Colorado Community College System

Financial Statements and Independent Auditor’s Reports

Financial Audit

Years Ended June 30, 2018 and 2017

Compliance Audit

Year Ended June 30, 2018

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COSA–201 04/00

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OFFICE OF THE STATE AUDITOR

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Members of the Legislative Audit Committee:

We have completed the financial statement audits of the Colorado Community College System as of and for the years ended June 30, 2018 and 2017. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

We were engaged to conduct our audits pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

BKD, LLP

November 28, 2018

Colorado Community College System

June 30, 2018

Table of Contents

Page(s)

Report Summary **1–2**

Recommendation Locator **3**

Financial and Compliance Audit

Description of the Colorado Community College System 4–5
Findings and Recommendations 6–8
Disposition of Prior Audit Findings and Recommendations 9
Independent Auditor's Report 10–12
Management's Discussion and Analysis (Unaudited) 13–31
Business-Type Activities – Statements of Net Position 32
Discretely Presented Component Units – Statements of Financial Position 33
Business-Type Activities – Statements of Revenues, Expenses and Changes in Net Position 34
Discretely Presented Component Units – Statements of Activities 35-36
Business-Type Activities – Statements of Cash Flows 37–38
Notes to Financial Statements 39–83

Required Supplementary Information

Schedule of Proportionate Share of Net Pension Liability (NPL) (Unaudited) 85
Schedule of Contributions for Net Pension Liability (NPL) (Unaudited) 86
Notes to Required Supplementary Information (NPL) 87
Schedule of Proportionate Share of Other Postemployment Benefits (OPEB) (Unaudited) 88
Schedule of Contributions for Other Postemployment Benefits (OPEB) (Unaudited) 89
Notes to Required Supplementary Information (OPEB) 90

Table of Contents (continued)

Page(s)

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* – Independent Auditor's Report **91-92**

State-Funded Student Financial Assistance Programs

Introduction 94

Summary of Current Year Comments 95

Independent Auditor's Report on the Statement of Allocations, Expenditures, Transfers and Reversions of the State-Funded Student Financial Assistance Programs 96-98

Statement of Allocations, Expenditures, Transfers and Reversions 99

Notes to Statement of Allocations, Expenditures, Transfers and Reversions 100

Schedule of Allocations, Expenditures, Transfers and Reversions 101-113

Independent Auditor's Report on Compliance For Each State-Funded Student Assistance Programs and Report on Internal Control Over Compliance 114-115

Required Communications to Legislative Audit Committee **116–119**

Schedule of Uncorrected Misstatements 120-122

Colorado Community College System

Report Summary

Year Ended June 30, 2018

Purpose and Scope of Audit

The Office of the State Auditor of the State of Colorado engaged BKD, LLP (BKD) to conduct a financial and compliance audit of the Colorado Community College System (CCCS or the System) for the years ended June 30, 2018 and 2017. BKD performed the audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. BKD was not engaged to audit the System's aggregate discretely presented component units which includes the Colorado Community College System Office Foundation and 13 college foundations (the Foundations). The Foundations were audited by other auditors as disclosed in the Independent Auditor's Report and the audits of the Foundations were not performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards.*

The purposes and scope of the audit were to:

- Express opinions on the financial statements of the System as of and for the years ended June 30, 2018 and 2017.
- Issue a report on the System's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2018.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal funds for the year ended June 30, 2018.
- Express an opinion on the Statement of Allocations, Expenditures, Transfers and Reversions of the System for the year ended June 30, 2018.
- Issue a report on compliance and internal control over compliance with requirements applicable to each state-funded student financial assistance program for the year ended June 30, 2018.
- Evaluate progress in implementing prior year audit recommendations.

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

Audit Opinions and Reports

The independent auditor's reports included herein expressed unmodified opinions on the System's financial statements as of and for the years ended June 30, 2018 and 2017. Our report included a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the System's financial statements.

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

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

Colorado Community College System
Report Summary
Year Ended June 30, 2018

One significant deficiency in internal control over compliance was identified in which the System could improve its compliance procedures over federal awards. This is discussed in the Auditor's Findings and Recommendations section of this report and is summarized below.

Significant Audit Adjustments

There were no proposed audit adjustments identified during the audit.

Summary of Audit Findings

Expenditures of Federal Awards

There was one finding identified in our testing of Federal Student Financial Aid Cluster expenditures under Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The finding was as follows: Community College of Denver failed to follow up on a student that had not submitted the required verification documentation and thus should have resulted in the recovery of Pell awards previously disbursed to the student during the award year and the return of funds to USDE.

Recommendations and Responses

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

Summary of Progress in Implementing Prior Audit Recommendations

For the Fiscal Year 2018 audit, we performed test work to determine the disposition of the two prior year recommendations relating to Fiscal Year 2017. We found that both recommendations for the fiscal year ended June 30, 2017, were fully implemented. See the Disposition of Prior Audit Recommendations section of this report for further information.

Colorado Community College System

Recommendation Locator

Year Ended June 30, 2018

Recommendation Number	Page Number	Recommendation Summary	Agency Addressed	Response	Implementation Date
2018-01	6	The Colorado Community College System should strengthen internal controls over its federal Student Financial Aid programs by establishing policies and procedures to ensure that all students who fail to submit verification documentation are reevaluated by the financial aid office and any aid previously received during the award year be returned as outlined in the federal guidelines, as applicable.	CCD	Agree	February 2019

Organization

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

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

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

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

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

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

(Continued)

Colorado Community College System
Financial and Compliance Audit
Description of the Colorado Community College System
Year Ended June 30, 2018

Enrollment, tuition, and faculty and staff information are presented below. Enrollment information was obtained from the Colorado Commission on Higher Education (CCHE), Final Student Full-Time Equivalent (FTE) Enrollment Report. Staff information was obtained from Format 10 and 40 within the Budget Data Book for fiscal years 2018, 2017 and 2016 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:			
2017-2018	46,747	2,957	49,704
2016-2017	46,856	3,006	49,862
2015-2016	47,272	2,975	50,247

FTE Faculty and Staff

	Faculty	Staff	Total
Fiscal year:			
2017-2018	3,647	2,051	5,698
2016-2017	3,853	2,006	5,859
2015-2016	3,817	1,963	5,780

INTERNAL CONTROL OVER COMPLIANCE

In planning and performing the compliance portion of our audit, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures and to test internal control over compliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

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

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

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

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

We observed the following matter that we consider to be a significant deficiency.

Internal Controls Over Student Financial Aid Cluster Compliance Verification: Colorado Community College System – Community College of Denver Campus

The federal Department of Education (USDE) requires institutions of higher education who are receiving Student Financial Aid funds to verify or confirm the data reported by students and their parent(s) on the Free Application for Federal Student Aid (FAFSA). The federal processor flags students for verification and assigns them to a Verification Tracking Group which specifies the information that the institutions of higher education must request and verify as part of awarding any financial aid. Students may be flagged by the federal processor for verification at any time and/or multiple times during the award year. The verification process helps ensure that eligible students receive all the financial aid to which they are entitled and prevents ineligible students from receiving financial aid to which they are not entitled. As part of our Fiscal Year 2018 audit, we performed specific verification test work at three of the 13 community colleges within the System: Community College of Denver (CCD), Otero Junior College (OJC), and Red Rocks Community College (RRCC).

(Continued)

During Fiscal Year 2018, CCD, OJC and RRCC collectively issued approximately $44.5 million in federal Student Financial Aid, which included the following amounts, per program:

Federal Program	Community College of Denver	Otero Junior College	Red Rocks Community College	Expenditures (in millions)
Federal Pell Program	$11.7	$2.4	$7.2	$21.3
Federal Direct Student Loans	$11.8	$1.9	$8.7	$22.4
Federal Supplemental Educational Opportunity Grants	$0.3	$0.0	$0.1	$0.4
Federal Work-Study Program	$0.2	$0.0	$0.2	$0.4
Total	$24.0	$4.3	$16.2	$44.5

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

The purpose of our audit work was to determine whether CCD, OJC and RRCC complied with federal SFA verification requirements regarding students' FAFSA applications during Fiscal Year 2018.

We reviewed the System's policies and procedures for verifying student FAFSA applications. We also obtained a listing of all students flagged by the federal processor for verification during Fiscal Year 2018, which totaled 13,602 students from all three campuses, and selected a random sample of 25 students and reviewed the student's file to determine whether the institutions complied with verification requirements.

How were the results of the audit work measured?

Per federal regulations [34 CFR 668.51 through 668.61] and Dear Colleague Letter GEN-16-07, for all students selected by the federal processor, institutions must (1) obtain acceptable documentation to verify the information required for the Verification Tracking Group to which the applicant was assigned; (2) match information on documentation to the student aid application; and, (3) if necessary, submit data corrections to the federal processor and recalculate awards. In addition, per regulations, if the student fails to submit verification documentation within the established timeline, institutions may not disburse any additional financial aid funds and certain funds previously received by the applicant during the award year must be repaid.

What problem did the audit work identify?

Overall, we identified issues with one of the 25 student files we reviewed (four percent). Specifically, we found that CCD staff failed to ensure that one student out of 15 students tested at CCD submitted the required verification documentation. Because the student failed to provide the additional documentation, CCD should have recovered $1,480 of Pell awards previously disbursed to the student during the award year. However, as of the end of our audit, CCD had not recovered the funds or returned the funds to USDE.

We did not identify exceptions at OJC or RRCC.

(Continued)

Why did this problem occur?

The System lacks policies and procedures to obtain repayment of funds previously received by a student in an award year when the student fails to submit verification documentation, or procedures to submit the repaid funds to the USDE as required.

Why does this problem matter?

By failing to have sufficient processes in place to ensure ineligible students are not receiving and/or retaining financial aid to which they are no longer entitled, the System risks failing to comply with federal regulations and, as a result, may face federal sanctions.

(CFDA No. 84.063 Federal Pell Grant Program. Classification of Finding: Significant Deficiency and Other Instance of Noncompliance; total known questioned costs of $1,480).

Recommendation No. 1:

The Colorado Community College System should strengthen internal controls over its federal Student Financial Aid programs by establishing policies and procedures to ensure that all students who fail to submit verification documentation are reevaluated by the financial aid office and any aid previously received during the award year be returned as outlined in the federal guidelines, as applicable.

Colorado Community College System Response:

Agree. Implementation Date: February 2019.

CCCS will update the Verification Business Process to include follow-up procedures for students who are selected for verification with subsequent Institutional Student Information Records (ISIR). ISIRs are the electronic files that contain processed student information on the FAFSA, as well as key processing results and National Loan Data System (NSLDS) financial aid history information. ISIRs are sent electronically to schools by the Central Processing System (CPS).

The new Business Process will also include the steps colleges must take when a student does not submit the verification documentation. These steps include the return of previously paid aid to the Title IV Programs as regulated.

Training of new procedures will be provided to the Financial Aid Directions and the CCCS Verification Committee.

Colorado Community College System
Disposition of Prior Audit Findings and Recommendations
Year Ended June 30, 2018

No.	Recommendation	Disposition
Recommendation No. 2017-01	The Colorado Community College System should ensure the various community colleges meet Title IV reporting requirements by:	
	a) Ensuring that Morgan Community College, Northeastern Junior College, and Pueblo Community College continue to identify and resolve errors noted on roster files and resubmit corrections to NSLDS within the required 10 business-day timeframe, which should include continuing to obtain and utilize the SCHER5 report.	Implemented
	b) Assisting Front Range Community College in developing policies and procedures to obtain and utilize the SCHER5 report to identify and resolve errors noted on roster files and resubmit corrections to NSLDS within the required 10 business-day timeframe.	Implemented
Recommendation No. 2017-02	The Colorado Community College System should provide oversight and training to assist Northeastern Junior College with implementing internal controls over Direct Loan Student Account Statement data file reconciliations. The internal controls should include establishing policies and procedures to help ensure the SAS data files are obtained, reconciliations performed between the SAS data files and the institutional records, and the documentation maintained on a monthly basis.	Implemented

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Colorado Community College System (a higher education institution of the State of Colorado) (the System), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Colorado Community College System, as of June 30, 2018 and 2017, and the respective changes in financial position and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in note 1, the financial statements of the System, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position and where applicable, cash flows of the business-type activities and the aggregate discretely presented component units of the State of Colorado that are attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2018 and 2017 and the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2018 the System changed its method of accounting for other postemployment benefits. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
November 28, 2018

The following discussion and analysis provides management's view of the financial position and results of operations for the Colorado Community College System (CCCS or the System) as of and for the years ended June 30, 2018 and 2017 (fiscal years 2018 and 2017, respectively), with comparative information presented for fiscal year 2016. This analysis should be read in conjunction with CCCS' financial statements and notes to the financial statements. This analysis is intended to make CCCS' financial statements easier to understand and communicate our financial situation in an open and accountable manner.

