assets		2,053,411	4,162,278
Net position:			
Beginning of year (note 21)		617,915,276	613,752,998
Prior period adjustment, change in accounting principle		(813,970,318)	—
End of year	$	(194,001,631)	617,915,276

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

Sources of Revenue
Fiscal Year 2015



Sources of Revenue
Fiscal Year 2014



As the above charts demonstrate, student tuition and fees are the largest revenue source for CCCS in fiscal years 2015 and 2014. The operating loss of approximately $166.6 million and $169.8 million in fiscal years 2015 and 2014, respectively, noted above, is a result of operating expenses exceeding operating revenues. CCCS supplemented operating revenues with State appropriations, Federal Pell grants, and Amendment 50 funding for fiscal years 2015 and 2014, which are classified as nonoperating revenues but are used to fund operations.

Revenue activity highlights for fiscal year 2015 include:

- Student Tuition and Fees increased by $17.5 million, or 7.4%. The increase is attributable to an increase in gross tuition and fees of $13.5 million and a decrease in scholarship allowance of $1.6 million and a decrease in bad debt expense of $2.4 million.
- Grants and Contracts increased by $11.2 million, or 11.6%. Contributing to this change was an increase of $3.8 million in the Federal Trade Adjustment Assistance (TAA) grants at Front Range Community College (FRCC), Lamar Community College (LCC), and Pueblo Community College (PCC), Pikes Peak Community College (PPCC), and Red Rocks Community College (RRCC) coupled with the increase of State student financial aid of $13.0 million offset by a $4.1 million decrease in funding for the Colorado Northwestern Community College (CNCC) from the Rangely Jr. College District Board.
- Fee for service (FFS) state contracts increased by $3.2 million or 11.6% due to an increase in FFS appropriations from the State. This was related to a decrease in enrollment.
- Investment income decreased by $1.0 million or 24.9%. This was due to a $852.2 thousand change from Fiscal Year 2014 to Fiscal Year 2015 in the fair market value loss of unrealized gain on investments, per GASB 31 Accounting and Financial Reporting for Certain Investments and for External Investment pools requirements.

- The loss on disposal of assets increased by $1.9 million or 441.1%. This was due primarily to the sale of the NJC golf course for a loss of $1.5 million.
- State capital contributions increased $10.1 million or 127.9%. This increase is primarily due to projects funded through the State for the CCCS HVAC; Northeastern Junior College (NJC) renovation of its E.S. French Academic Building; Otero Junior College (OJC) replacing of security and lock system, video surveillance, HVAC upgrade; PCC projects for roof replacement; PPCC's boiler and elevator replacement; and Trinidad State Junior College (TSJC) Alamosa campus expansion.
- Federal PELL grants decreased by $12.7 million, or 10.0% primarily as a result of a decrease of approximately 7,000 recipients, or 14.7%, offset by a 5.6% increase of the average student award.
- Capital Gifts increased $1.1 million or 488.5% because of a $1.0 million contribution for RRCC for the Arvada Campus Expansion and Renovation.

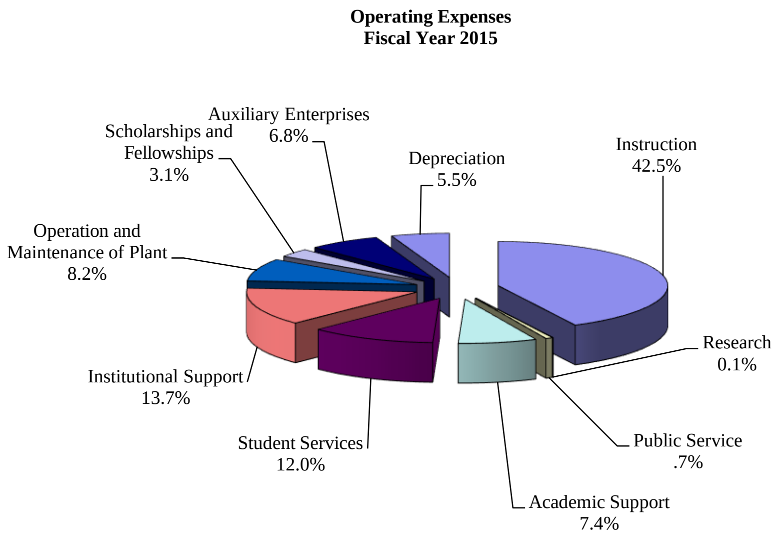
Revenue activity highlights for fiscal year 2014 include:

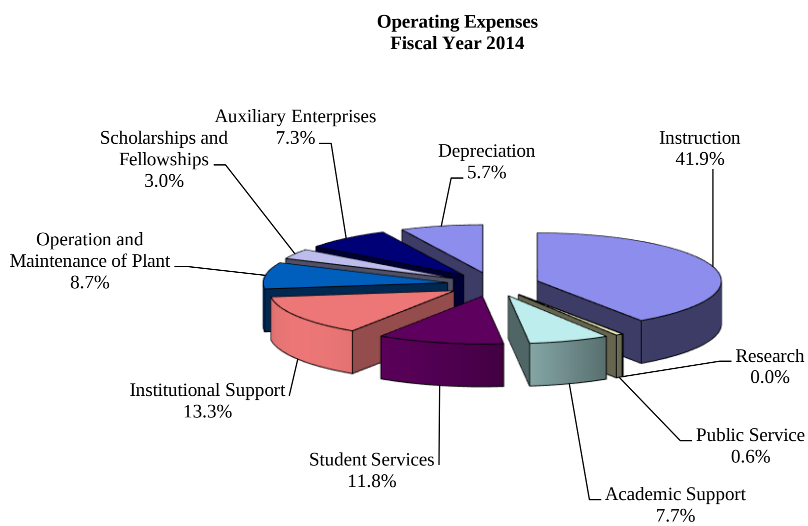
- Grants and Contracts increased by $6.0 million, or 6.7%. Contributing to this change was an increase of federal grant revenue of approximately $2.6 million or 5.1%. This increase was due to the increase of $5.5 million in the Trade Adjustment Assistance grants at Community College of Denver (CCD), Front Range Community College (FRCC), and Pueblo Community College (PCC,) coupled with the increase of support of approximately $3.4 million for the Colorado Northwestern Community College (CNCC) from the Rangely Jr. College District Board.
- Fee for service (FFS) state contracts increased by $8.0 million or 40.4% due to an increase in FFS appropriations from the State. This was related to a decrease in enrollment that caused a decrease in COF stipend that thereby increased FFS expectations.
- Investment income increased by $4.5 million or 973.9%. This was due primarily to the fair market value adjustment for unrealized gain on investments, per GASB 31 requirements, of $675.4 thousand compared to a prior year adjustment for a $4.2 million unrealized loss in the State Treasury contributing to a change of $4.9 million. This was offset by reduced earnings due to the spend down of funds for construction projects, many of which were completed during fiscal year 2014.
- State capital contributions increased $4.9 million or 159.3%. This increase is primarily due to projects funded through the State for the CCCS HVAC; Northeastern Junior College (NJC) renovation on its Academic Building Renovation; PCC's projects for their fire alarm system, tunnel steam power, and San Juan campus roof; and PPCC's HVAC project and elevator replacement.
- Federal PELL grants decreased by $11.6 million, or 8.4% primarily as a result of a decrease of approximately 3,800 recipients, or 8.1%, coupled with a small reduction of the average student award.
- Capital Gifts decreased $1.1 million or 83.0% because of COP projects activity in place in the prior year that were either completed or completed early in fiscal year 2014.

COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis
(Unaudited)

June 30, 2015





Expense activity highlights for fiscal year 2015 include:

- Instructional expense increased by $14.9 million or 6.2% primarily as the result of $10.4 million for pension expense plus approximately $4.5 million annual salary increases for instructional staff.
- Academic support expenses increased by $0.5 million or 1.2%. This increase is due primarily to $1.8 million for pension expense offset by a reduction of $1.3 million for CCD for the close out year of the TAA Federal Grant.

- Student services expenses increased by $4.0 million or 5.9%. Contributing to these increases are $3.1 million for pension expense plus annual salary increases for student services staff.
- Institutional support increased by $5.9 million or 7.6%. Contributing to these increases are $3.1 million for pension expense plus annual salary increases for student services staff.
- Scholarships and fellowships expenses increased by $976.7 thousand or 5.6%. This is primarily due to an increase of State Student Financial Aid awards of $13.0 million offset by a decrease in Federal Pell awards of $12.7 million. This lead to a decrease for the scholarship allowance offset of $260,000.
- Auxiliary Enterprise expense decreased by $1.1 million or 2.5%. This is primarily due to PCC's Noncredit Division expenses decrease of $1.3 million due to increased competition from the local school districts alternate high school program. Additionally, bookstores' activity decreased across the system due to the shift of electronic educational materials. These reductions were subsequently offset by the increase of $614,000 for pension expense.