Background

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

CCCS is Colorado's largest institution of higher education and served approximately 123,000 and 120,000 students (50,000 full-time equivalent students both years) during fiscal years ended June 30, 2018 and 2017, respectively. The System has approximately 5,700 employees by FTE, of which two-thirds are faculty and adjunct instructors. The colleges offer a wide variety of both academic and career programs leading either to degrees and certificates, or otherwise enhancing personal and professional growth. In addition to the 13 community colleges, CCCS also assists the State Board for Community Colleges and Occupational Education (SBCCOE or the Board) in exercising certain curriculum and funding authority over three Area Vocational Schools (AVSs), two Local District Colleges (LDCs), and secondary career and technical programs in over 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 years 2018 and 2017 because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System is required to receive (and is expected to continue to receive) less than 10.0% (in relation to total revenues) in support from the State. In fiscal years 2018, 2017 and 2016, the System received 3.1%, 3.1% and 4.5%, respectively, of total revenue in State support (notes 4 and 21).

CCCS is partially funded through the College Opportunity Fund (COF) stipend program and a fee for service (FFS) contract with the Colorado Department of Higher Education (CDHE), approved by the Colorado Commission on Higher Education (CCHE). COF provides state tax dollars to students through a stipend paid on a per credit hour basis to the institution at which the student is enrolled. COF may support the costs of up to 145 eligible undergraduate credits for each eligible student. For fiscal year 2018 the COF stipend was $77, and in fiscal years 2017 and 2016, the COF stipend was $75, per credit hour, which students could use to pay for a portion of their tuition. The FFS contract is the purchase of educational services, by the State, from CCCS that are not part of the COF stipend program. In fiscal years 2018 and 2017, CDHE's contract with CCCS purchased educational services with an increased emphasis on support services for Pell-eligible, first-generation, and underserved undergraduate students. This includes educational services in rural areas, high cost/student programs, institutional research services, remediation and special skills courses, creation of student career pathways, and for inclusion service compliance (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 2018, CCCS had a $15.5 million increase in net tuition and fee revenue resulting from a 4.9% increase in resident tuition and nonresident tuition rates offset by a 0.3% decrease in enrollment. This also includes an increase in COF funding of approximately $2.4 million compared to fiscal year 2017. This net tuition and fee increase also included an increase 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 increased $4.3 million due to an increase in the average Pell award per student offset by a decrease in the number of students receiving Pell awards.

The following table represents the change in tuition and fees from fiscal year 2017 to 2018 (in millions):

Tuition and fees increase due to enrollment changes and rate increases (including capital fees)	$ 15.5
Plus: increase in COF stipend funding	2.4
Gross tuition and fee increase	17.9
Increase as a result of an offsetting decrease in bad debt	6.2
Decrease as a result of an offsetting increase in scholarship allowance	(4.3)
Net increase in student tuition and fees, net of scholarship allowance plus capital fees	19.8
Less capital fees currently classified as non-operating	(7.2)
Net increase in student tuition and fees, net of scholarship allowance	$ 12.6

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

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

In November 2008, voters passed Amendment 50, which expanded limited stakes gaming in three Colorado mountain towns. A portion of the additional revenues from the increased gaming activity is distributed based on enrollment to Colorado community, junior and district colleges for financial assistance and classroom instruction. CCCS received approximately $8.8 million in Amendment 50 funding in fiscal year 2018, of which $8.3 million was used for classroom instruction related expenses and $0.5 million was awarded to students for scholarships. In addition, colleges used $0.6 million and $0.1 million of carry over funds from prior years on classroom instruction and related expenses, and student scholarship, respectively. CCCS received approximately $8.3 million in Amendment 50 funding in fiscal year 2017, of which $7.3 million was used for classroom instruction related expenses and $0.6 million was awarded to students for scholarships, with the remaining $0.7 million cumulative, including prior years, available for fiscal year 2018.

Financial Highlights

At June 30, 2018, CCCS' assets and deferred outflows of $1,221,720,571 were less than its liabilities and deferred inflows of $2,121,497,533 by $899,776,962. At June 30, 2017, CCCS' assets and deferred outflows of $1,371,660,104 were less than its liabilities and deferred inflows of $1,866,134,613 by $494,474,509. At June 30, 2016, CCCS' assets and deferred outflows of $984,507,643 were less than its liabilities and deferred inflows of $1,188,217,417 by $203,709,774. The resulting net position is summarized into the following categories:

	June 30		
	2018	2017	2016
Net investment in capital assets	$ 365,461,402	$ 382,009,870	$ 368,084,190
Restricted, expendable	8,707,609	8,154,713	8,413,693
Unrestricted	(1,273,945,973)	(884,639,092)	(580,207,657)
Total net position (deficit)	(899,776,962)	(494,474,509)	(203,709,774)
GASB 68 - Pension Current Year Impact	1,492,898,520	1,143,866,751	865,151,531
GASB 75 - OPEB Current Year Impact	79,603,629	N/A	N/A
GASB 75 - OPEB Change in accounting principle	(39,550,004)	N/A	N/A
Net position excluding impact from Pension and OPEB	$ 633,175,183	$ 649,392,242	$ 661,441,757

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 2018, the CCCS' total net position decreased by $405,302,453 due to a decrease of $16,217,059 in current activity with an additional decrease of $349,031,769 due to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, and $40,053,625 (including the prior period adjustment of $39,550,004) due to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* Both GASB 68 and 75 are discussed in the overview.

During fiscal year 2017, the CCCS' total net position decreased by $290,764,735 due to a decrease of $12,049,515 in current activity with an additional decrease of $278,715,220 due to GASB Statement No. 68.

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

Overview of the Financial Statements

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

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

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

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

In fiscal year 2018, CCCS implemented GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75), which was effective for financial statements for periods beginning after June 15, 2017. Statement No. 75 revises and establishes new financial reporting requirements for most governments that provide their employees with other post-employment benefits (OPEB) other than pensions. The System provides certain of its employees with OPEB though the State's multiple-employer cost-sharing Public Employees' Retirement Association of Colorado (PERA) Health Care Trust Fund (HCTF).

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

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

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

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

The Statements of Net Position present information on all of CCCS' assets and deferred outflows of resources and liabilities and deferred inflows of resources at a point in time (June 30, 2018 and 2017), with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. A reader of the financial statements should be able to determine the assets available to continue CCCS' operations, how much CCCS owes to vendors and lending institutions, and a picture of net position and the relative availability for expenditure by CCCS.

The Statements of Revenues and Expenses and Changes in Net Position present information showing how CCCS' net position changed during the fiscal period (the fiscal years ended June 30, 2018 and 2017). All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues, deferred outflows of resources, expenses, and deferred inflows of resources are reported in these statements for some items that will only result in cash flows in future fiscal periods (*e.g.,* the payment for accrued compensated absences or the pension liability, or the receipt of amounts due from students and others for services rendered). The purpose is to assess CCCS' operating results. CCCS reports its activity as a special-purpose government engaged only in business-type activities using the economic resources measurement focus and the accrual basis of accounting.

The Statements of Cash Flows present cash receipts and payments to and from CCCS for the reporting period (the fiscal years ended June 30, 2018 and 2017) 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 Statements of Net Position present information on all of CCCS' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position.

The assets and deferred outflows of resources reported by CCCS were less than liabilities and deferred inflows of resources at June 30, 2018 resulting in a net position of $(899,776,962) and assets and deferred outflows of resources were less than liabilities and deferred inflows of resources at June 30, 2017 resulting in a net position of $(494,474,509). Assets and deferred outflows of resources were less than liabilities and deferred inflows of resources at June 30, 2016 resulting in a net position of $(203,709,774). Assets and deferred outflows of resources were less than liabilities and deferred inflows of resources primarily due to the implementation of Statement No. 75 in fiscal year 2018 and the impact of Statement

No. 68 in fiscal years 2018, 2017 and 2016. The majority of CCCS' net position is net investment in capital assets (*e.g.,* land, buildings, and equipment). These assets are used to provide services to students, faculty, and administration. Consequently, these assets are not available to fund future spending. The resulting net position is summarized into the following categories:

Condensed Statements of Net Position

	June 30		
	2018	**2017**	**2016**
Current assets	$ 352,446,084	$ 360,330,622	$ 387,913,335
Noncurrent assets, including capital assets of $471,713,646, $486,463,186 and $470,593,799, respectively	503,809,673	496,326,424	486,905,560
Total assets	856,255,757	856,657,046	874,818,895
Total deferred outflows of resources	365,464,814	515,003,058	109,688,748
Current liabilities	77,764,597	89,818,546	90,418,940
Noncurrent liabilities	1,969,628,738	1,764,603,263	1,070,095,463
Total liabilities	2,047,393,335	1,854,421,809	1,160,514,403
Total deferred inflows of resources	74,104,198	11,712,804	27,703,014
Net position			
Net investment in capital assets	365,461,402	382,009,870	368,084,190
Restricted - expendable	8,707,609	8,154,713	8,413,693
Unrestricted	(1,273,945,973)	(884,639,092)	(580,207,657)
Total net position	$ (899,776,962)	$ (494,474,509)	$ (203,709,774)

Current assets decreased as of June 30, 2018 compared with June 30, 2017 by approximately $7.9 million or 2.2% as a result primarily of a $9.3 million decrease in cash and cash equivalents offset by an increase in accounts receivable of $2.0 million. Increases in accounts receivable include an increase of $7.1 million in due from other governments, net, offset by a decrease of $3.4 million in student receivables, net, and $1.7 million in other receivables, net, approximately.

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

Current liabilities decreased as of June 30, 2018 compared with June 30, 2017 by approximately $12.1 million or 13.4% as a result primarily of a $12.8 million decrease in accrued liabilities due to the absence of the pay date shift (C.R.S. 24-50-104(8)) in fiscal year 2018 and a $1.6 million decrease in deposits held for others, offset by an increase of $0.9 million in bonds payable, current, an increase of $0.6 million in unearned revenue and an increase of $0.9 million in compensated absences liability, current.

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

Noncurrent assets increased as of June 30, 2018 compared with June 30, 2017 by $7.5 million or 1.5% due to a decrease in net capital assets of $14.7 million, primarily due to a $15.7 million decrease in buildings, leasehold improvements, equipment, and library materials, net of accumulated depreciation, offset by an increase of $0.3 million in construction in progress and $0.7 million for land improvements. Additionally, there is an increase of restricted investments of $23.0 million from bond proceeds to be expended for capital projects and a crossover refunding to occur in November 2020, offset by a decrease in other long-term assets of $0.8 million.

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

Noncurrent liabilities increased as of June 30, 2018 compared with June 30, 2017 by $205.0 million or 11.6%. This change was due to the increase in the net pension liability of $135.8 million and, the recognition of a net OPEB liability of $40.6 million for the implementation of Statement No. 75. In addition fiscal year 2018 had an increase of $28.3 million in bonds payable, and an increase in compensated absences of $1.8 million, offset by a decrease of $0.9 million in leases payable and a decrease of $0.5 million in other long-term payables.

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

Statement No. 68 and 75 requires CCCS to record deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, which primarily reflect the changes in actuarial assumptions used to value the overall PERA pension liability and OPEB liability that will be recognized in future periods. Deferred outflows of resources decreased as of June 30, 2018 compared to June 30, 2017 by $149.5 million or 29.0% and deferred inflows of resources increased as of June 30, 2018 compared to June 30, 2017 by $62.4 million or 532.7%.

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).

(Continued)

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

The negative unrestricted net position of $(1,273,945,973) and $(884,639,092) as of June 30, 2018 and 2017, respectively, is primarily due to the implementation of Statement No. 75 in fiscal year 2018 and the continuing impact of Statement No. 68. PERA reviews the long-term expected return on plan assets every four or five years, including October of 2016. At that time the investment rate of return was decreased from 7.50% per year, compounded annually, net investment expenses to 7.25% per year, compounded annually, net of investment expense. Additionally, the discount rate used to measure the total pension liability was 4.72% and 5.26% in fiscal years 2018 and 2017, respectively. As a result, these changes were the primary driver leading to a projected depletion of the SDTF's fiduciary net position in 2038 and the significant increase in pension liability for CCCS. Therefore, 7.25% return on pension plan investments was applied to periods through 2038. The municipal bond index rate published by The Bond Buyer, as of the measurement date, of 3.43% and 3.86% resulted in a discount rate of 4.72% and 5.26% for 2018 and 2017, respectively. As of the prior measurement date, the long-term expected rate of return on plan investments was 7.25% for 2018 and 2017.

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

State appropriations, net of distributions to LDCs and AVSs, represent approximately 5.0%, 5.1% and 4.9%; student tuition and fees represent approximately 44.0%, 43.4% and 39.7%, and FFS contracts represent approximately 7.9%, 8.5% and 8.2% of CCCS' total revenue from all sources in fiscal years 2018, 2017 and 2016, 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 $522.2 million loss from operations in fiscal year 2018 compared to $432.6 million and $179.1 million losses from operations in fiscal years 2017 and 2016, respectively. In fiscal year 2018, this operating loss was offset by net state appropriations of $31.6 million, Federal Pell grants of $93.5 million, and Amendment 50 funding of $8.8 million. In fiscal year 2017, the operating loss of $432.6 million was offset by net state appropriations of $31.0 million, Federal Pell grants of $90.3 million, and Amendment 50 funding of $8.3 million. In fiscal year 2016, the operating loss of $179.1 million was offset by net state appropriations of $30.8 million, Federal Pell grants of $97.5 million, and Amendment 50 funding of $6.5 million.

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

	June 30		
	2018	2017	2016
Operating revenues			
Tuition and fees, net	$ 278,288,189	$ 265,681,218	$ 250,448,358
Grants and contracts	95,505,855	100,773,088	108,281,670
Fee-for-service state contract	50,056,105	52,127,247	52,177,132
Sales and services of educational activities	1,097,563	1,410,934	1,387,193
Auxiliary enterprises, net	35,076,997	34,279,144	33,147,029
Other	11,727,944	12,355,675	14,689,476
Total operating revenues	471,752,653	466,627,306	460,130,858
Operating expenses			
Instruction	446,563,420	409,050,602	273,329,307
Public service	8,435,235	7,023,517	4,720,916
Academic support	76,376,887	65,799,903	45,577,510
Student services	127,230,547	112,275,097	76,080,125
Institutional support	156,107,456	132,025,659	90,048,253
Operation and maintenance of plant	72,552,516	71,349,870	56,488,871
Scholarships and fellowships	16,411,949	18,049,684	18,634,601
Auxiliary enterprises	49,270,256	45,076,192	38,650,089
Depreciation and amortization	41,005,283	38,605,609	35,732,749
Total operating expenses	993,953,549	899,256,133	639,262,421
Operating loss	(522,200,896)	(432,628,827)	(179,131,563)
Nonoperating revenues (expenses)			
State appropriations	57,756,814	56,600,299	56,397,584
Federal Pell grants	93,501,943	90,263,735	97,489,664
Amendment 50 funding	8,843,987	8,255,091	6,545,140
Distributions to Local District Colleges and Area Vocational Schools	(26,192,333)	(25,560,936)	(25,560,936)
Other nonoperating revenues and expenses, net	4,827,603	1,553,110	3,879,385
Net nonoperating revenues	138,738,014	131,111,299	138,750,837
Loss before other revenues, expenses, gains or losses	(383,462,882)	(301,517,528)	(40,380,726)

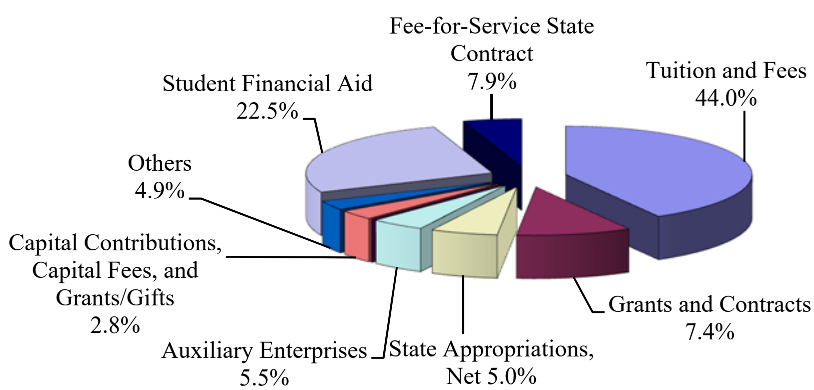
(Continued)

Colorado Community College System
Management's Discussion and Analysis
(Unaudited)
June 30, 2018 and 2017

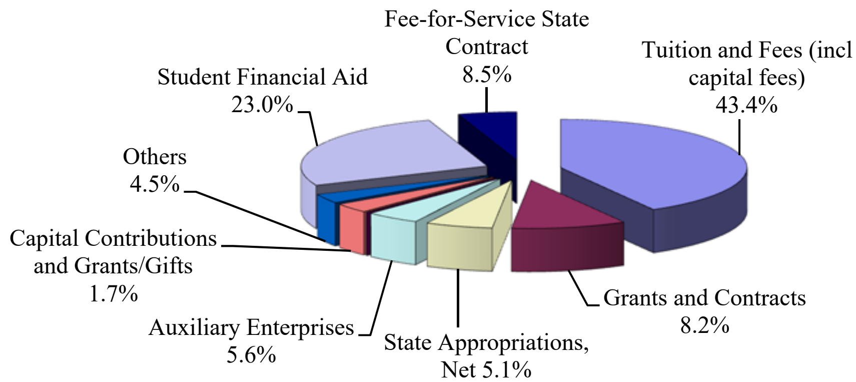
	June 30		
	2018	2017	2016
State capital contributions	8,420,630	8,875,436	23,138,237
Capital fees	7,240,161	-	-
Capital grants and gifts	2,049,642	1,877,357	7,534,346
Decrease in net assets	(365,752,449)	(290,764,735)	(9,708,143)
Net position			
Beginning of year	(494,474,509)	(203,709,774)	(194,001,631)
Change in accounting principle (GASB 75)	(39,550,004)	-	-
End of year	$ (899,776,962)	$ (494,474,509)	$ (203,709,774)

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

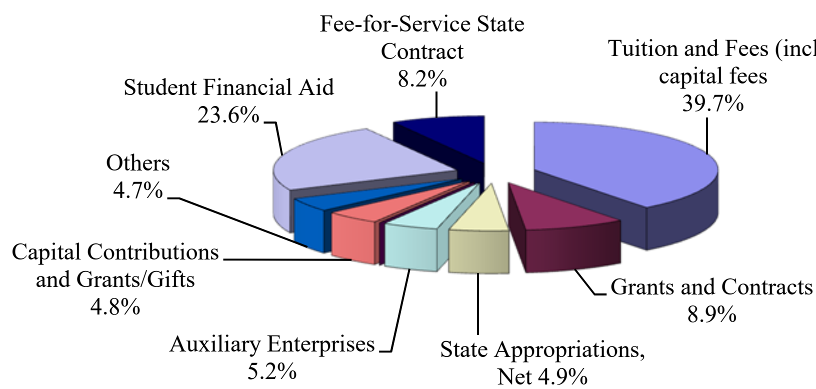
Sources of Revenue
Fiscal Year 2018



Sources of Revenue
Fiscal Year 2017



Sources of Revenue
Fiscal Year 2016



As the above charts demonstrate, student tuition and fees are the largest revenue source for CCCS in fiscal years 2018, 2017 and 2016. The operating loss of approximately $522.2 million, $432.6 million and $179.1 million in fiscal years 2018, 2017 and 2016, 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 2018, 2017 and 2016, which are classified as nonoperating revenues but are used to fund operations.

Revenue activity highlights for fiscal year 2018 include:

- Grants and contracts decreased by $5.3 million or 5.2% primarily as a result of a $3.0 million decrease in Private Grants and Contracts due primarily to a change in classification of some activity to non-operating, a $4.9 million decrease for Trade Adjustment Assistance (TAA) grants that closed or are closing for ACC, CCD, FRCC, LCC, PCC, PPCC and RRCC. Additionally, OJC and TSJC had a $1.2 million decrease in the Science Technology Engineering and Math (STEM) grant, offset by an increase in the CCCS Perkins grant of $3.7 million.
- Non-operating gifts increased by $3.4 million or 339.1% primarily as a result of a $3.0 million increase due to a change in classification of some activity from Private Grants and Contracts.
- Federal PELL grants increased by $3.2 million or 3.6% primarily as a result of an increase of approximately 5.1% of the average award offset by a decrease of approximately 465 recipients or 1.5%.
- Investment income increased by $0.5 million or 28.7%. The primary reason is a $1.6 million increase in interest earned from funds held at the State Treasury offset by a $1.1 million increase in the unrealized loss on investments for CCCS' share of the State Treasury pooled cash.
- Capital fees increased by $7.2 million or 100%, which were previously included in tuition and fees and reclassified to non-operating capital fees in fiscal year 2018. Capital fees totaled $7.0 million in fiscal year 2017.

Revenue activity highlights for fiscal year 2017 include:

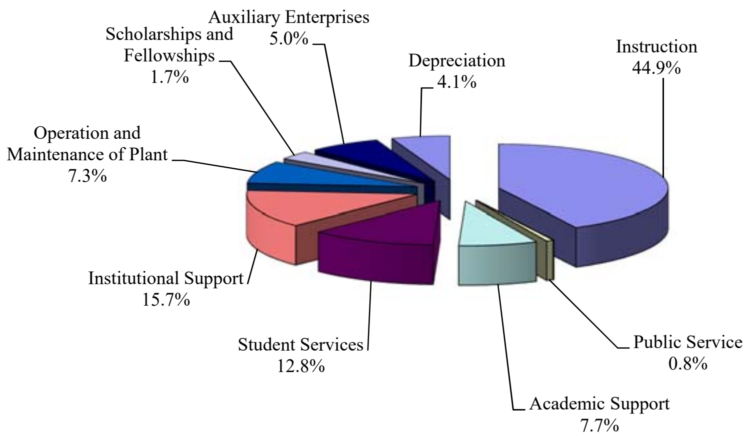
- Grants and contracts decreased by $7.5 million or 6.9% primarily as a result of a $3.6 million decrease for the PCC Trade Adjustment Assistance (TAA) grant ending in September 2017 and a $2.2 million decrease for the OJC and TSJC Hispanic-Serving Institution grants (Title V) ending in September 2017.
- Other operating revenues decreased by $2.3 million or 15.9%. This decrease was due to a stabilization of the fee charged by CCCS for aged receivables turned over to collections in FY17 with fewer students requiring the fee.
- Federal PELL grants decreased by $7.2 million, or 7.4% primarily as a result of a decrease of approximately 4,900 recipients, or 13.4% offset by a 6.8% increase of the average student award.
- Amendment 50 funding increased by $1.7 million or 26.1% due to the increase in state gambling revenues that drive the funding allocation to CCCS.
- Investment income decreased by $2.6 million or 62.7%. The primary reason is a $2.2 million increase in the unrealized loss on investments for the CCCS' share of the State Treasury pooled cash.

(Continued)

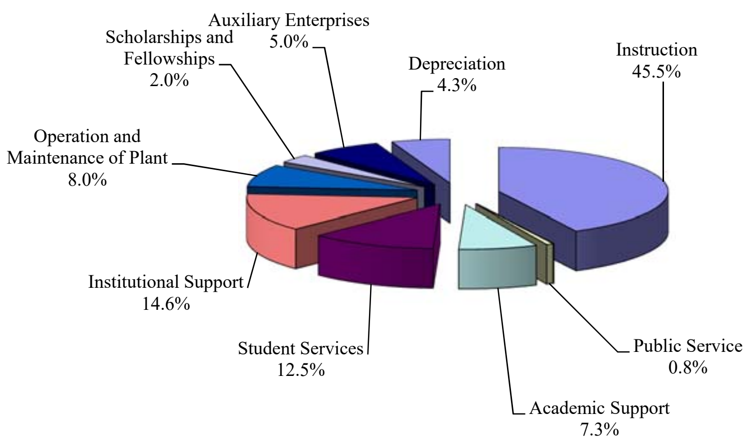
- State capital contributions decreased by $14.3 million, or 61.6%. The primary project contributing to this decrease was a decrease of construction activity for the completion of the RRCC Arvada Campus Health Sciences Center of $10.5 million. Additionally CCCS, CNCC, MCC, OJC and TSJC had decreases in overall spending of $3.3 million for various controlled maintenance projects. NJC had a decrease of activity of $4.2 million for the ES French building project offset by an increase in funding for new controlled maintenance, IT infrastructure and building improvements of $3.8 million at CCD, LCC, NJC, OJC, PCC and TSJC.

- Capital gifts decreased by $5.7 million or 75.1% due primarily to the donation of land, land improvements and building from the CCA Foundation to CCA of $6.0 million in the prior fiscal year offset by an increase in capital gifts to RRCC of $0.7 million.