Expense activity highlights for fiscal year 2014 include:

- Instructional expense increased by $8.9 million or 3.8% primarily as the result of salary increases for instructional staff.
- Academic support expenses increased by $3.8 million or 9.3%. This increase is due primarily to $805 thousand in purchases on noncapital technology hardware and software for Arapahoe Community College (ACC), CCCS, and Red Rocks Community College (RRCC); $1.9 million in salary increases for the TAA Champ Grant at FRCC, Online staff, staffing for the academic office at PCC, and Pikes Peak Community College (PPCC) salary increases. Additionally, ACC and RRCC had $657 thousand in increased concurrent enrollment related expenses and MCC had an increase of $171 thousand in Board priority spending.
- Student services expenses increased by $4.4 million or 6.9%. Contributing to these increases are $2.9 million for new staffing for OJC's enrollment management, student life area, STEM faculty, Grant and Retention Services, and Allied Health; NJC's reorganization of their coaching staff to take on additional duties; RRCC's Call Center, Marketing, Advising, and Special Needs; and TSJC's STEM faculty. CCCS also contracted for a common course numbering system, career planning, and a work to school program totaling $352 thousand. There were also additional Perkins costs of $165 thousand and new gym project planning costs at RRCC.
- Institutional support decreased by $2.5 million or 3.2%. The overall decrease was for the proper recognition of bad debt expense as a contra revenue, rather than a functional expense.
- Scholarship and fellowship expenses decreased by $2.0 million or 10.0%. This is primarily due to an $8.4 million decrease in the offset for the allowance for doubtful accounts across the system and the $11.6 million reduction in Pell awards. The remaining difference is due to overall reduction of scholarships awarded.
- Depreciation decreased by $8.7 million or 21.0%. This is primarily due to the conversion to a new fixed asset system and the subsequent change of system policy on capital assets for estimated lives in the prior year. The change resulted in colleges accelerating depreciation by $9.5 million for many existing capital

assets in fiscal year 2013. This is offset by increases for projects completed in fiscal year 2014 at CCD, CNCC, FRCC, LCC, OJC, PPCC, and RRCC. Additionally, due to the overall shortened lives under the new policy, this resulted in a higher average depreciation compared to prior year.

- Interest expense on capital debt increased by $1.8 million or 85.5%. This was due to the full-year impact of debt issued in 2012, as well as a new capital lease at FRCC.

Capital Asset and Debt Management

At June 30, 2015, CCCS had $434,667,245 of capital assets, net of accumulated depreciation of $378,079,124 and including current year depreciation of $33,463,675. At June 30, 2014, CCCS had $409,714,852 of capital assets, net of accumulated depreciation of $345,681,632. A breakdown of assets by category, net of accumulated depreciation is provided below:

	June 30	
	2015	**2014**
Nondepreciable land and land improvements	$ 21,460,967	22,004,179
Construction in progress	53,577,938	32,209,138
Collections	882,306	882,306
Land improvements	9,103,842	7,624,652
Buildings and improvements	293,111,208	293,161,848
Leasehold improvements	19,588,004	18,862,425
Equipment and software	34,630,074	32,425,020
Library materials	2,312,906	2,545,284
Total capital assets	$ 434,667,245	409,714,852

Major capital additions of $500,000 or more completed during fiscal year 2015 are as follows:

College	Project		Total project cost (In millions)	Source of funding
Arapahoe Community College	Parking Lot A & B Main Campus	$	1.0	Internal Reserves
Community College of Aurora	Energy Performance Contract		2.4	Capital Lease
Front Range Community College	High Voltage Electrical WC		0.8	State Funded
	Parking Lot Additions WC		0.9	Internal Reserves
	Little Bear Peak IT Building LC		11.0	Bonds
Morgan Community College	Welder Training & Campus Storage Facility		0.9	Internal Reserves
Northeastern Junior College	Phillip Whyman Hall HVAC Renovation		0.6	State Funded
Otero Junior College	Dining Hall Building Improvements		1.5	Internal Reserves
Pueblo Community College	Fire Alarm SCCC Campus		1.0	State Funded
Pikes Peak Community College	Boiler Replacement CC		0.5	State Funded
	Upper C Remodel CC		1.4	Internal Reserves
	Cafeteria Remodel CC		1.6	Internal Reserves
Red Rocks Community Colleges	ETC Building Addition		2.0	Internal Reserves
Community College System	Recruiter Software Development		1.0	Internal Reserves

The System has $29.5 million in commitments for various upcoming capital construction and controlled maintenance projects as of June 30, 2015.

CCCS had $97,421,410 and $102,071,473 in debt outstanding at June 30, 2015 and 2014, respectively.

In June 2013, Moody's affirmed the rating of Aa3 on the 2003 and 2004 Systemwide Revenue Bonds outstanding, the Series 2010 Bonds (A, B 1, B 2, C, and D), and the Series 2012A Bonds. Moody's also assigned an Aa3 underlying rating to the Series 2013 Systemwide Revenue Bonds. On December 9, 2015, CCCS approved a bond resolution for the issuance of Systemwide Revenue Bonds not to exceed $20,000,000 and will be partially used to refund the 2003 debt of $3,060,000. The remaining proceeds will be used to finance the construction and equipping of the new student recreation center on the Red Rocks Community College Lakewood campus and any other capital improvements to the System.

The breakdown of the debt is as follows:

		June 30	
		2015	2014
Bonds payable	$	85,169,454	88,974,207
Capital leases payable		12,251,956	13,097,266
Total debt	$	97,421,410	102,071,473

On December 9, 2015, CCCS approved a bond resolution for the issuance of Systemwide Revenue Bonds not to exceed $20,000,000 and will be partially used to refund the 2003 debt of $3,060,000. The remaining proceeds will be used to finance the construction and equipping of the new student recreation center on the Red Rocks Community College Lakewood campus and any other capital improvements to the System.

Colorado Community College System Future

The budgetary situation for higher education continues to change. As a result of legislation adopted in the 2004 session (Senate Bill 04 189), the State no longer provides direct state General Fund appropriations to the governing boards for general operations. Instead, the State provides stipends to the qualified, resident undergraduate students, and institutions receive FFS contracts from the Colorado Department of Higher Education (CDHE) for the provision of other educational services. For fiscal year 2016 funding, CCCS is authorized to receive $44.4 million in FFS revenue and $109.4 million in student stipends. This support totaling $153.8 million of anticipated fiscal year 2016 funding represents an 11.9% increase in state support from the $137.5 million that was provided in 2015. CCCS anticipates receiving $5.6 million of funding under the Amendment 50 funding in fiscal year 2016.

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

Enrollment: In fiscal year 2015, in a slowly expanding economy, CCCS' resident enrollment of 50,001 decreased by 5.3% from fiscal year 2014, and nonresident enrollment of 3,014 decreased by 8.1%, resulting in a total net enrollment decrease of 5.5%. Therefore, further flattening or decreases in enrollment are anticipated in the fiscal year 2016 budget.

Tuition Rates: In an effort to mitigate increased costs along with an overall decrease in state support during the previous two years, the Board raised the resident tuition by 4.5% and the nonresident tuition by 4.5% in fiscal year 2015. The Board also approved a 4.5% increase in resident and nonresident tuition for fiscal year 2016.