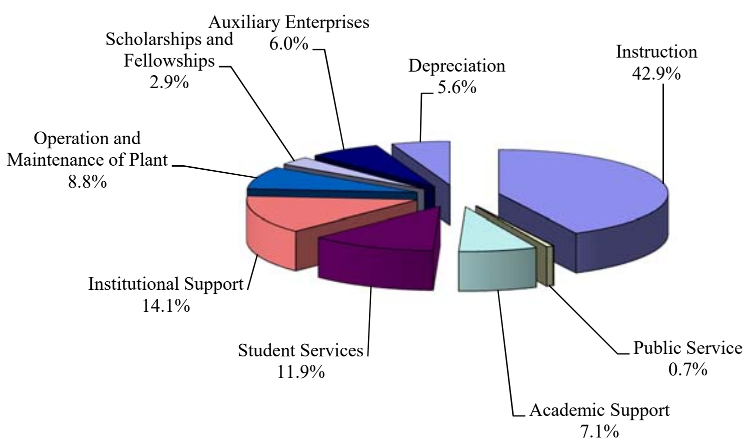
Operating Expenses
Fiscal Year 2018



Operating Expenses
Fiscal Year 2017



Operating Expenses
Fiscal Year 2016



Expense activity highlights for fiscal year 2018 include:

- Instructional expense increased by $37.5 million or 9.2% primarily as a result of a $27.0 million increase for pension and a $0.3 million increase for OPEB expense. Other increases include an increase of $4.5 million in salaries and benefits across the system as well as an increase of $1.7 million at CCA for payments to school districts for concurrent enrollment.

- Public Services expense increased by $1.4 million or 20.1% primarily as the result of a $1.4 million increase for pension expense.

- Academic Support expense increased by $10.6 million or 16.1% primarily as the result of a $9.7 million increase for pension expense as well as salary and benefit increases across the System.

- Student Services expenses increased by $15.0 million or 13.3% primarily as the result of an $11.4 million increase for pension expense as well as increase in staff and related salary and benefit increases system wide. Specifically, FRCC increased $1.9 million for new advisors to become a Career Pathways institution.

- Institutional support increased by $24.1 million or 18.2% primarily as the result of a $13.6 million increase for pension expense and a $0.1 million increase in OPEB expense. In addition, CCCS had an increase of $2.8 million for the implementation of a student success management system, $3.3 million in Perkins program expenses system-wide, and $0.9 million towards disaster recovery operations.

- Auxiliary Enterprises expenses increased by $4.2 million or 9.3% primarily as the result of a $4.0 million increase for pension expense.

Expense activity highlights for fiscal year 2017 include:

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

- Public Services expense increased by $2.3 million or 48.8% primarily as the result of a $2.2 million increase for pension expense.

- Academic Support expense increased by $20.2 million or 44.4% primarily as the result of a $20.8 million increase for pension expense and $0.7 million for salary and benefits across the System. This was offset by a net decrease of $1.3 million for changes in concurrent enrollment now recognized within instruction at PCC and PPCC.

- Student Services expenses increased by $36.2 million or 47.6% primarily as the result of a $36.7 million increase for pension expense.

- Institutional support increased by $42.0 million or 46.6% primarily as the result of a $38.8 million increase for pension expense.

- Operations and Maintenance of Plant increased by $14.9 million or 26.3% primarily as the result of $15.4 million increase for pension expense.

- Auxiliary Enterprises expenses increased by $6.4 million or 16.6% primarily as the result of a $6.6 million increase for pension expense.

(Continued)

Capital Asset and Debt Management

At June 30, 2018, CCCS had $471,713,646 of capital assets, net of accumulated depreciation of $484,917,972 and including current year depreciation of $41,005,283. At June 30, 2017, CCCS had $486,463,186 of capital assets, net of accumulated depreciation of $448,036,871 and including current year depreciation of $38,605,609. At June 30, 2016, CCCS had $470,593,799 of capital assets, net of accumulated depreciation of $412,845,229 and including current year depreciation of $35,732,749. A breakdown of assets by category, net of accumulated depreciation is provided below:

	June 30		
	2018	2017	2016
Nondepreciable land and land improvements	$ 33,415,435	$ 33,372,686	$ 26,055,683
Construction in progress	24,609,405	24,318,790	50,329,850
Collections	945,439	945,439	882,306
Land improvements, net	13,128,915	12,473,237	11,753,128
Buildings and improvements, net	349,026,383	361,516,142	330,684,317
Leasehold improvements, net	17,192,037	18,614,241	17,535,715
Equipment and software, net	32,095,634	33,459,086	31,243,564
Library materials, net	1,300,398	1,763,565	2,109,236
Total capital assets, net	$ 471,713,646	$ 486,463,186	$ 470,593,799

Major capital additions of $500,000 or more completed during fiscal year 2018 are as follows:

College	Project	Total Project Cost (In millions)	Source of Funding
Arapahoe Community College	2016-061M15 Campus Access Control	$ 0.6	State
Front Range Community College	Upgrade Exterior & Interior Security Campus Wide	1.1	State
Pueblo Community College	Science Lab Upgrade Davis Bldg	0.7	Internal
Pikes Peak Community College	Centennial Campus Landscape Project	0.7	Internal
	M13037 Centennial Boiler Replacement Phase 2	0.5	State
	Marie Sharpe Walsh Creative Commons	1.6	Donation/Internal Reserves
	Wind Damage - Roof Replacement	0.7	Insurance
	Aspen Building Remodel	8.7	Internal Reserves
Trinidad State Junior College	Mullen HVAC Improvements/Replace Roof	1.3	State
Colorado Community College System	EAB Student Success Project	0.9	Internal

(Continued)

The System has $32.1 million and $23.3 million in commitments for various upcoming capital construction and controlled maintenance projects as of June 30, 2018 and 2017, respectively.

CCCS had $131,147,200, $102,973,973 and $108,250,358 in debt outstanding at June 30, 2018, 2017 and 2016, respectively.

In December 2017, Moody's assigned Aa3 underlying to CCCS' planned fixed rate System wide Revenue Bonds (Arapahoe Community College - Castle Rock Collaboration Campus), Series 2017A and Aa2 enhanced rating to Series 2017B. Moody's also affirmed the Aa3 underlying ratings on CCCS' outstanding revenue bonds and Aa2 enhanced ratings for CCCS' outstanding bonds with rated state intercepts. The outlook for both underlying and enhanced ratings for CCCS is stable.

The breakdown of the debt is as follows:

	June 30		
	2018	**2017**	**2016**
Bonds payable	$ 121,529,842	$ 92,337,223	$ 96,676,305
Capital leases payable	9,617,358	10,636,750	11,574,053
Total debt	$ 131,147,200	$ 102,973,973	$ 108,250,358

Colorado Community College System Future

The budgetary situation for higher education continues to change. For fiscal year 2019 funding, CCCS is authorized to receive $56.0 million in FFS revenue and $112.0 million in student stipends. This support totaling $168.0 million of anticipated fiscal year 2019 funding represents a 9.5% increase in state support from the $153.5 million that was provided in 2018. CCCS anticipates receiving $8.8 million of funding under the Amendment 50 funding in fiscal year 2019.

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

Enrollment: In fiscal year 2018, in our expanding economy, CCCS' resident enrollment of 46,747 decreased by 0.2% from fiscal year 2017, and nonresident enrollment of 2,957 decreased by 1.6%, resulting in a total net enrollment decrease of 0.3%. Therefore, further decreases in enrollment are anticipated in the fiscal year 2019 budget due to the counter cyclical nature between community college enrollment and the economy.

Tuition Rates: In an effort to mitigate increased costs along with an overall decrease or flat state support during the previous two years, the Board raised the resident tuition and nonresident tuition by 5.6% in fiscal year 2018. The Board also approved a 3.0% increase in resident and nonresident tuition for fiscal year 2019.

Requests for Information

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

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

Colorado Community College System

Business-Type Activities

Statements of Net Position

June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 288,397,852	$ 297,654,423
Restricted cash and cash equivalents	4,649,768	4,806,003
Accounts receivable, net	55,120,597	53,135,075
Inventories	2,881,681	3,308,527
Prepaid expenses	1,396,186	1,426,594
Total current assets	352,446,084	360,330,622
Noncurrent assets		
Restricted cash and cash equivalents	9,821	9,105
Restricted investments	30,112,344	7,079,232
Other noncurrent assets	1,973,862	2,774,901
Capital assets, net	471,713,646	486,463,186
Total noncurrent assets	503,809,673	496,326,424
Total assets	$ 856,255,757	$ 856,657,046
Deferred Outflows of Resources		
Deferred Outflows		
Loss on Refunding	$ 742,596	$ -
Pensions	363,207,547	515,003,058
OPEB	1,514,671	-
Total deferred outflows	$ 365,464,814	$ 515,003,058
Liabilities		
Current Liabilities		
Accounts payable	$ 15,964,573	$ 16,202,972
Accrued liabilities	16,711,111	29,478,908
Unearned revenue	24,579,095	23,988,614
Deposits held for others	11,244,682	12,834,755
Bonds payable, current portion	4,840,000	3,930,000
Capital leases payable, current portion	948,044	1,019,392
Other long-term liabilities, current portion	587,374	407,222
Compensated absences liability, current portion	2,889,718	1,956,683
Total current liabilities	77,764,597	89,818,546
Noncurrent Liabilities		
Bonds payable	116,689,842	88,407,223
Capital leases payable	8,669,314	9,617,358
Other long-term liabilities	1,268,806	1,752,611
Compensated absences liability	19,430,611	17,669,066
Net pension liability	1,782,974,083	1,647,157,005
Net OPEB liability	40,596,082	-
Total noncurrent liabilities	1,969,628,738	1,764,603,263
Total liabilities	$ 2,047,393,335	$ 1,854,421,809
Deferred Inflows of Resources		
Deferred Inflows		
Pensions	$ 73,131,984	$ 11,712,804
OPEB	972,214	-
Total deferred inflows	$ 74,104,198	$ 11,712,804
Net Position		
Net Position		
Net investment in capital assets	$ 365,461,402	$ 382,009,870
Restricted for expendable purposes		
Scholarships/fellowships	585,163	528,124
Loans	714,666	884,976
Capital projects	500,000	45,617
Training programs	2,717,429	2,696,579
Amendment 50	2	682,316
Debt service	2,860,280	2,640,774
Other	1,330,069	676,327
Total restricted for expendable purposes	8,707,609	8,154,713
Unrestricted (note 2)	(1,273,945,973)	(884,639,092)
Total net position	$ (899,776,962)	$ (494,474,509)

See accompanying notes to financial statements

Colorado Community College System
Discretely Presented Component Units
Statements of Financial Position
June 30, 2018 and 2017

Assets

	2018	2017
Cash and cash equivalents	$ 6,003,131	$ 7,065,665
Accounts and pledges receivable	2,606,892	1,774,037
Due from primary government	2,068	-
Investments	46,652,405	41,817,827
Beneficial interest in charitable remainder trust	782,774	1,264,015
Other assets	1,358,190	451,690
Capital assets, net	1,774,887	2,367,878
Total assets	$ 59,180,347	$ 54,741,112

Liabilities and Net Assets

	2018	2017
Liabilities		
Accounts payable	$ 722,189	$ 746,579
Due to primary government	491,842	359,909
Accrued liabilities	-	250
Deferred revenue	44,000	54,070
Other liabilities	1,049,031	572,391
Total liabilities	2,307,062	1,733,199
Net Assets		
Unrestricted	14,258,817	13,927,274
Temporarily restricted	23,383,182	22,318,388
Permanently restricted	19,231,286	16,762,251
Total net assets	56,873,285	53,007,913
Total liabilities and net assets	$ 59,180,347	$ 54,741,112

Colorado Community College System

Business-Type Activities

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Student tuition and fees, net of scholarship allowances of $127,819,592 and $123,553,372; including revenues pledged for bonds of $27,828,819 and $26,568,122 in 2018 and 2017, respectively	$ 278,288,189	$ 265,681,218
Grants and contracts	95,505,855	100,773,088
Fee-for-service state contract	50,056,105	52,127,247
Sales and services of educational activities	1,097,563	1,410,934
Auxiliary enterprises, net of scholarship allowances of $3,019,787 and $3,467,887 in 2018 and 2017, respectively	35,076,997	34,279,144
Other operating revenues and gifts	11,727,944	12,355,675
Total operating revenues	471,752,653	466,627,306
Operating Expenses		
Instruction	446,563,420	409,050,602
Public service	8,435,235	7,023,517
Academic support	76,376,887	65,799,903
Student services	127,230,547	112,275,097
Institutional support	156,107,456	132,025,659
Operation and maintenance of plant	72,552,516	71,349,870
Scholarships and fellowships	16,411,949	18,049,684
Auxiliary enterprises	49,270,256	45,076,192
Depreciation and amortization	41,005,283	38,605,609
Total operating expenses	993,953,549	899,256,133
Operating loss	(522,200,896)	(432,628,827)
Nonoperating Revenues (Expenses)		
State appropriations	57,756,814	56,600,299
Federal Pell grants	93,501,943	90,263,735
Amendment 50 funding	8,843,987	8,255,091
Distributions to Local District College and Area Vocational Schools	(26,192,333)	(25,560,936)
Gifts	4,351,752	990,977
Investment income	2,003,984	1,557,535
Interest expense on capital debt	(4,430,444)	(4,021,467)
Other nonoperating revenues	2,902,311	3,026,065
Net nonoperating revenues (expenses)	138,738,014	131,111,299
Loss before other revenues, expenses, gains or losses	(383,462,882)	(301,517,528)
Other Revenues, Expenses, Gains or Losses		
State capital contributions	8,420,630	8,875,436
Capital fees, net of scholarship allowances	7,240,161	-
Capital grants and gifts	2,049,642	1,877,357
Decrease in net position	(365,752,449)	(290,764,735)
Net Position, Beginning of Year, as Previously Reported	(494,474,509)	(203,709,774)
Adjustment for Change in Accounting Principle	(39,550,004)	-
Net Position, Beginning of Year, as Restated	(534,024,513)	(203,709,774)
Net Position, End of Year	$ (899,776,962)	$ (494,474,509)

Colorado Community College System

Discretely Presented Component Units

Statement of Activities

Year Ended June 30, 2018

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	$ 1,636,311	$ 8,785,919	$ 2,195,210	$ 12,617,440
Grants	712,271	586,759	-	1,299,030
Investment income, net	917,749	1,525,335	109,548	2,552,632
Rental income	149,835	314,632	-	464,467
Special events	303,792	177,779	-	481,571
Net assets released from restrictions	10,296,419	(10,252,915)	(2,578)	40,926
Reclassification of net assets	44,533	(205,033)	160,500	-
Other income	586,550	132,318	6,355	725,223
Total revenues	14,647,460	1,064,794	2,469,035	18,181,289
Expenses				
Program services	11,502,885	-	-	11,502,885
Fund-raising services	1,092,801	-	-	1,092,801
Administrative services	1,720,231	-	-	1,720,231
Total expenses	14,315,917	-	-	14,315,917
Change in Net Assets	331,543	1,064,794	2,469,035	3,865,372
Net Assets, Beginning of Year	13,927,274	22,318,388	16,762,251	53,007,913
Net Assets, End of Year	$ 14,258,817	$ 23,383,182	$ 19,231,286	$ 56,873,285

Colorado Community College System
Discretely Presented Component Units
Statement of Activities
Year Ended June 30, 2017

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

Colorado Community College System

Business-Type Activities

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received		
Tuition and fees	$ 282,623,541	$ 272,450,621
Student loans collected	909,060	1,340,448
Sales of products and services	36,176,491	35,187,312
Grants, contracts and gifts	140,469,485	155,802,208
Other operating receipts	11,916,148	12,540,289
Cash payments		
Scholarships disbursed	(16,411,949)	(18,049,684)
Student loans disbursed	(880,926)	(1,320,166)
Payments for employees	(395,770,313)	(370,858,789)
Payments to suppliers	(195,452,823)	(198,731,305)
Net cash used in operating activities	(136,421,286)	(111,639,066)
Cash Flows from Noncapital Financing Activities		
State appropriations – noncapital	57,756,814	56,724,814
Federal Pell grants	92,228,446	90,125,701
Amendment 50 funding	8,843,987	8,255,091
Distributions to Local District Colleges and Area Vocation Schools	(26,192,333)	(25,560,936)
Gifts and grants for other than capital purposes	4,348,794	990,477
Agency (inflows)	69,580,760	168,126,192
Agency (outflows)	(71,578,513)	(166,465,279)
Other noncapital financing activities	3,399,324	3,088,177
Net cash provided by noncapital financing activities	138,387,279	135,284,237
Cash Flows from Capital and Related Financing Activities		
Capital grants, contracts and gifts	2,021,828	1,405,005
Proceeds from capital debt	47,973,002	-
Capital fees	7,240,161	-
State contribution for capital assets	7,909,144	8,713,294
Proceeds from sale of capital assets	3,500	10,042
Acquisition and construction of capital assets	(30,152,436)	(56,374,137)
Principal paid on capital debt	(20,460,465)	(4,990,618)
Interest on capital debt	(4,479,314)	(4,317,936)
Amount paid on bond issuance cost	(363,978)	-
Net cash provided by (used in) capital and related financing activities	9,691,442	(55,554,350)
Cash Flows from Investing Activities		
Investment income	2,111,288	1,557,535
Proceeds from sale of investments	10,228,330	9,659,191
Purchase of investments	(33,409,143)	(435,097)
Net cash provided by (used in) investing activities	(21,069,525)	10,781,629
Net decrease in cash and cash equivalents	(9,412,090)	(21,127,550)
Cash and Cash Equivalents, Beginning of Year	302,469,531	323,597,081
Cash and Cash Equivalents, End of Year	$ 293,057,441	$ 302,469,531

Colorado Community College System

Business-Type Activities

Statements of Cash Flows (continued)

Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (522,200,896)	$ (432,628,827)
Adjustments to reconcile operating loss to to net cash used in operating activities		
Depreciation and amortization	41,005,282	38,605,609
Increase in other nonoperating assets/noncash expenses	1,818,473	243,777
Decrease (increase) in assets and deferred outflows of resources		
Receivables, net	18,486	7,950,351
Inventory and prepaids	492,777	(666,375)
Other noncurrent assets	801,039	(2,774,901)
Deferred outflows of resources related to pensions	151,795,511	(405,314,310)
Deferred outflows of resources related to OPEB	(231,837)	-
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable	1,908,324	(3,858,303)
Accrued liabilities	(12,767,797)	1,152,629
Unearned revenues	524,091	1,924,346
Deposits held for others	(25,680)	(1,598)
Compensated absences liability	2,694,579	(320,250)
Other liabilities	(225,356)	19,256
Pension liability	135,817,078	700,019,740
OPEB Liability	(236,756)	-
Deferred inflows of resources related to pensions	61,419,180	(15,990,210)
Deferred inflows of resources related to OPEB	972,214	-
Net cash used in operating activities	$ (136,421,287)	$ (111,639,066)
Noncash Investing, Capital and Noncapital Financing Activities		
State funding for acquisitions of capital assets	$ 149,971	$ -
State funding for acquisitions of noncapital assets	350,876	124,515
Liabilities for capital assets	2,240,302	4,971,632
Equipment donations and capital gifts	27,814	475,226
Loss on disposal of capital assets	24,205	55,840
Amortization of bond/premium discount and refunding loss	81,905	274,545

Note 1: Governance and Reporting Entity

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

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

The financial statements of CCCS, which is an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of CCCS. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Financial results for the State are presented in separate statewide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State is available in the statewide financial statements in the Comprehensive Annual Financial Report.

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

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

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

As an institution of higher education in the State of Colorado, the income of CCCS is generally exempt from income taxes under Section 115(a) of the Internal Revenue Code. Income generated from activities unrelated to the exempt purpose of CCCS would be subject to tax under Section 511(a)(2)(B). There was no material tax liability related to income generated from activities unrelated to CCCS' exempt purpose as of June 30, 2018 and 2017.

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.

Blended Component Unit

The SBCCOE Employee Benefit Trust Fund (the Benefit Trust) is included in the accompanying financial statements as a blended component unit. The Benefit Trust was established on February 1, 1983, as a legally and financially independent entity whose governing committee is appointed by the SBCCOE. The Benefit Trust was established to provide benefits under the Health and Welfare Program. Benefits are determined by the Benefit Trust committee, and may include life, accidental death and dismemberment, short-term and/or long-term disability, basic or major medical, dental, or other sick, or accident benefits. Other benefits, as determined by the Benefit Trust committee, may be provided for employees and their dependent families through self-funded or insured programs, or a combination of the two, provided that such other benefits are permissible under Section 501(c)(9) of the Internal Revenue Code. Separate unaudited financial statements of the Benefit Trust are available upon request.

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. The Otero Junior College Foundation is not audited due to limited activity.

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

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

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

Note 2: Implementation of New Accounting Standard

In fiscal year 2018, CCCS implemented GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75), which was effective for financial statements for periods beginning after June 15, 2017. Statement No. 75 revises and establishes new financial reporting requirements for most governments that provide their employees with other post-employment benefits (OPEB) other than pensions. The System provides certain of its employees with OPEB though the State's multiple-employer cost-sharing Public Employees' Retirement Association of Colorado (PERA) Health Care Trust Fund (HCTF).

Statement No. 75 requires cost-sharing employers participating in the PERA HCTF program, such as CCCS, to record their proportionate share, as defined in Statement No. 75, of PERA's unfunded OPEB liability. The System has no legal obligation to fund 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. 75 to record a portion of PERA's unfunded OPEB liability negatively impacted CCCS' future unrestricted net position. Information regarding PERA's HCTF current funding status can be found in it comprehensive annual financial report.

To the extent practical, changes made to comply with Statement No. 75 should be presented as a restatement of the fiscal year 2017 financial statements. However, PERA did not provide the information required to restate the System's fiscal year 2017 financial statements; therefore, the impact of the adoption of Statement No. 75 is shown as a cumulative effect adjustment to net position beginning of year in fiscal year 2018. The impact of implementing Statement No. 75 resulted in the recognition of beginning balances of deferred outflows of $1,282,834, and a net OPEB liability of $40,832,838 leading to a net reduction of net position of $39,550,004 as of July 1, 2017. In addition, CCCS recognized non-cash expense of $503,621 allocated across functional categories based on relative proportion of salaries and expenses, during the fiscal year ended June 30, 2018.

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

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Restricted Cash and Cash Equivalents and Restricted Investments

Restricted cash and cash equivalents and restricted investments primarily represent monies from unspent bond proceeds, including funds for a crossover refunding, and monies restricted for Benefit Trust benefits. Investments are reported at fair value, which is determined based on quoted market prices as of June 30, 2018 and 2017.

Inventories

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

Other Noncurrent Assets

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

Capital Assets

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

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

As of June 30, 2018 and 2017, the construction in progress includes capital construction projects in process, but not substantially complete.

Deposits Held for Others

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

Accrued Liabilities

Accrued liabilities primarily represent accrued payroll, benefits payable, and other payroll related liabilities at June 30, 2018 and 2017.

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.

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.

Capital Leases

Capital leases consist of various lease purchase contracts, energy performance contracts, and other lease agreements with original value $5,000 or more. 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.

Deferred Outflows and Inflows of Resources

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

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

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

Net Pension Liability

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

Net Other Postemployment Benefits (OPEB) Liability

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

Net Position

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

- Net investment in capital assets represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

- Restricted for expendable purposes represents net resources in which CCCS is legally or contractually obligated to spend resources in accordance with restrictions imposed by legislation or external third parties.

- Unrestricted net position represents net resources derived from student tuition and fees, FFS contracts, COF stipends, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of CCCS to meet current expenses for any purpose. These resources also include those from auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Unrestricted net position includes assets designated by the SBCCOE for certain purposes. Unrestricted net position has been reduced for the impact of Statement No. 68 and Statement No. 75 during fiscal year 2018 and for the impact of Statement No. 68 in 2017.

Classification of Revenues and Expenses

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

- Operating revenues and expenses are derived from activities associated with providing goods and services for instruction, public service, or related support services to an individual or entity separate from CCCS to carry out the mission of CCCS. Operating revenues include stipends paid for eligible undergraduate students under COF, created and funded by the Colorado Legislature. The stipend can be used to pay a portion of in state tuition for both new and continuing students and is paid on a per credit hour basis to the institution at which the student is enrolled. The credit hour amount is set annually by the General Assembly. In addition, operating revenues include payment for the FFS contract from the State of Colorado for delivery of educational services by CCCS that are not part of the COF stipend program. In fiscal year 2018 and 2017, CDHEs' contract with CCCS purchased educational services with an increased emphasis on support services for Pell-eligible, first-generation, and underserved undergraduate students. This includes educational services in rural areas, high cost/student programs, institutional research services, remediation and special skills courses, creation of student career pathways, and for inclusion service compliance.

- Nonoperating revenues and expenses are those that do not meet the definition of operating revenues or capital revenues. In fiscal years 2018 and 2017, 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, capital fees, and gifts and grants restricted for capital purposes.

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.

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.

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.

Use of Estimates

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

Note 4: Appropriations

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

For the years ended June 30, 2018 and 2017, appropriated expenditures were within the authorized spending authority. CCCS received a total general fund appropriation of $57,756,814 and $56,600,299 for 2018 and 2017, respectively. Included in the State appropriations are general fund appropriations specified to be passed through to two LDCs and three AVSs for 2018 and 2017 of $26,192,333 and $25,560,936, respectively. This amount consists of $15,974,294 and $15,589,215 for LDCs, and $10,218,039 and $9,971,721 for AVSs, for 2018 and 2017, respectively. Also, included in general fund appropriations were capital contributions of $8,420,630 and $8,875,436 for 2018 and 2017, respectively. During 2018 and 2017, CCCS received FFS contract revenue in the amount of $50,056,105 and $52,127,247 and COF stipends in the amount of $103,653,110 and $101,202,900, respectively.