Requests for Information

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

Colorado Community College System
Department of Finance and Administration
9101 E. Lowry Blvd.
Denver, Colorado 80230 6011

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activities

Statement of Net Position

June 30, 2015

Assets		
Current assets:		
Cash and cash equivalents	$	339,823,036
Restricted cash and cash equivalents		4,988,930
Accounts receivable, net		62,152,863
Inventories		3,842,068
Prepaid expenses		1,511,360
Total current assets		412,318,257
Noncurrent assets:		
Restricted cash and cash equivalents		3,601,365
Restricted investments		3,085,619
Capital assets, net		434,667,245
Total noncurrent assets		441,354,229
Total assets	$	853,672,486
Deferred Outflows		
Deferred outflows:		
Loss on refunding	$	19,970
Accumulated increase in pension liability		40,152,130
Total deferred outflows	$	40,172,100
Liabilities		
Current liabilities:		
Accounts payable	$	25,733,690
Accrued liabilities		34,258,498
Unearned revenue		21,833,307
Deposits held for others		11,968,829
Bonds payable, current portion		4,140,000
Capital leases payable, current portion		905,212
Other long-term liabilities, current portion		250,481
Compensated absences liability, current portion		1,708,962
Total current liabilities		100,798,979
Noncurrent liabilities:		
Bonds payable		81,029,454
Capital leases payable		11,346,744
Other long-term liabilities		1,689,284
Compensated absences liability		18,398,435
Net pension liability		862,417,264
Total noncurrent liabilities		974,881,181
Total liabilities	$	1,075,680,160
Deferred Inflows		
Deferred inflows:		
Accumulated decrease in pension liability	$	12,166,057
Total deferred inflows	$	12,166,057
Net Position		
Net position:		
Net investment in capital assets	$	337,339,694
Restricted for expendable purposes:		
Auxiliary pledged revenue		33,946,612
Scholarships/fellowships		956,629
Loans		863,292
Capital projects		1,002,855
Training programs		1,381,205
Amendment 50 instruction		372,910
Amendment 50 scholarship		626,413
Debt service		41,905
Other		3,439,132
Total restricted for expendable purposes		42,630,953
Unrestricted (note 2)		(573,972,278)
Total net position	$	(194,001,631)

See accompanying notes to financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Statement of Financial Position

June 30, 2015

Assets

Cash and cash equivalents	$	6,576,427
Accounts and pledges receivable		938,398
Investments		34,456,527
Beneficial interest in charitable remainder trust		618,737
Other assets		104,737
Capital assets, net		10,116,812
Total assets	$	52,811,638

Liabilities and Net Assets

Liabilities:		
Accounts payable	$	595,013
Accrued liabilities		18,314
Deferred revenue		177,960
Bonds payable		1,740,790
Other liabilities		912,326
Total liabilities	$	3,444,403
Net assets:		
Unrestricted		17,679,530
Temporarily restricted		18,173,022
Permanently restricted		13,514,683
Total net assets	$	49,367,235
Total liabilities and net assets	$	52,811,638

See accompanying notes to financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activities

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2015

Operating revenues:	
Student tuition and fees, net of scholarship allowances of $141,333,674; including revenues pledged for bonds of $33,908,665	$ 254,455,049
Grants and contracts	107,806,210
Fee-for-service state contract	30,992,652
Sales and services of educational activities	1,489,873
Auxiliary enterprises, net of scholarship allowances of $4,092,995; including revenues pledged for bonds of $35,257,445	35,448,832
Other operating revenues and gifts	7,899,974
Total operating revenues	438,092,590
Operating expenses:	
Instruction	257,193,443
Research	55,366
Public service	3,941,006
Academic support	45,040,641
Student services	72,363,956
Institutional support	83,000,576
Operation and maintenance of plant	49,746,442
Scholarships and fellowships	18,552,687
Auxiliary enterprises	41,368,875
Depreciation and amortization	33,463,675
Total operating expenses	604,726,667
Operating loss	(166,634,077)
Nonoperating revenues (expenses):	
State appropriations	51,637,095
Federal Pell grants	113,998,559
Amendment 50 funding	5,557,239
Distributions to Local District College and Area Vocational Schools	(23,028,285)
Gifts	489,936
Investment income	3,020,482
Interest expense on capital debt	(3,058,684)
Other nonoperating revenues	696,603
Net nonoperation revenues	149,312,945
Loss before other revenues, expenses, gains, or losses	(17,321,132)
Other revenues, expenses, gains, or losses:	
State capital contributions	18,071,060
Capital gifts	1,303,483
Increase in net position	2,053,411
Net position, beginning of year, as previously reported	617,915,276
Prior period adjustment, change in accounting principle (note 2)	(813,970,318)
Net position, beginning of year, as restated	(196,055,042)
Net position, end of year	$ (194,001,631)

See accompanying notes to financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Statement of Activities

Year ended June 30, 2015

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:					
Contributions	$	1,889,058	6,609,336	636,484	9,134,878
Grants			453,712	—	453,712
Investment income, net		212,698	743,991	(44,176)	912,513
Rental income		3,244,541	285,201	—	3,529,742
Special events		151,388	281,127	—	432,515
Net assets released from restrictions		7,426,282	(7,406,282)	(20,000)	—
Other income (loss)		826,916	(740,475)	410,061	496,502
Total revenues		13,750,883	226,610	982,369	14,959,862
Expenses:					
Program services		11,461,612	—	—	11,461,612
Fund-raising services		918,282	—	—	918,282
Administrative services		1,201,341	—	—	1,201,341
Total expenses		13,581,235	—	—	13,581,235
Change in net assets		169,648	226,610	982,369	1,378,627
Net assets, beginning of year as restated (note 21)		17,509,882	17,946,412	12,532,314	47,988,608
Net assets, end of year	$	17,679,530	18,173,022	13,514,683	49,367,235

See accompanying notes to financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activities

Statement of Cash Flows

Year ended June 30, 2015

Cash flows from operating activities:	
Cash received:	
Tuition and fees	$ 249,365,017
Student loans collected	1,630,721
Sales of products and services	36,963,872
Grants, contracts, and gifts	138,510,026
Other operating receipts	6,712,664
Cash payments:	
Scholarships disbursed	(18,552,687)
Student loans disbursed	(1,718,206)
Payments for employees	(352,316,413)
Payments to suppliers	(177,332,547)
Net cash used in operating activities	(116,737,553)
Cash flows from noncapital financing activities:	
State appropriations – noncapital	51,637,095
Federal Pell grants	113,346,563
Amendment 50 funding	5,557,239
Distributions to Local District Colleges and Area Vocation Schools	(23,028,285)
Gifts and grants for other than capital purposes	489,936
Agency (inflows)	193,594,642
Agency (outflows)	(192,825,817)
Other noncapital financing activities	2,254,141
Net cash provided by noncapital financing activities	151,025,514
Cash flows from capital and related financing activities:	
Capital grants, contracts, and gifts	1,294,199
Proceeds from capital debt	53,050
State contribution for capital assets	17,470,318
Proceeds from sale of capital assets	12,570
Acquisition and construction of capital assets	(57,191,008)
Principal paid on capital debt	(4,453,360)
Interest on capital debt	(3,315,747)
Net cash used in capital and related financing activities	(46,129,978)
Cash flows from investing activities:	
Investment income	3,020,482
Proceeds from sale of investments	(90,519)
Purchase of investments	956,754
Net cash provided by investing activities	3,886,717
Net decrease in cash and cash equivalents	(7,955,300)
Cash and cash equivalents, beginning of year	356,368,631
Cash and cash equivalents, end of year	$ 348,413,331

(Continued)

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activities

Statement of Cash Flows

Year ended June 30, 2015

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (166,634,077)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	33,463,675
Increase in other nonoperating assets/noncash expenses	329,064
Decrease (increase) in assets:	
Receivables, net	(5,463,407)
Inventory and prepaids	(646,641)
Increase (decrease) in liabilities:	
Accounts payable	4,124,572
Accrued liabilities	(10,368)
Unearned revenues	(2,001,463)
Deposits held for others	(1,468,062)
Compensated absences liability	720,685
Other liabilities	387,595
Pension liability	20,460,874
Net cash used in operating activities	$ (116,737,553)
Noncash investing, capital, and noncapital financing activities:	
State funding for acquisitions of capital assets	$ 3,928
Equipment donations and capital gifts	15,284
Loss on disposal of capital assets	(1,847,400)
Deferred outflows pension	(40,152,130)
Deferred inflows pension	(12,166,057)
Net pension liability	(862,417,264)

See accompanying notes to financial statements.

(1) Governance and Reporting Entity

The Colorado Community College System (CCCS or the System) is governed by the State Board for Community Colleges and Occupational Education (SBCCOE). The nine board members are appointed for staggered four-year terms by the Governor with consent of the State Senate. The SBCCOE governs the system office and the 13 state system colleges and administers vocational technical education funds distributed to the two Local District Colleges (LDCs), three Area Vocational Schools (AVSs), and school districts offering vocational programs.

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

The financial statements of CCCS, which is an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of CCCS. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Financial results for the State are presented in separate statewide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State is available in these statewide financial statements.

Accordingly, the accompanying financial statements contain the operations of the system office and the following 13 colleges. All significant intercampus balances and transactions have been eliminated.