Note 5: Tuition, Fees and Auxiliary Revenue

Tuition, fees and auxiliary revenue and the related scholarship allowances for the years ended June 30, 2018 and 2017 were as follows:

	2018			
	Tuition and Fees	Auxiliary Revenue	Capital Fees	Total
Gross revenue	$ 406,107,781	$ 38,096,784	$ 7,240,161	$ 451,444,726
Scholarship allowances				
Federal	82,957,283	1,798,097	-	84,755,380
State	35,143,246	709,313	-	35,852,559
Private	2,485,525	54,166	-	2,539,691
Institutional	7,233,538	458,211	-	7,691,749
Total scholarship allowance	127,819,592	3,019,787	-	130,839,379
Net revenue	$ 278,288,189	$ 35,076,997	$ 7,240,161	$ 320,605,347

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

Note 6: Cash and Cash Equivalents and Investments

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

	June 30, 2018	June 30, 2017
Cash on hand and change funds	$ 191,263	$ 622,327
Deposits with financial institutions	1,263,727	1,357,928
Restricted cash at other institutions	4,659,589	4,815,108
Total	$ 6,114,579	$ 6,795,363

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, 2018	Carrying Amount June 30, 2017
Footnote amounts		
Deposits	$ 6,114,579	$ 6,795,363
Deposits held with State Treasurer	286,942,862	295,674,168
Restricted investments	30,112,344	7,079,232
Total	$ 323,169,785	$ 309,548,763
Financial statement amounts		
Cash and cash equivalents	$ 288,397,852	$ 297,654,423
Current restricted cash and cash equivalents	4,649,768	4,806,003
Noncurrent restricted cash and cash equivalents	9,821	9,105
Total cash and cash equivalents	293,057,441	302,469,531
Restricted investments	30,112,344	7,079,232
	$ 323,169,785	$ 309,548,763

CCCS deposits its cash with the Treasurer as required by C.R.S. The Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1. The Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2018 and 2017, CCCS had cash on deposit with the Treasurer of $286,942,862 and $295,674,168, which represented approximately 3.8% and 4.4% of the total of $7,635.8 million and $6,770.2 million, respectively, in deposits in the Treasurer's Pool (Pool). As of June 30, 2018 and 2017, CCCS had $30,112,344 and $7,079,232 in restricted investments, respectively, which are comprised of marketable securities in active markets that have observable inputs and prices.

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

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the years ended June 30, 2018 and 2017.

Custodial Credit Risk

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

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

Credit Quality Risks

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government.

As of June 30, 2018 and 2017, 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.

Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment.

As of June 30, 2018 and 2017, 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.

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, 2018 and 2017, the fair value of Benefit Trust investments greater than 5.0% of total investments of $3,601,523 and $3,641,922, respectively, was as follows:

	2018	
	Fair Value	**Percentage of Investments**
Ishares Barclays Intermediate Credit Bond Fund	$ 316,595	8.79%
Ishares Barclays 1-3 Year Credit Bond Fund	311,100	8.64%

	2017	
	Fair Value	**Percentage of Investments**
Celgene Corp	$ 292,208	8.02%
Goldman Sachs Group Inc.	205,258	5.64%
Ishares Barclays Intermediate Credit Bond Fund	327,144	8.98%
Ishares Barclays 1-3 Year Credit Bond Fund	315,930	8.67%

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.

Foreign Currency Risk

The Benefit Trust does not have a documented risk policy on its investments relative to foreign currency risk. The Benefit Trust was not subject to foreign currency risk in fiscal years 2018 and 2017.

Note 7: Accounts Receivable, Accounts Payable and Accrued Liabilities

Accounts receivable at June 30, 2018 and 2017 were as follows:

	2018		
	Gross Receivables	Allowance for Uncollectible Accounts	Net Receivables
Student accounts receivable	$ 67,648,843	$ (36,837,052)	$ 30,811,791
Due from other governments	21,457,772	-	21,457,772
Other receivables	3,120,269	(269,235)	2,851,034
Total receivables	$ 92,226,884	$ (37,106,287)	$ 55,120,597

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

Accounts payable and accrued liabilities at June 30, 2018 and 2017 was as follows:

	2018	2017
Amounts owed to vendors	$ 10,240,505	$ 11,386,182
Salaries and benefits payable	16,711,111	29,478,908
Accrued interest payable	820,469	648,197
Other payables	4,903,599	4,168,593
Total accounts payable and accrued liabilities	$ 32,675,684	$ 45,681,880

Note 8: Capital Assets

The following table presents changes in capital assets and accumulated depreciation for the years ended June 30, 2018 and 2017. Adjustments reflect one-time adjustments to properly classify buildings and improvements, leasehold improvements and equipment. Adjustments to construction in progress reflect projects not deemed capitalizable.

	Balance, June 30, 2017	Additions	Deletions	Transfers	Adjustments	Balance June 30, 2018
Nondepreciable capital assets						
Land and land improvements	$ 33,372,686	$ 42,749	$ -	$ -	$ -	$ 33,415,435
Construction in progress	24,318,790	21,765,447	-	(19,970,158)	(1,504,674)	24,609,405
Collections	945,439	-	-	-	-	945,439
Total nondepreciable capital assets	58,636,915	21,808,196	-	(19,970,158)	(1,504,674)	58,970,279
Depreciable capital assets						
Land improvements	26,087,101	-	-	1,816,888	-	27,903,989
Buildings and improvements	709,665,466	342,122	-	14,974,154	-	724,981,742
Leasehold improvements	30,698,146	134,768	-	502,586	-	31,335,500
Equipment and software	103,417,825	5,218,434	(4,113,735)	2,676,530	(20,745)	107,178,309
Library materials	5,994,604	267,195	-	-	-	6,261,799
Total depreciable capital assets	875,863,142	5,962,519	(4,113,735)	19,970,158	(20,745)	897,661,339
Less accumulated depreciation						
Land improvements	13,613,864	1,161,210	-	-	-	14,775,074
Buildings and improvements	348,149,324	27,806,035	-	-	-	375,955,359
Leasehold improvements	12,083,905	2,059,558	-	-	-	14,143,463
Equipment and software	69,958,739	9,248,118	(4,103,437)	-	(20,745)	75,082,675
Library materials	4,231,039	730,362	-	-	-	4,961,401
Total accumulated depreciation	448,036,871	41,005,283	(4,103,437)	-	(20,745)	484,917,972
Net depreciable capital assets	427,826,271	(35,042,764)	(10,298)	19,970,158	-	412,743,367
Total capital assets, net	$ 486,463,186	$ (13,234,568)	$ (10,298)	$ -	$ (1,504,674)	$ 471,713,646

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

Note 9: Long-term Liabilities

The following table presents changes in long-term liabilities at June 30, 2018 and 2017:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Bonds payable	$ 92,337,223	$ 48,063,663	$ (18,871,044)	$ 121,529,842	$ 4,840,000
Capital leases payable	10,636,750	-	(1,019,392)	9,617,358	948,044
Other long-term liabilities	2,159,833	562,934	(866,587)	1,856,180	587,374
Compensated absences liability	19,625,749	22,585,711	(19,891,131)	22,320,329	2,889,718

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

Note 10: Bonds Payable

Systemwide Revenue Bonds

The State's Department of Higher Education, through the SBCCOE, issued revenue bonds in 2010, 2012, 2013, 2016 and 2017 known as Systemwide Revenue Bonds. Bond proceeds were used to benefit facilities at the individual colleges, as noted below:

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

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-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. A portion of these bonds will be crossover refunded in 2020 with proceeds of the Series 2017B bonds.

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

The Series 2010C Systemwide Revenue Bonds for $6,545,000 were issued on October 13, 2010. Interest is payable semiannually on May 1 and November 1. 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 2010C bonds were paid in full on November 1, 2017.

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.

Series 2012 Bonds

The Series 2012A Systemwide Revenue Refunding Bonds for $11,495,000 were issued on January 25, 2012. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2032. The principal of the Series 2012A issue was used to current refund the Colorado Educational and Cultural Facilities Authority Lease Revenue Bonds (Community Colleges of Colorado System Headquarters Project), Series 2001 (the Series 2001 bonds), and the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Pikes Peak 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.

The Board has adopted a resolution stating that it will not participate in the State Intercept Program for the 2013 bonds.

Series 2016 Bonds

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

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

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

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

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

Series 2017 Bonds

The series 2017A Systemwide Revenue Refunding and Improvement Bonds for $34,850,000 were issued on December 28, 2017. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2047. A portion of the 2017A principal was used to advance refund a portion of the Series 2013 bonds for Front Range Community College. The funds were placed into an irrevocable escrow fund for the future debt service payments on the previous series bonds. The principal of the 2017A issue was distributed between the colleges follows below. The net present value of savings was approximately $698,974. A deferred outflow of $881,833 was recognized in fiscal year 2018 related to a portion of the Series 2013 debt.

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

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

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

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

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

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

The System advanced refunded a portion of the System's Series 2013 bonds. The defeased bonds are not considered a liability of the System. As June 30, 2018, $13,465,000 of refunded Series 2013 bonds are considered legally defeased.

Security

The bonds are special obligations of CCCS payable from certain net pledged revenues as defined in the bond indentures. The Series 2017, 2016, 2013, 2012 and 2010 bonds are payable solely out of and secured by an irrevocable pledge of 10.0% of tuition and fee revenues, net of scholarship allowances. The debt was used to refund debt, finance the construction, improvement, equipping, renovation, expansion, and upgrade of various campus facilities for the ACC, CCD, CNCC, FRCC, NJC, PCC, and RRCC colleges. Principal and interest paid for the current year were $23,012,704 and $7,997,901 for fiscal years 2018 and 2017, respectively. The pledge expires upon the extinguishment of the debt with the final debt payment on November 1, 2048.

Total net pledged revenue for bonds was $29,214,758 and $27,232,170 for fiscal years 2018 and 2017, respectively. These amounts primarily consisted of $27,828,819 and $26,568,122 student tuition and fees, net of scholarship allowance for fiscal years 2018 and 2017, respectively. The remaining pledged revenue represents the capital fees and federal direct payments received on the "Build America Bonds" which the Board has pledged to pay the Series 2010B-2 bonds.

Minimum Bond Reserve Requirement

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

Mandatory Sinking Fund Redemption

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

Bond Accounting

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

Long-term Bond Principal Maturities

Bond principal payments to be made during fiscal years 2019 through 2023 are enumerated in the following tables:

	Principal Maturing in Next Five Years by Year				
Bond Issue	FY19	FY20	FY21	FY22	FY23
Series 2010A					
Community College of Aurora	$ 84,669	$ 86,935	$ -	$ -	$ -
Morgan Community College	41,803	-	-	-	-
Northeastern Junior College	233,038	173,040	-	-	-
Red Rocks Community College	210,490	220,025	-	-	-
Series 2010B-2					
Colorado Northwestern Community College	120,000	125,000	130,000	130,000	135,000
Northeastern Junior College	125,000	130,000	135,000	140,000	140,000
Series 2010D					
Community College of Denver	925,000	945,000	970,000	995,000	1,020,000
Pueblo Community College	375,000	385,000	390,000	405,000	410,000
Series 2012A					
Arapahoe Community College	90,000	90,000	95,000	95,000	100,000
Colorado Community College System	260,000	265,000	270,000	280,000	285,000
Pikes Peak Community College	210,000	215,000	220,000	225,000	235,000
Series 2013					
Front Range Community College	785,000	810,000	845,000	875,000	915,000
Series 2016					
Pikes Peak Community College	330,000	335,000	340,000	345,000	355,000
Red Rocks Community College	200,000	200,000	205,000	205,000	210,000
Series 2017A					
Arapahoe Community College	720,000	265,000	280,000	290,000	315,000
Front Range Community College	130,000	35,000	35,000	35,000	40,000
Series 2017B					
Colorado Northwestern Community	-	-	-	130,000	135,000
Northeastern Junior College	-	-	-	135,000	135,000
Total revenue bonds payable	4,840,000	4,280,000	3,915,000	4,285,000	4,430,000
Interest	4,825,407	4,682,528	4,547,919	4,407,533	4,243,682
Total annual debt service	$ 9,665,407	$ 8,962,528	$ 8,462,919	$ 8,692,533	$ 8,673,682

Bond debt service payments after fiscal year 2023 to maturity are as follows:

Fiscal Years	Principal	Interest	Total
2024-2028	$ 24,600,000	$ 10,264,044	$ 34,864,044
2029-2033	27,005,000	6,655,991	33,660,991
2034-2038	19,525,000	3,168,785	22,693,785
2039-2043	13,385,000	1,051,834	14,436,834
2044-2048	9,170,000	199,040	9,369,040
	$ 93,685,000	$ 21,339,693	$ 115,024,693

Remaining debt service by bond issuance is as follows:

	Revenue Bonds Outstanding*, June 30, 2018	Interest Rate	Maximum Annual Principal	Callable	Call Premium	Final Payment
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds						
Series 2010A						
Community College of Aurora	$ 174,218	2.00% to 3.00%	$ 86,935	No	None	11/1/2019
Morgan Community College	42,099	2.00% to 3.00%	41,803	No	None	11/1/2018
Northeastern Junior College	412,176	2.00% to 3.00%	233,038	No	None	11/1/2019
Red Rocks Community College	438,055	2.00% to 3.00%	220,025	No	None	11/1/2019
Series 2010B-2						
Colorado Northwestern Community College	4,244,437	2.00% to 6.10%	280,000	Yes (after 11/2021)	None	11/1/2040
Northeastern Junior College	4,722,881	2.00% to 6.10%	305,000	Yes (after 11/2021)	None	11/1/2041
Series 2010D						
Community College of Denver	19,959,198	3.37% to 5.35%	1,510,000	Yes (after 11/2021)	None	11/1/2034
Pueblo Community College	11,478,995	3.37% to 5.50%	730,000	Yes (after 11/2021)	None	11/1/2039
Series 2012A						
Arapahoe Community College	1,707,549	2.50% to 3.375%	140,000	Yes (after 11/2022)	None	11/1/2032
Colorado Community College System	4,513,769	2.50% to 3.375%	375,000	Yes (after 11/2022)	None	6/30/2032
Pikes Peak Community College	2,474,306	2.50% to 3.375%	270,000	Yes (after 11/2022)	None	6/30/2028
Series 2013						
Front Range Community College	5,562,530	3.00% to 5.00%	1,500,000	Yes (after 11/01/2023)	None	11/1/2034
Series 2016						
Red Rocks Community College	15,141,731	1.50% to 4.00%	760,000	Yes (after 11/2026)	None	11/1/2046
Pikes Peak Community College	2,734,461	3.375% to 4.125%	285,000	Yes (after 11/2026)	None	11/1/2030
Series 2017A						
Arapahoe Community College	23,621,196	2.00% to 5.00%	1,490,000	Yes (after 11/2027)	None	11/1/2034
Front Range Community College	15,627,282	2.00% to 5.25%	1,390,000	Yes (after 11/2027)	None	11/1/2047
Series 2017B						
Colorado Northwestern Community College	4,105,492	3.00% to 5.00%	275,000	Yes (after 11/2027)	None	11/1/2040
Northeastern Junior College	4,569,467	3.00% to 5.00%	290,000	Yes (after 11/2027)	None	11/1/2041
	$ 121,529,843					

* Bonds have related unamortized bond premium and discount of $6,094,842.

Note 11: Leases and State of Colorado Certificates of Participation

CCA, CNCC, FRCC, LCC, NJC, RRCC, TSJC, and CCCS have recorded capital leases in conjunction with building improvements and equipment related to energy performance contracts. The interest rate on the capital leases range from 4.75% to 5.50%. 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 2018 and 2017, capitalized assets relating to these leases were approximately $18,791,672 and $20,109,232, with amortization expense of $935,684 and $1,068,916, and accumulated amortization of $7,154,695 and $6,889,903, respectively.

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

	Principal	Interest	Total
2019	$ 948,044	$ 351,520	$ 1,299,564
2020	999,064	315,986	1,315,050
2021	1,064,645	278,197	1,342,842
2022	1,010,965	239,340	1,250,305
2023	1,028,117	211,409	1,239,526
2024-2028	3,447,052	526,589	3,973,641
2029-2033	1,119,471	67,079	1,186,550
	$ 9,617,358	$ 1,990,120	$ 11,607,478

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. Total rent expense for all operating leases for the years ended June 30, 2018 and 2017 was $5,287,438 and $5,232,061, respectively. Future minimum rental payments, exclusive of real estate taxes and other expenses, under operating leases are as follows:

Year Ending June 30:	
2019	$ 4,469,678
2020	2,785,237
2021	2,495,224
2022	2,180,447
2023	1,917,534
2024-2028	10,044,155
2029-2033	668,669
2034-2038	668,669
2039-2043	498,669
2044-2048	456,169
	$ 26,184,451

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.

Note 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:

2019	$ 587,374
2020	209,467
2021	262,807
2022	220,655
2023	179,810
2024-2028	396,067
	$ 1,856,180

Note 13: Compensated Absences for Annual and Sick Leave

Employees of CCCS may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The estimated total liability for compensated absences at June 30, 2018 and 2017 is $22,320,329 and $19,625,749, respectively.

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

At June 30, 2018 and 2017, the Public Employees' Retirement Association of Colorado (PERA) estimated that 54.0% and 54.3%, respectively, of the State's employees would remain until retirement. This percentage is used to calculate the amount of compensated absence liability related to sick leave each year.

Note 14: Retirement Plan

Defined Benefit Pension Plan

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

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* Governmental accounting standards require the net pension liability and related amounts of the SDTF for financial reporting purposes be measured using the plan provisions in effect as of the SDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled C*hanges between the measurement date of the net pension liability and June 30, 2018.*

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

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

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

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

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

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

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

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

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

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

	Fiscal Year 2017		Fiscal Year 2018	
	CY16	CY17		CY18
	7/1/2016 to 12/31/2016	1/1/2017 to 6/30/2017	7/1/2017 to 12/31/2017	1/1/2018 to 6/30/2018
Employer contribution rate	10.15	10.15	10.15	10.15
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)	(1.02)	(1.02)	(1.02)
Amount Apportioned to the SDTF	9.13	9.13	9.13	9.13
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.60	5.00	5.00	5.00
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	4.50	5.00	5.00	5.00
Total employer contribution rate to the SDTF	18.23%	19.13%	19.13%	19.13%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and CCCS is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from CCCS were $50,711,688 and $48,196,132 for the years ended June 30, 2018 and 2017, respectively.

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

At June 30, 2018 and 2017, CCCS reported a liability of $1,783.0 million and $1,647.2 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 and 2015, respectively. Standard update procedures were used to roll forward the total pension liability to December 31, 2017 and 2016, respectively. The CCCS proportion of the net pension liability was based on CCCS contributions to the SDTF for the calendar year associated with the above measurement date, relative to the total contributions of participating employers to the SDTF.

At December 31, 2017, CCCS proportion was 8.91%, which was a decrease of 0.06% from its proportion measured as of December 31, 2016. At December 31, 2016, CCCS proportion was 8.97%, which was a decrease of 0.02% from its proportion measured as of December 31, 2015.

For the years ended June 30, 2018 and 2017, the CCCS recognized pension expense of $399.7 million and $325.8 million, respectively. At June 30, 2018 and 2017, the CCCS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 27,800,722	$ -
Changes of assumptions or other inputs	309,592,289	-
Net difference between projected and accrual earnings on pension plan investments	-	67,153,110
Changes in proportion	-	5,666,440
Differences between contributions recognized and proportionate share of contributions	-	312,434
Contributions subsequent to the measurement date	25,814,536	N/A
Total	$ 363,207,547	$ 73,131,984

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 16,372,900	$ -
Changes of assumptions or other inputs	419,047,373	5,070,029
Net difference between projected and accrual earnings on pension plan investments	54,604,552	-
Changes in proportion	-	6,348,734
Differences between contributions recognized and proportionate share of contributions	-	294,041
Contributions subsequent to the measurement date	24,978,233	N/A
Total	$ 515,003,058	$ 11,712,804

At June 30, 2018, the System reported $25,814,536 as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at the collective level at June 30, 2018 will be recognized in pension expense as follows:

Year ending June 30,	
2019	$ 264,267,407
2020	50,458,298
2021	(24,945,360)
2022	(25,519,318)
	$ 264,261,027

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

Measurement Date	December 31, 2017	December 31, 2016
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50 - 9.17 percent	3.50 - 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	4.72 percent	5.26 percent
Post-retirement benefit increases		
PERA benefit structure hired prior to 1/1/07	2.00 percent	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

Both measurement periods utilized the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55.0% factor applied to female rates.

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

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

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

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

The actuarial assumptions used in the December 31, 2016 and 2017 measurement periods were based on the results of the 2016 experience analysis an actuarial experience study for the period January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board on November 18, 2016. These revised assumptions were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016.

The long-term expected return on plan assets is also reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

As of the most recent adoption of the long-term rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	December 31, 2017	
Asset Class	**Target Allocation**	**30 Year Expected Geometric Real Rate of Return**
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
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 7.25% for both the 2017 and 2016 measurement dates.

Discount rate. The discount rate used to measure the total pension liability was 4.72% for the 2017 measurement date and 5.26% for the 2016 measurement date. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows for each measurement date presented, as applicable:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50% in both the 2017 and 2016 measurement period.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the 2017 and 2016 measurement dates, respectively, the municipal bond index rate was 3.43% and 3.86%, respectively, resulting in a discount rate of 4.72% and 5.26%.

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 (4.72%), 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 (3.72%) or one percentage point higher (5.72%) than the current rate:

	1% Decrease 3.72%	**Discount Rate 4.72%**	**1% Increase 5.72%**
Proportionate share of the net pension liability	$ 2,218,147,786	$ 1,782,974,083	$ 1,425,723,134

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.

Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100% funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25% on July 1, 2019.
- Increases employee contribution rates by a total of 2.0% (to be phased in over a period of three years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the other divisions eligible for the direct distribution.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At June 30, 2018, CCCS reported a liability of approximately $1,782,974,000 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.72%. For comparative purposes, the following schedule presents an estimate of what CCCS' proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$845,474,013

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $795,641 of the estimated reduction is attributable to the use of a 7.25% discount rate.

Note 15: Other Retirement Plans

Defined Contribution Retirement Plan (DC Plan)

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

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

	Fiscal Year 2017		Fiscal Year 2018	
	CY16	CY17		CY18
	7/1/2016 to 12/31/2016	1/1/2017 to 6/30/2017	7/1/2017 to 12/31/2017	1/1/2018 to 6/30/2018
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.60%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	4.50%	5.00%	5.00%	5.00%
Total employer contribution rate to the SDTF	9.10%	10.00%	10.00%	10.00%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Employer contributions recognized by the DC Plan from CCCS were $1,573,735 and $1,451,986 for the years ended June 30, 2018 and 2017, respectively.

401(k) Defined Contribution Plan

Employees of CCCS that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. CCCS does not match contributions made by employees participating in this plan. Employees are immediately vested in their own contributions and investment earnings. PERA issues a publicly available comprehensive annual financial report for the program. That report can be obtained at www.copera.org/investments/pera-financial-reports. At December 31, 2017 and 2016, CCCS had 711 and 760 participants, respectively, in the plan.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. Contributions and earnings are tax deferred. CCCS does not match contributions made by employees participating in this plan. At December 31, 2017 and 2016, CCCS had 279 and 251 participants, respectively, in the plan. In calendar year 2017, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their eight percent PERA contribution) to a maximum of $18,500. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional $6,000 contribution in 2017. Special 457(b) catch-up contributions allow a participant for three years prior to the normal retirement age to contribute the lesser of (1) twice the annual limit ($37,000 in 2015, 2016 and 2017), or (2) the basic annual limit plus the amount of the basic limit not used in prior years (onlyallowed if not using age 50 or over catch-up contributions).

Note 16: Employee Benefit Trust Fund

The Benefit Trust provides health and welfare benefits to all employees participating in the Health and Welfare Program sponsored by the SBCCOE. For fiscal years 2018 and 2017, CCCS made contributions to the Benefit Trust of approximately $322,000 and $290,000, respectively.

Note 17: Other Postemployment Benefits – CCCS

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

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

Note 18: Other Postemployment Benefits – PERA Health Care Trust Fund

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

General Information About the OPEB Plan

Plan description. Eligible employees of CCCS are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended 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.

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

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

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

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

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and CCCS is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from CCCS was $2,619,862 for the year ended June 30, 2018.

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

At June 30, 2018, CCCS reported a liability of $40.6 million for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. CCCS' proportion of the net OPEB liability was based on CCCS' contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, CCCS' proportion was 3.12%, which was a decrease of 0.03% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, CCCS recognized OPEB expense of $3,123,483. At June 30, 2018, CCCS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 191,985	$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and accrual earnings on OPEB plan investments	-	679,163
Changes in proportion	-	277,927
Differences between contributions recognized and proportionate share of contributions	-	15,124
Contributions subsequent to the measurement date	1,322,686	N/A
Total	$ 1,514,671	$ 972,214

$1,322,686 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	
2019	$ (189,645)
2020	(189,645)
2021	(189,645)
2022	(189,584)
2023	(19,840)
Thereafter	(1,870)
	$ (780,229)

Actuarial assumptions. The total OPEB liability in the actuarial valuations for the measurement period was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Measurement Date	December 31, 2017
Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually raised to 4.25 percent in 2013

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year ending June 30,	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70.0% factor applied to male rates and a 55.0% factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73.0% factor applied to rates for ages less than 80, a 108.0% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78.0% factor applied to rates for ages less than 80, a 109.0% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90.0% of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Measurement Date	**December 31, 2017**	
Asset Class	**Target Allocation**	**30 Year Expected Geometric Real Rate of Return**
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
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 7.25%.