- Arapahoe Community College (ACC)
- Colorado Northwestern Community College (CNCC)
- Community College of Aurora (CCA)
- Community College of Denver (CCD)
- Front Range Community College (FRCC)
- Lamar Community College (LCC)
- Morgan Community College (MCC)
- Northeastern Junior College (NJC)
- Otero Junior College (OJC)
- Pikes Peak Community College (PPCC)

(Continued)

- Pueblo Community College (PCC)
- Red Rocks Community College (RRCC)
- Trinidad State Junior College (TSJC)

As an institution of higher education in the State of Colorado, the income of CCCS is generally exempt from income taxes under Section 115(a) of the Internal Revenue Code. Income generated from activities unrelated to the exempt purpose of CCCS would be subject to tax under Section 511(a)(2)(B). There was no material tax liability related to income generated from activities unrelated to CCCS' exempt purpose as of June 30, 2015.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, *as amended by GASB Statement No. 61*, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, CCCS has one blended component unit, 14 discretely presented component units, and participates in one joint venture as described below:

(a) Blended Component Unit

The SBCCOE Employee Benefit Trust Fund (the Benefit Trust) is included in the accompanying financial statements as a blended component unit. The Benefit Trust was established on February 1, 1983, as a legally and financially independent entity whose governing committee is appointed by the SBCCOE. The Benefit Trust was established to provide benefits under the Health and Welfare Program. Benefits are determined by the Benefit Trust committee, and may include life, accidental death and dismemberment, short-term and/or long-term disability, basic or major medical, dental, or other sick, or accident benefits. Other benefits, as determined by the Benefit Trust committee, may be provided for employees and their dependent families through self-funded or insured programs, or a combination of the two, provided that such other benefits are permissible under Section 501(c)(9) of the Internal Revenue Code. The Benefit Trust is a 501(c)(9) not for profit corporation. Separate unaudited financial statements of the Benefit Trust are available upon request.

(b) Discretely Presented Component Units

A legally separate, tax-exempt foundation exists for the System office and each of the 13 colleges. While not all of the foundations are materially significant, they have all been included as discretely presented component units of CCCS. The foundations were created to promote the welfare and future development of the colleges by providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities. Their major sources of revenue include donations, interest, and dividends earned on bank accounts, investments, leases, and fund-raising events. The foundations act primarily as fund-raising organizations to supplement the resources that are available to CCCS in support of its programs. Although CCCS does not control the timing or amount of receipts from the foundations, the majority of resources or income thereon that the foundations hold and invest is restricted to the activities of CCCS by the donors. Because these restricted resources held by the foundations can only be used by or for the benefit of the colleges, the foundations are considered component units of CCCS and are discretely presented in CCCS' financial statements. The discretely presented component unit financial statements are presented in accordance with Financial Accounting Standards Board (FASB) pronouncements, which is a different reporting model than CCCS.

The Arapahoe Community College Foundation, Inc.; Community College of Aurora Foundation; Community College of Denver Foundation; Colorado Northwestern Community College Foundation; Front Range Community College Foundation; Lamar Community College Foundation; Morgan Community College Foundation; Northeastern Junior College Foundation, Inc.; Pikes Peak Community College Foundation, Inc.; Pueblo Community College Foundation; Red Rocks Community College Foundation; Trinidad State Junior College Foundation, Inc.; and Colorado Community College System Foundation were audited by other auditors.

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

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

(c) Joint Venture

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

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

Complete financial statements for AHEC can be obtained from the Administrative and Business Services Department at (303) 556-2232 or by writing to:

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

(2) Implementation of New Accounting Standard

In fiscal year 2015, CCCS implemented GASB No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27* (Statement No. 68), which was effective for financial statements for periods beginning after June 15, 2014. Statement No. 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The System provides certain of its employees with pension benefits through the state's multiple-employer cost-sharing Public Employees' Retirement Association of Colorado (PERA) defined-benefit retirement program.

Statement No. 68 requires cost-sharing employers participating in the PERA program, such as CCCS, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The System has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA and the General Assembly. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability negatively impacted CCCS' unrestricted net position.

The impact of CCCS implementing this GASB Statement resulted in the recognition of beginning balances of deferred outflows of $43,293,926, deferred inflows of $18,671,904, and a net pension liability of $838,592,340 leading to a prior period adjustment (reduction) to net position of $813,970,318 as of July 1, 2014. In addition, CCCS recognized pension expense of $20,460,874 allocated across functional categories based on the relative proportion of salaries and expenses, during the fiscal year ended June 30, 2015.

(3) Basis of Presentation, Measurement Focus, Basis of Accounting, and Summary of Significant Accounting Policies

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

(a) Cash and Cash Equivalents

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

(b) Accounts Receivable

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

(c) Restricted Cash and Cash Equivalents and Restricted Investments

Restricted cash and cash equivalents and restricted investments primarily represent moneys from unspent bond proceeds and restricted for Benefit Trust benefits. Investments are reported at fair value, which is determined based on quoted market prices as of June 30, 2015.

(d) Inventories

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

(e) Capital Assets

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

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

As of June 30, 2015, the construction in progress includes capital construction projects in process, but not substantially complete.

(f) Deposits Held for Others

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

(g) Accrued Liabilities

Accrued liabilities primarily represent accrued payroll, benefits payable, and other payroll related liabilities at June 30, 2015.

(h) Compensated Absences Liability

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

(i) Unearned Revenue

Unearned revenue consists of amounts received from the provision of educational goods and services that have not yet been earned. CCCS prorates the summer session revenues and direct instructional expenses based on the percentage of total calendar days before June 30 to total calendar days in the selected primary summer term. To the extent revenues are earned after June 30, such amounts are recorded in unearned revenue.

(Continued)

(j) Capital Leases

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

(k) Accumulated Increase/Decrease in Pension Liability: Deferred Outflows/Inflows

Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows and deferred inflows of resources related to pensions. These deferred outflows and deferred inflows of resources related to pensions are required to be recognized by an employer which primarily results from changes in the components of the net pension liability, including the changes in the total pension liability and in the pension plan's fiduciary net position. Changes include differences between expected and actual experience in the measurement of the liability, changes to assumptions or other inputs, net differences between projected and actual earning on the plan's investments, changes in proportional share of CCCS, and contributions made by CCCS subsequent to the measurement date of the collected net pension liability.

(l) Net Pension Liability

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

(m) Net Position

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

- Net investment in capital assets represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- Restricted for expendable purposes represents net resources in which CCCS is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- Unrestricted net position represents net resources derived from student tuition and fees, FFS contracts, COF stipends, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of CCCS to meet current expenses for any purpose. These resources also include those from auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. Unrestricted net position includes assets designated by the SBCCOE for certain purposes. Unrestricted net position has been reduced for the impact of implementing Statement No. 68 during fiscal year 2015.

(Continued)

(n) Classification of Revenues and Expenses

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

- Operating revenues and expenses are derived from activities associated with providing goods and services for instruction, public service, or related support services to an individual or entity separate from CCCS to carry out the mission of CCCS. Operating revenues include stipends paid for eligible undergraduate students under COF, created and funded by the Colorado Legislature. The stipend can be used to pay a portion of in state tuition for both new and continuing students and is paid on a per credit hour basis to the institution at which the student is enrolled. The credit hour amount is set annually by the General Assembly. In addition, operating revenues include payment for the FFS contract from the State of Colorado for delivery of educational services by CCCS that are not part of the COF stipend program. In fiscal years 2015 and 2014, FFS purchased credit hours included vestibule labs, reciprocal programs, educational services in rural areas, and career and technology, vocational, and other high cost, specialized instructional education services.
- Nonoperating revenues and expenses are those that do not meet the definition of operating revenues or capital revenues. In fiscal year 2015, nonoperating revenues include Career and Technical Act (CTA) state appropriations, Federal Pell grants, Amendment 50 funding, state training program grants, occupational education funds, gifts, investment income, and insurance recoveries from prior years. Nonoperating expenses include interest expense and distributions to AVSs and LDCs.
- Other revenues, expenses, gains, and losses include state capital construction contributions and controlled maintenance appropriations, gifts, and grants restricted for capital purposes.

(o) Application of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available to pay an expense, CCCS' general policy is to first utilize restricted resources. Only when restricted resources are unavailable are unrestricted resources used to pay expenses, with the exception of Amendment 50 funding received, which may be expensed in future periods.

(p) Scholarship Allowances

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

(q) Amendment 50 Funds

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

(r) Use of Estimates

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

(4) Appropriations

The Colorado State Legislature establishes spending authority for CCCS in its annual Long Appropriations Bill. Appropriated funds include an amount from the State of Colorado's General Fund, COF stipend, and FFS contract revenue. In prior years, the annual appropriation bill included certain cash revenues from the student share of tuition and fees, and other revenue sources, which are recognized in various revenue categories, as appropriate, in the accompanying statements of revenues, expenses, and changes in net position. Nonappropriated funds include the student share of tuition and fees, certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, and other revenue sources.

For the year ended June 30, 2015, appropriated expenditures were within the authorized spending authority. CCCS received a total general fund appropriation of $51,637,095 for 2015. Included in the State appropriations are general fund appropriations specified to be passed through to two LDCs and three AVSs for 2015 of $23,028,285. This amount consists of $14,044,591 for LDCs, and $8,983,694 for AVSs. Also, included in general fund appropriations were capital contributions of $18,071,060. During 2015, CCCS received FFS contract revenue in the amount of $30,992,652 and COF stipends in the amount of $106,473,273.

(5) Tuition, Fees, and Auxiliary Revenue

Tuition, fees, and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2015 were as follows:

		Tuition and fees	Auxiliary revenue	Total
Gross revenue	$	395,788,723	39,541,827	435,330,550
Scholarship allowances:				
Federal		99,673,307	2,706,179	102,379,486
State		32,885,837	845,681	33,731,518
Private		3,030,702	93,283	3,123,985
Institutional		5,743,828	447,852	6,191,680
Total scholarship allowances		141,333,674	4,092,995	145,426,669
Net revenue	$	254,455,049	35,448,832	289,903,881

(6) Cash and Cash Equivalents and Investments

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

		June 30, 2015
Cash on hand and change funds	$	202,497
Deposits with financial institutions		18,797,560
Total	$	19,000,057

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

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

		Carrying amount June 30, 2015
Footnote amounts:		
Deposits	$	19,000,057
Deposits held with State Treasurer		329,413,274
Restricted investments		3,085,619
Total	$	351,498,950
Financial statement amounts:		
Cash and cash equivalents	$	339,823,036
Current restricted cash and cash equivalents		4,988,930
Noncurrent restricted cash and cash equivalents		3,601,365
Subtotal cash and cash equivalents		348,413,331
Restricted investments		3,085,619
	$	351,498,950

CCCS deposits its cash with the Treasurer as required by CRS. The Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1. The Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2015, CCCS had cash on deposit with the Treasurer of $329,413,274, which represented approximately 4.3% of the total of $7,661.8 million in deposits in the Treasurer's Pool (Pool).

For financial reporting purposes, all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of CCCS' participation in the Pool, CCCS reports an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains (losses) included in income reflect only the change in fair value for the fiscal year.

For CCCS' deposits with the Treasurer, the net unrealized gain for fiscal year 2015 was $1,074,219. This unrealized gain is included in cash and cash equivalents on the statement of net position, and investment income on the statement of changes in net position.

(a) Custodial Credit Risk

Investments in the Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name. As of June 30, 2015, none of the investments in the Pool are subject to custodial credit risk. The Benefit Trust does not have a documented risk policy for its investments for custodial credit risk.

(b) Credit Quality Risks

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

As of June 30, 2015, there were no investments in the Benefit Trust subject to credit quality risk. The Benefit Trust does not have a documented risk policy on its investments for credit quality risk.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. The weighted average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in terms of years, weighted to reflect the dollar size of individual investments within an investment type. The overall portfolio WAM is derived by dollar weighting the WAM for each investment type. The State has selected WAM as the primary method for reporting interest rate risk. As of June 30, 2015, the WAM of investments in the Pool is 0.063 years for commercial paper (6.3% of the Pool), 1.339 years for U.S. government securities (47.5% of the Pool), 2.528 years for asset-backed securities (18.5% of the Pool), and 2.196 years for corporate bonds (22.9% of the Pool).

As of June 30, 2015 and 2014, the Benefit Trust had no investments subject to interest rate risk. The Benefit Trust does not have a documented risk policy on its investments for interest rate risk.

(d) Concentration of Credit Risk

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

As of June 30, 2015, the fair value of Benefit Trust investments greater than 5.0% of total investments of $2,946,294 was as follows:

		Fair value	Percentage of investments
Analog Devices Inc	$	147,625	5.01%
Celgene Corp		381,926	12.96
General Motors Co		159,151	5.40
Ishares Barclays Intermediate Credit Bond Fund		324,403	11.01
Ishares Barclays 1–3 Year Credit Bond Fund		315,990	10.72
Metlife Inc		160,971	5.46

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

The State has established maximum holding percentages for investments. The Pool was not subject to concentration of credit risk in fiscal year 2015.

(e) Foreign Currency Risk

The State does not allow foreign currency investments. The Benefit Trust does not have a documented risk policy on its investments relative to foreign currency risk. The Pool and the Benefit Trust were not subject to foreign currency risk in fiscal year 2015.

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2015.

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

Accounts receivable at June 30, 2015 were as follows:

		Gross receivables	Allowance for uncollectible accounts	Net receivables
Student accounts receivable	$	67,738,780	(30,509,637)	37,229,143
Due from other governments		20,371,307	—	20,371,307
Other receivables		4,993,808	(441,395)	4,552,413
Total receivables	$	93,103,895	(30,951,032)	62,152,863

Accounts payable and accrued liabilities at June 30, 2015 was as follows:

Amounts owed to vendors	$	19,322,543
Salaries and benefits payable		34,258,498
Accrued interest payable		703,633
Other payables		5,707,514
Total accounts payable and accrued liabilities	$	59,992,188

(8) Capital Assets

The following table presents changes in capital assets and accumulated depreciation for the year ended June 30, 2015. Adjustments reflect one-time adjustments to properly classify buildings and improvements, leasehold improvements, and equipment.

	Balance, June 30, 2014	Additions	Deletions	Transfers	Adjustments	Balance, June 30, 2015
Nondepreciable capital assets:						
Land and land improvements	$ 22,004,179	—	(551,075)	7,863	—	21,460,967
Construction in progress	32,209,138	50,944,060	—	(29,823,360)	248,100	53,577,938
Collections	882,306	—	—	—	—	882,306
Total nondepreciable capital assets	55,095,623	50,944,060	(551,075)	(29,815,497)	248,100	75,921,211
Depreciable capital assets:						
Land improvements	18,325,843	—	(419,014)	2,744,807	—	20,651,636
Buildings and improvements	569,749,055	539,614	(4,307,691)	22,034,205	3,705,250	591,720,433
Leasehold improvements	24,804,563	—	—	2,424,725	—	27,229,288
Equipment and software	82,424,206	8,156,961	(1,043,524)	2,622,720	(248,100)	91,912,263
Library materials	4,997,194	314,344	—	—	—	5,311,538
Total depreciable capital assets	700,300,861	9,010,919	(5,770,229)	29,826,457	3,457,150	736,825,158
Less accumulated depreciation:						
Land improvements	10,701,191	925,542	(78,939)	—	—	11,547,794
Buildings and improvements	276,587,207	22,108,424	(1,496,906)	—	1,410,500	298,609,225
Leasehold improvements	5,942,138	1,699,146	—	—	—	7,641,284
Equipment and software	49,999,186	8,183,841	(890,210)	10,960	(21,588)	57,282,189
Library materials	2,451,910	546,722	—	—	—	2,998,632
Total accumulated depreciation	345,681,632	33,463,675	(2,466,055)	10,960	1,388,912	378,079,124
Net depreciable capital assets	354,619,229	(24,452,756)	(3,304,174)	29,815,497	2,068,238	358,746,034
Total capital assets, net	$ 409,714,852	26,491,304	(3,855,249)	—	2,316,338	434,667,245

(9) Long-Term Liabilities

The following table presents changes in long-term liabilities at June 30, 2015:

	Balance, June 30, 2014	Additions	Reductions	Balance, June 30, 2015	Current portion
Bonds payable	$ 88,974,207	661	(3,805,414)	85,169,454	4,140,000
Capital leases payable	13,097,266	—	(845,310)	12,251,956	905,212
Other long-term liabilities	1,535,811	771,473	(367,519)	1,939,765	250,481
Compensated absences liability	19,386,713	14,943,127	(14,222,443)	20,107,397	1,708,962
Net pension liability	813,970,318	91,128,489	42,681,543	862,417,264	N/A

(10) Bonds Payable

(a) Systemwide Revenue Bonds

The State's Department of Higher Education, through the SBCCOE, issued revenue bonds in 2003, 2004, 2010, 2012, and 2013 known as Systemwide Revenue Bonds. Bond proceeds were used to benefit facilities at the individual colleges, as noted below:

Series 2003 Bonds

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

Series 2004 Bonds

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

Series 2010 Bonds

The Series 2010A Systemwide Revenue Refunding Bonds for $7,335,000 were issued on March 10, 2010. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is

November 1, 2019. The principal of the Series 2010A issue was used to current refund the remaining outstanding balances of the following:

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

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

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

Series 2010B 1 Systemwide Revenue Bonds for $830,000 were issued on March 10, 2010. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2014. The principal of the Series 2010B 1 issue was distributed between the colleges as follows:

Colorado Northwestern: Community College	$	495,000
Northeastern Junior College		335,000
	$	830,000

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

November 1, 2041. The principal of the Series 2010B 2 issue was distributed between the colleges as follows:

Colorado Northwestern:		
Community College	$	4,585,000
Northeastern Junior College		5,080,000
	$	9,665,000

The proceeds from the 2010B 1 and 2010B 2 bonds were used to finance construction, improvement, and equipping of 78,000 square feet of the Craig Campus Academic Building at CNCC, 14,000 square feet of the Craig Career and Technical Center at CNCC, and a new student residence hall for the housing of students at NJC.

The Series 2010A, 2010B 1, and 2010B 2 bonds qualify for the State of Colorado Intercept Program (the State Intercept Program). Pursuant to the State Intercept Program, the Treasurer shall pay the principal and interest on the Series 2010 bonds if the Board does not make such payments when they are due.

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

Community College of Denver	$	4,575,000
Pueblo Community College		1,970,000
	$	6,545,000

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

Community College of Denver	$	19,970,000
Pueblo Community College		11,485,000
	$	31,455,000

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

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

(Continued)

Series 2012 Bonds

The Series 2012A Systemwide Revenue Refunding Bonds for $11,495,000 were issued on January 25, 2012. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2032. The net present value of the savings of the refunded bonds was $2,852,711. The principal of the Series 2012A issue was used to current refund the Colorado Educational and Cultural Facilities Authority Lease Revenue Bonds (Community Colleges of Colorado System Headquarters Project), Series 2001 (the Series 2001 bonds), and the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Pikes Peak Community College Project), Series 2001A (the Series 2001A bonds) and advance refund the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Arapahoe Community College Project), Series 2002 (the Series 2002 bonds), and together with the Series 2001 bonds and Series 2001A bonds (the Refunded Bonds) held by the Colorado Community College System Foundation (the Foundation) which replaced capital leases between the Foundation and the System Office, Pikes Peak Community College, and Arapahoe Community College, respectively, as follows:

Series 2001 bonds for Colorado:		
Community College System	$	5,865,000
Series 2001A bonds for Pikes Peak:		
Community College		3,615,000
Series 2002 bonds for Arapahoe:		
Community College		2,065,000
	$	11,545,000

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

Community College System	$	5,825,000
Pikes Peak Community College		3,535,000
Arapahoe Community College		2,135,000
	$	11,495,000

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

Series 2013 Bonds

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

(b) Advance Refundings

In fiscal year 1999, $5,490,000 of Pueblo Community College and Red Rocks Community College Systemwide Revenue Bonds Series 1992 were advance refunded. Proceeds of the new bonds were placed in an escrow fund for all future debt service payments on the previous series bonds.

In fiscal year 2003, the Pikes Peak Community College Systemwide Revenue Bonds Series 1996 were advance refunded. A portion of the proceeds of the 2003 bonds, in the amount of $1,175,000, was placed in an escrow fund for all future debt service payments on the previous series bonds.

In fiscal year 2005, $1,740,000 of Front Range Community College Larimer Campus Series 1996 bonds were advance refunded to reduce total debt service payments over the term of the bonds. Also, in fiscal year 2005, $2,620,000 of Front Range Community College Westminster Campus Series 1995 bonds were advance refunded to reduce total debt service payments over the life of the bonds.

In fiscal year 2012, $2,135,000 of Community Colleges of Colorado, Lease Revenue Bonds (Arapahoe Community College Project), Series 2002 Arapahoe Community College Systemwide Revenue Bonds Series 2002 was advance refunded. Proceeds of the new bonds were placed in an escrow fund for all future debt service payments on the previous service bonds. The net present value of the savings of the advance refunded bonds was $521,862.

For June 30, 2015, $2,130,000 of outstanding bonds are considered advance refunded and not included in the accompanying financial statements.

(c) Security

The bonds are special obligations of CCCS payable from certain net pledged revenues as defined in the bond indentures. The Series 2013, 2012, and 2010 bonds are payable solely out of and secured by an irrevocable pledge of 10.0% of tuition and fee revenues, net of scholarship allowances. The Series 2004 and Series 2003 bonds are payable solely out of and secured by an irrevocable pledge of income or monies derived from the auxiliary facilities (defined below) after deduction of operating and maintenance expenses, including, without limitation, student fees and other fees, rates, and charges pertaining thereto and for the development thereof, and may include, at the Board’s discretion, any grants, appropriations, or other donations from the U.S. government or its agencies or from any other donor, except the state or its agencies or political subdivisions.

Auxiliary facilities include housing facilities; food service facilities; student union and other student activities facilities; store or other facilities for the sale or lease of books and supplies; recreational or athletic facilities; parking lots or facilities; properties providing heat or other utilities; and other miscellaneous unrestricted sources of income related to the auxiliary facilities.

Total net pledged revenue for bonds was $70,331,661 for fiscal year 2015. This amounts primarily consisted of $33,908,665 student tuition and fees, net of scholarship allowance plus pledges for other revenues plus $35,257,445 of auxiliary enterprise plus pledges for other revenues for fiscal year 2015.

(d) Earnings Requirement

Under the terms of the December 2004 bond indenture, CCCS must adopt fees, tuition rates, rents, and charges sufficient to budget annual net pledged revenues of at least 125.0% of the debt service due that fiscal year. Management believes it is in compliance with the earnings requirement provision of the bond indentures.

(e) Minimum Bond Reserve Requirement

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

(f) Mandatory Sinking Fund Redemption

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

(g) Bond Accounting

The bond accounts are maintained by each of the participating colleges for their portion of the bonds. All of CCCS' colleges maintain separate accounts for the auxiliary facilities whose revenues are pledged to bond issues. The individual college accounts are included in the systemwide financial statements.

(h) Long-Term Bond Principal Maturities

Bond principal payments to be made during fiscal years 2016 through 2020 are enumerated in the following tables:

	Principal maturing in next five years by year				
Bond issue	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
Series 2003:					
Pikes Peak Community College	$ 170,000	175,000	180,000	190,000	195,000
Series 2004:					
Front Range Community College	525,000	—	—	—	—
Series 2010A:					
Community College of Aurora	75,511	78,019	81,513	84,669	86,935
Morgan Community College	39,384	38,363	37,873	41,803	—
Northeastern Junior College	215,276	222,672	232,841	233,038	173,040
Pueblo Community College	246,192	249,706	—	—	—
Red Rocks Community College	195,442	200,443	203,495	210,490	220,025
Trinidad State Junior College	68,195	70,797	74,278	—	—
Series 2010B-2:					
Colorado Northwestern Community College	110,000	115,000	115,000	120,000	125,000
Northeastern Junior College	115,000	120,000	120,000	125,000	130,000
Series 2010C:					
Community College Denver	830,000	865,000	900,000	—	—
Pueblo Community College	335,000	345,000	360,000	—	—
Series 2010D:					
Community College Denver	—	—	—	925,000	945,000
Pueblo Community College	—	—	—	375,000	385,000
Series 2012A:					
Arapahoe Community College	80,000	80,000	85,000	90,000	90,000
Colorado Community College System	245,000	250,000	250,000	260,000	265,000
Pikes Peak Community College	195,000	200,000	205,000	210,000	215,000
Series 2013:					
Front Range Community College	695,000	725,000	755,000	785,000	4,400,000
Total revenue bonds payable	4,140,000	3,735,000	3,600,000	3,650,000	7,230,000
Interest	3,626,636	3,496,457	3,369,343	3,243,651	6,161,830
Total annual debt service	$ 7,766,636	7,231,457	6,969,343	6,893,651	13,391,830

Bond debt service payments after fiscal year 2020 to maturity are as follows:

		Principal	Interest	Total
2021–2025	$	18,345,000	12,620,564	30,965,564
2026–2030		20,890,000	8,157,604	29,047,604
2031–2035		14,340,000	3,697,202	18,037,202
2036–2040		5,905,000	1,140,685	7,045,685
2041–2045		875,000	45,293	920,293
	$	60,355,000	25,661,348	86,016,348

Remaining debt service by bond issuance is as follows:

	Revenue bonds outstanding*, June 30, 2015	Interest rate	Maximum annual principal	Callable	Call premium	Final payment
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds:						
Series 2003:						
Pikes Peak Community College	$ 3,220,257	2.08% to 4.125%	$ 290,000	Yes	None	11/1/2030
Series 2004:						
Front Range Community College	525,932	3.08% to 3.65%	525,000	Yes	None	11/1/2015
Series 2010A:						
Community College of Aurora	413,966	2.00% to 3.00%	86,935	No	None	11/1/2019
Morgan Community College	160,341	2.00% to 3.00%	41,803	No	None	11/1/2018
Northeastern Junior College	1,096,684	2.00% to 3.00%	233,038	No	None	11/1/2019
Pueblo Community College	503,662	2.00% to 2.50%	249,706	No	None	11/1/2016
Red Rocks Community College	1,048,746	2.00% to 3.00%	220,025	No	None	11/1/2019
Trinidad State Junior College	224,520	2.00% to 2.75%	74,279	No	None	11/1/2017
Series 2010B-2:						
Colorado Northwestern Community College	4,584,361	2.00% to 6.10%	280,000	Yes (after 11/2021)	None	11/1/2040
Northeastern Junior College	5,077,609	2.00% to 6.10%	305,000	Yes (after 11/2021)	None	11/1/2041
Series 2010C:						
Community College Denver	2,766,394	4.00% to 4.00%	900,000	No	None	11/1/2017
Pueblo Community College	1,111,085	4.00% to 4.00%	360,000	No	None	11/1/2017
Series 2010D:						
Community College Denver	19,957,214	3.37% to 5.35%	1,510,000	Yes (after 11/2021)	None	11/1/2034
Pueblo Community College	11,478,151	3.37% to 5.50%	730,000	Yes (after 11/2021)	None	11/1/2039

		Revenue bonds outstanding*, June 30, 2015	Interest rate	Maximum annual principal	Callable	Call premium	Final payment
Series 2012A:							
Arapahoe Community College	$	1,962,060	2.50% to 3.375%	140,000	Yes (after 11/2022)	None	11/1/2032
Colorado Community College System		5,288,386	2.50% to 3.375%	375,000	Yes (after 11/2022)	None	6/30/2032
Pikes Peak Community College		3,107,833	2.50% to 3.375%	270,000	Yes (after 11/2022)	None	6/30/2028
Series 2013:							
Front Range Community College		22,642,253	3.00% to 5.00%	1,500,000	Yes (after 11/2023)	None	11/1/2034
	$	85,169,454					

* Bonds have related unamortized bond premium and discount of $2,459,454.

(11) Leases and State of Colorado Certificates of Participation

CNCC, LCC, NJC, TSJC, and CCCS have recorded capital leases in conjunction with building improvements and equipment related to energy performance contracts. The interest rate on the capital leases range from 4.75% to 5.35%. Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life. In 2015, capitalized assets relating to these leases were approximately $20,091,099, with amortization expense of $992,251, and accumulated amortization of $4,852,862.

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

		Principal	Interest	Total
2016	$	905,212	395,888	1,301,100
2017		918,177	409,848	1,328,025
2018		971,735	376,889	1,348,624
2019		897,574	343,607	1,241,181
2020		1,312,298	337,812	1,650,110
2021–2025		4,139,573	995,693	5,135,266
2026–2030		2,775,029	287,032	3,062,061
2031–2035		332,358	10,802	343,160
2036–2040		—	—	—
Total	$	12,251,956	3,157,571	15,409,527

On October 23, 2008, the State issued State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008, with an approximate par value of $230,845,000 and a premium of $1,883,800 and a discount of $1,702,900. The certificates have interest rates ranging from 3.0% to 5.5% and mature in November 2019. Annual lease payments are made by the State and are subject to annual appropriation by the Legislature. As a result, this liability is recognized by the State and not included in CCCS' financial statements.

The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. The proceeds were used to finance various capital projects for the benefit of certain State supported institutions of higher education in Colorado including CNCC, FRCC, and MCC. The projects included CNCC's construction of a new 53,000 square foot academic building that houses classrooms, laboratories, offices, a learning resource center, and academic support functions, as well as expanded surface parking on the new site; FRCC's construction of a new laboratory wing and renovate existing space in the primary science building on the Larimer campus; and MCC's provided additional space and building improvements for the college's nursing, health technology, and science programs, as well as additional parking and reconfiguration of the main entrance loop. The underlying capitalized assets are contributed to CCCS from the State and are reflected in the accompanying financial statements.

CCCS also has building and equipment operating leases. One of these leases is by and between CCA and a discretely presented component unit, CCA Foundation, for approximately $1.0 million for the year ended June 30, 2015. Total rent expense for all operating leases for the year ended June 30, 2015 was $5,608,412. Future minimum rental payments, exclusive of real estate taxes and other expenses, under operating leases are as follows:

Year ending June 30:		
2016	$	6,294,016
2017		3,483,223
2018		2,775,907
2019		2,282,685
2020		2,211,321
2021–2025		2,005,115
2026–2030		655,891
2031–2035		655,891
2036–2040		613,379
2041–2045		443,331
2046–2050		265,999
	$	21,686,758

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

(12) Other Long-Term Liabilities

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

		Total
2016	$	250,481
2017		553,696
2018		247,144
2019		194,403
2020		456,178
2021–2025		237,863
Total	$	1,939,765

(13) Compensated Absences for Annual and Sick Leave

Employees of CCCS may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The estimated total liability for compensated absences at June 30, 2015 is $20,107,397.

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

At June 30, 2015, the Public Employees' Retirement Association of Colorado (PERA) estimated that 56.7% of the State's employees would remain until retirement. This percentage is used to calculate the amount of compensated absence liability to establish for sick leave each year.

(14) Retirement Plan

(a) Defined-Benefit Pension Plan Description

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

Virtually all CCCS' employees participate in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined-benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Defined-benefit plan members vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than 5 years of service credit as of January 1, 2011, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date, as follows:

- Hired before January 1, 2007 – age 55 with a minimum of five years of service credit and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 with a minimum of five years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than 5 years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.

- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5% times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15.0% increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2.0% or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2.0% or the actual increase in the national Consumer Price Index, limited to a 10.0% reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by one percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

The upper limits on benefits increase by one-quarter-percentage point each year when the funded ratio of PERA equals or exceeds 103.0% and declines by one-quarter-percentage point when the funded ratio drops below 90.0% after having exceeded 103.0%. The funded ratio increase does not apply for three years when a negative return on investment occurs.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full-time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, then financially dependent parents, beneficiaries, or the member's estate may be entitled to a survivor's benefit.

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

(Continued)

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

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Employer contribution rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%	(1.02)%	(1.02)%	(1.02)%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total employer contribution rate to the SDTF	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and CCCS is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from CCCS were $39,381,885 for the year ended June 30, 2015.

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

At June 30, 2015, CCCS reported a liability of $862.4 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The CCCS proportion of the net pension liability was based on CCCS contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2014, CCCS proportion was 9.17%, which was a decrease of 0.21% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the CCCS recognized pension expense of $20.5 million. At June 30, 2015, the CCCS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	—	63,903
Net difference between projected and actual earnings on pension plan investments		17,584,796	—
Changes in proportion and differences between contributions recognized and proportionate share of contributions		—	12,102,154
Contributions subsequent to the measurement date		22,567,334	N/A
Total	$	40,152,130	12,166,057

$22,567,334 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2016	$	(2,109,647)
2017		(1,264,012)
2018		4,396,199
2019		4,396,199
2020		—
Thereafter		—

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90–9.57%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Future postretirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

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

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

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return*
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40	5.19
Non-U.S. Equity – Developed	22.06	5.29
Non-U.S. Equity – Emerging	6.24	6.76
Core Fixed Income	24.05	0.98
High Yield	1.53	2.64
Long Duration Gov't/Credit	0.53	1.57
Emerging Market Bonds	0.43	3.04
Real Estate	7.00	5.09
Private Equity	7.00	7.15
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all

(Continued)

projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the CCCS proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	**Current discount rate (7.50%)**	**1% Increase (8.50%)**
Proportionate share of the net pension liability	1,105,827,516	862,417,264	657,676,694

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

For the year ended June 30, 2015, CCCS contributions to PERA and/or the defined Benefit Plan and Health Care Trust Fund and/or the State's defined contribution plan were $41,099,648, equal to the required contributions for fiscal year 2015. See related Footnotes 15 – Other Retirement Plan and Footnote 16 – Postretirement Healthcare and Life Insurance Benefits.

(15) Other Retirement Plans

(a) Defined Contribution Retirement Plan (DC Plan)

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

All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00% of their PERA-includable salary and the State of Colorado is required to contribute 10.15% of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00% of their PERA-includable salary and the State of Colorado is required

(Continued)

to contribute 12.85% of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total employer contribution rate to the SDTF	5.50%	6.40%	6.40%	7.30%	7.30%	8.20%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Employer contributions recognized by the DC Plan from CCCS were $1,266,835.

(b) 401(k) Defined-Contribution Plan

Employees of CCCS that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined-contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports. At December 31, 2015 the plan had 498 participants.

(c) 457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2014, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had 257 participants.

(16) Other Postemployment Benefits

(a) Health Care Trust Fund

CCCS contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a healthcare premium subsidy and healthcare programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of healthcare subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

CCCS is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the CCCS are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. Employer contributions recognized by the HCTF Plan from CCCS were $450,928.

(b) Other Programs

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

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

(17) Employee Benefit Trust Fund

The Benefit Trust provides long-term disability benefits to all employees participating in the Employee Choice Flexible Benefit Plan sponsored by the SBCCOE. For fiscal year 2015, CCCS made contributions to the Benefit Trust of approximately $267,100.

(18) Risk Financing and Insurance Related Activities

CCCS is subject to risks of loss from liability for accidents, property damage, and personal injury. These risks are managed by the State Office of Risk Management, an agency formed by statute and funded by the State Long Bill. Therefore, CCCS is not required to obtain insurance and, accordingly, neither did reduction

(Continued)

occur in coverage nor did any settlements exceed coverage. CCCS does not retain risk of loss except for damage incurred to property belonging to the State limited to a $5,000 deductible per incident.

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

(19) Commitments and Contingencies

The System has $29.5 million in commitments for various capital construction and controlled maintenance projects as of June 30, 2015.

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

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

(20) Tax and Spending Limitations (TABOR Amendment)

Certain state revenues, such as taxes and fees, are constitutionally limited. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. These limitations are applied to the State as a whole, not to each individual college, department, or agency of the State. The Colorado State Legislature establishes spending authority, within these constitutional limits, for CCCS in its annual Appropriations Long Bill. Beginning fiscal year 2005, appropriated funds included an amount from the General Fund as well as cash funds, such as tuition, certain fees, and other revenue sources. Nonappropriated funds were excluded from the annual appropriations bill. Nonappropriated funds have historically included certain grants and contracts, gifts, indirect cost recoveries, designated auxiliary revenues, and other revenue sources.

Legislation passed in fiscal year 2004 provided higher education institutions in the State the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), if the institution met the stated qualifications. In fiscal year 2006, the System qualified as an enterprise because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System was required to receive (and is expected to continue to receive) less than 10.0% (in relation to total revenues) in support from the State. In fiscal year 2015, the System received 4.0%, in State support. Effective in fiscal year 2008, House Bill 08 1079 specifically excluded moneys transferred from the State Department of Education for career and technical education as state grants for the purpose of this calculation, including funding under the CVA. Beginning fiscal year 2012, the Colorado State Legislature no longer appropriated the student share of tuition and fees.

(21) Discretely Presented Component Units Restatement

As of July 1, 2014, the ACC Foundation net assets were restated to correct errors and the presentation of net assets. A summary of the total adjustments was as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year, as previously reported	$ 17,510,242	17,946,052	12,532,314	47,988,608
Restatement	(360)	360		—
Net assets, beginning of year, as restated	$ 17,509,882	17,946,412	12,532,314	47,988,608

(22) Related-Party Transactions

Approximately $6.7 million was transferred to the colleges from the foundations for the year ended June 30, 2015, in pursuit of providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities.

(23) Subsequent Event

On December 9, 2015, the CCCS approved a bond resolution for the issuance of Systemwide Revenue Bonds not to exceed $20,000,000 and will be partially used to refund the 2003 debt of $3,060, 000. The remaining proceeds will be used to finance the construction and equipping of the new student recreation center on the Red Rocks Community College Lakewood campus and any other capital improvements to the System.

COLORADO COMMUNITY COLLEGE SYSTEM

Schedule of Proportionate Share of Net Pension Liability (NPL)

Required Supplementary Information

Year ended June 30, 2015

(Dollar in thousands)

Calendar year	Proportionate (percentage of the collective NPL)	Proportionate share of the collective pension liability	Covered payroll	Proportionate share of the NPL as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	9.1682983069%	$ 862,417	241,564	357.01%	59.80%

COLORADO COMMUNITY COLLEGE SYSTEM

Schedule of Contributions and Related Ratio

Required Supplementary Information

Year ended June 30, 2015

(Dollar in thousands)

As of June 30	Statutorily required contributions	Contributions related to the statutory contributions	Contribution deficiency (excess)	Covered employee payroll	Contribution as a percentage of covered employee payroll
2015	$ 39,382	39,382	—	241,992	16.27%

See accompanying independent auditors’ report.

KPMG LLP
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Denver, CO 80202-5598

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

The Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Colorado Community College System (CCCS), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise CCCS' basic financial statements, and have issued our report thereon dated December 16, 2015. Our report included a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on CCCS' financial statements, and an explanatory paragraph stating that the June 30, 2014 financial statements of the aggregate discretely presented component units have been restated to correct a certain misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*. Our report also stated that CCCS adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions–an amendment of GASB Statement No. 27*, in fiscal year 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the Findings and Recommendations section of this report as Recommendations No. 1 and No. 2 that we consider to be significant deficiencies.

KPMG

Compliance and Other Matters

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

CCCS' Responses to Findings

CCCS' responses to the findings identified in our audit are described in the Findings and Recommendations section. CCCS' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CCCS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCCS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Denver, Colorado
December 16, 2015

KPMG

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

December 16, 2015

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

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Colorado Community College System (CCCS), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise CCCS' basic financial statements, and have issued our report thereon dated December 16, 2015. Our report included a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on CCCS' financial statements, and an explanatory paragraph stating that the June 30, 2014 financial statements of the aggregate discretely presented component units have been restated to correct a certain misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*. Our report also stated that CCCS adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions–an amendment of GASB Statement No. 27*, in fiscal year 2015. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, which have been prepared by management with the oversight of the State Board for Community Colleges and Occupational Education (SBCCOE), are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management and the SBCCOE of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the CCCS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CCCS' internal control. However, during the course of our audit, we identified certain deficiencies in internal control that we consider to be significant deficiencies. Our required communications to you in writing, under professional standards, of all significant deficiencies in internal control identified during our audit are included in the Findings and Recommendations section of this report.

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

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing CCCS' financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in the CCCS' report, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by CCCS are described in note 3 to the financial statements. As discussed in note 2, CCCS adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions–an amendment of GASB Statement No. 27*, in fiscal year 2015.

Unusual Transactions

We noted no unusual transactions entered into by CCCS, which were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance.

Qualitative Aspects of Accounting Practices

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

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of CCCS to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The significant accounting estimates included in CCCS' financial statements are the allowance for uncollectible receivables, the period to depreciate capital assets owned by CCCS, scholarship allowances, accrued compensated absences, and the net pension liability. We evaluated the key factors and assumptions in determining that these estimates are reasonable in relation to the financial statements taken as a whole.

Uncorrected and Corrected Misstatements

Uncorrected Misstatements

In connection with our audit of CCCS' financial statements, we have not identified any significant financial statement misstatements that have not been corrected in CCCS' books and records as of and for the year ended June 30, 2015 and have communicated that finding to management.

Corrected Misstatements

In addition, during the course of our audit, we identified and discussed with management an immaterial financial statement misstatement that was corrected by CCCS. Specifically, we proposed a correction relating to payroll liabilities due to a payment that was not processed until after year end.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the CCCS' financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management has neither consulted with nor obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2015.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management prior to Retention

We generally discuss a variety of matters with the SBCCOE and management each year prior to our retention as CCCS' auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Material Written Communications

Management has been provided copies of the following material written communications between management and us:

1. Engagement letter;
2. Management representation letter; and
3. Findings and recommendations included in this report.

Significant Difficulties Encountered during the Audit

We encountered a delay in receiving the financial statements by approximately 3-4 weeks due to the CORE implementation and GASB Statement No. 68.

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all relationships between our firm and CCCS and persons in a financial reporting oversight role at CCCS and provide confirmation that we are independent accountants with respect to CCCS.

Confirmation of Audit Independence

We hereby confirm that as of December 16, 2015, we are independent accountants with respect to CCCS under relevant professional and regulatory standards.

* * * * * * *

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

Very truly yours,

KPMG LLP

Denver, Colorado
December 16, 2015