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

	1% Decrease in Trend Rates	**Current Trend Rates**	**1% Increase in Trend Rates**
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability (PERA)	39,479,128	40,596,082	41,941,882

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net OPEB liability	$ 45,642,760	$ 40,596,082	$ 36,288,606

OPEB plan fiduciary net position. Detailed information about the HCTF'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.

Prior to the adoption of Statement No. 75 in 2019, CCCS was required to disclose contribution rates and contributions made to the plan for the current and prior two fiscal years.

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

Note 19: Risk Financing and Insurance Related Activities

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

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

Note 20: Commitments and Contingencies

The System has $32.1 million and $23.3 million in commitments for various capital construction and controlled maintenance projects as of June 30, 2018 and 2017, respectively.

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

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

Note 21: Tax and Spending Limitations (TABOR Amendment)

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

Legislation passed in fiscal year 2004 provided higher education institutions in the State the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), if the institution met the stated qualifications. In fiscal year 2006, the System qualified as an enterprise because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System was required to receive (and is expected to continue to receive) less than 10.0% (in relation to total revenues) in support from the State. In both fiscal years 2018 and 2017, the System received 3.1%, 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.

Note 22: Related-party Transactions

Approximately $7.7 million and $5.1 million was transferred to the colleges from the foundations for the years ended June 30, 2018 and 2017, respectively, in pursuit of providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities.

Required Supplementary Information

(Continued)

Colorado Community College System

Schedule of Proportionate Share of Net Pension Liability (NPL)

(Unaudited)

Last Ten Fiscal Years *

(Dollars in Thousands)

June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the NPL as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	8.9068622559%	$ 1,782,974	$ 267,807	665.77%	43.20%
2017	8.9674721580%	1,647,157	261,925	628.87%	42.60%
2016	8.9937735926%	947,137	255,917	370.10%	56.10%
2015	9.1682986069%	862,417	253,165	340.65%	59.80%

Information above is presented as of the measurement date for the respective reporting periods.
* Information is not currently available for prior years, additional years will be displayed as they become available
Unaudited - see accompanying Independent Auditor's Report

(Continued)

Colorado Community College System
Schedule of Contributions for Net Pension Liability (NPL)
(Unaudited)
Last Ten Fiscal Years *
(Dollars in Thousands)

June 30,	Statutorily Required Contributions	Contributions Related to the Statutory Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	$ 52,087	$ 50,712	$ 1,375	$ 272,277	18.63%
2017	49,451	48,196	1,255	264,730	18.21%
2016	46,355	44,917	1,438	260,716	17.23%
2015	42,872	41,806	1,066	253,980	16.46%

Information above is presented as of the System's fiscal year for the respective reporting periods.
* Information is not currently available for prior years, additional years will be displayed as they become available
Unaudited - see accompanying Independent Auditor's Report

Changes in benefit terms and actuarial assumptions

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

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

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

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP-2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

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

(Continued)

Colorado Community College System

Schedule of Proportionate Share of Other Postemployment Benefits (OPEB)

(Unaudited)

June 30, 2018 and 2017

June 30,	Proportion of OPEB	Proportionate Share of OPEB	Covered Payroll	Proportionate Share of the OPEB as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB
2018	3.1237367081%	$ 40,596	$ 252,942	16.05%	17.53%

Information above is presented as of the measurement date for the respective reporting periods.
* Information is not currently available for prior years, additional years will be displayed as they become available
Unaudited - see accompanying Independent Auditor's Report

Colorado Community College System

Schedule of Contributions for Other Postemployment Benefits (OPEB)

(Unaudited)

June 30, 2018 and 2017

June 30,	Statutorily Required Contributions	Contributions Related to the Statutory Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	$ 2,620	$ 2,620	$ -	$ 256,849	1.02%

Information above is presented as of the System's fiscal year for the respective reporting periods.
* Information is not currently available for prior years, additional years will be displayed as they become available
Unaudited - see accompanying Independent Auditor's Report

Changes in benefit terms and actuarial assumptions

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Colorado Community College System (a higher education institution of the State of Colorado) (the System), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 28, 2018, which contained paragraphs emphasizing a matter regarding the financial statements and a change in accounting principle and contained a reference to the report of other auditors. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Denver, Colorado
November 28, 2018

State-Funded Student Assistance Programs

Colorado Community College System

State-Funded Student Financial Assistance Programs

Year Ended June 30, 2018

Introduction

The Colorado Community College System (the System) is governed by the State Board for Community Colleges and Occupational Education and is a state-supported institution of higher education with 13 colleges: Arapahoe Community College, Colorado Northwestern Community College, Community College of Aurora, Community College of Denver, Front Range Community College, Lamar Community College, Morgan Community College, Northeastern Junior College, Otero Junior College, Pikes Peak Community College, Pueblo Community College, Red Rocks Community College, and Trinidad State Junior College.

The financial and compliance audits of the various state-funded student financial assistance programs at the System for the year ended June 30, 2018, were directed toward the objectives and criteria set forth in the System's financial aid policy, adopted May 2011. The state-funded student financial assistance programs were audited simultaneously with the federal financial aid programs for the year ended June 30, 2018.

State-Funded Student Financial Assistance Programs

The Systems various state-funded student financial assistance programs include the following:

- Colorado Student Grant
- Colorado Undergraduate Merit Scholarships
- Colorado Work-study
- CTE Student Grant

The director of financial aid at each campus is responsible for administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the System in federal and state financial aid programs. The campus controllers are responsible for the programs' financial management, general ledger accounting, payments, and collections.

The state-funded student financial assistance awards made by the System were approximately $45.5 million during the fiscal year ended June 30, 2018.

Authorizations and expenditures for state-funded student financial assistance programs are detailed by program in the accompanying statement of allocations, expenditures, transfers and reversions for the year ended June 30, 2018.

In addition to the state-funded student financial assistance awards made during the year, the System obtained authorizations to award federal student financial aid of $1,821,180 in the Federal Supplemental Educational Opportunity Grants Program; and $1,784,387 in the Federal Work-Study Program. The System also received funding through the Pell Grant Program in the amount of $88,304,436 and through direct lending in the amount of $105,552,147. Authorizations for the Pell Grant Program and the direct lending program are not applicable as these programs are available to any eligible student.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Year Ended June 30, 2018

Summary of Current Year Comments

There were no findings or recommendations related to State-Funded Student Financial Assistance Programs for the year ended June 30, 2018.

Summary of Progress of Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2016, included no recommendations.

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Independent Auditor's Report on the Statement of Allocations, Expenditures, Transfers and Reversions of the State-Funded Student Financial Assistance Programs

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

Report on the Statement of Allocations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs

We have audited the accompanying statement of allocations, expenditures, transfers and reversions of the state-funded student financial assistance programs (the Statement) of the Colorado Community College System (the System) for the year ended June 30, 2018, and the related notes to the Statement, in accordance with the requirements of *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid,* issued by the Colorado Department of Higher Education (CDHE).

Management's Responsibility for the Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. 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 Statement is free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, 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 Statement 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 Statement.

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

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the allocations, expenditures, transfers and reversions of the state-funded student financial assistance programs of the System for the year ended June 30, 2018, pursuant to the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education, and in conformity with the provisions of the System's policies.

Emphasis of Matter

As described in the notes to the statement of allocations, expenditures, transfers and reversions of the state-funded student financial assistance programs of the System (the Statement), the Statement was prepared in accordance with the format as set forth in the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE), and in conformity with the System's policies for the purpose of complying with the requirements of the state-funded student financial assistance programs. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study Program and does not present certain transactions that would be included in the Statement of the state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying Statement is not intended to, and does not, present the financial position, changes in financial position or cash flows of the System in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Statement in accordance with the format set forth by CDHE and in conformity with the provisions of the System's policies. The accompanying introduction and schedules of allocations, expenditures, transfers, and reversions of each of the colleges (the Schedules) are presented for purposes of additional analysis and are not a required part of the Statement.

The Schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the Statements. The Schedules have been subjected to the auditing procedures applied in the audit of the Statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Statement or to the Statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated in all material respects in relation to the Statement as a whole.

The introduction has not been subjected to the auditing procedures applied in the audit of the Statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the State Board for Community Colleges and Occupational Education and management of the System, and the Colorado Department of Higher Education and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Denver, Colorado
November 28, 2018

Colorado Community College System

State-Funded Student Assistance Programs

Statement of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Consolidated				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 45,340,543	$ 37,328,471	$ 1,430,050	$ 6,211,945	$ 370,077
Supplementals	210,662	300,581	3,572	(52,268)	(41,223)
Transfers	-	109,042	-	(109,042)	-
Total appropriations	45,551,205	37,738,094	1,433,622	6,050,635	328,854
Less expenditures	45,500,776	37,730,718	1,428,074	6,017,748	324,236
Reversions to state general fund	$ 50,429	$ 7,376	$ 5,548	$ 32,887	$ 4,618

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Notes to Statement of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

(1) Basis of Presentation

The Colorado Community College System (CCCS) is governed by the State Board for Community College and Occupational Education. CCCS comprises the system office and the following 13 colleges:

- Arapahoe Community College
- Colorado Northwestern Community College
- Community College of Aurora
- Community College of Denver
- Front Range Community College
- Lamar Community College
- Morgan Community College
- Northeastern Junior College
- Otero Junior College
- Pikes Peak Community College
- Pueblo Community College
- Red Rocks Community College
- Trinidad State Junior College

The accompanying statement of allocations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as prescribed by the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Education (DHE), and in conformity with the provisions of the State-Funded Student Financial Assistance Programs established by the State Board for Community Colleges and Occupational Education of the Colorado Community College System. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance (SFSFA) activities of CCCS's 13 campuses for the year ended June 30, 2018.

Because the Statement presents only a selected portion of the activities of CCCS, it is not intended to and does not present the financial position, changes in financial position or cash flows of the System, in conformity with U.S. generally accepted accounting principles.

(2) Basis of Accounting

All state-funded student financial assistance is expensed on a cash basis, except for the Colorado Work-Study Program. Colorado Work-Study wages are recorded on the accrual basis recognizing expenses when the services are performed.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Arapahoe Community College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 3,153,174	$ 2,571,604	$ 121,063	$ 425,010	$ 35,497
Supplementals	-	-	-	-	-
Transfers	-	-	-	-	-
Total appropriations	3,153,174	2,571,604	121,063	425,010	35,497
Less expenditures	3,139,980	2,564,228	119,863	425,010	30,879
Reversions to state general fund	$ 13,194	$ 7,376	$ 1,200	$ -	$ 4,618

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Community College of Aurora				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 3,479,210	$ 2,984,592	$ 111,349	$ 367,475	$ 15,794
Supplementals	(15,794)	-	-	-	(15,794)
Transfers	-	-	-	-	-
Total appropriations	3,463,416	2,984,592	111,349	367,475	-
Less expenditures	3,463,416	2,984,592	111,349	367,475	-
Reversions to state general fund	$ -	$ -	$ -	$ -	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Community College of Denver				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 5,605,566	$ 4,535,821	$ 164,390	$ 890,512	$ 14,843
Supplementals	45,358	95,358	-	(50,000)	-
Transfers	-	-	-	-	-
Total appropriations	5,650,924	4,631,179	164,390	840,512	14,843
Less expenditures	5,650,924	4,631,179	164,390	840,512	14,843
Reversions to state general fund	$ -	$ -	$ -	$ -	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Colorado Northwestern Community College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 441,423	$ 339,321	$ 16,831	$ 82,735	$ 2,536
Supplementals	(2,536)	-	-	-	(2,536)
Transfers	-	-	-	-	-
Total appropriations	438,887	339,321	16,831	82,735	-
Less expenditures	438,887	339,321	16,831	82,735	-
Reversions to state general fund	$ -	$ -	$ -	$ -	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System
State-Funded Student Financial Assistance Programs
Schedule of Allocations, Expenditures, Transfers and Reversions
Year Ended June 30, 2018

	Front Range Community College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 9,190,992	$ 7,670,262	$ 318,399	$ 1,114,275	$ 88,056
Supplementals	108,805	130,500	-	(30,500)	8,805
Transfers	-	-	-	-	-
Total appropriations	9,299,797	7,800,762	318,399	1,083,775	96,861
Less expenditures	9,299,797	7,800,762	318,399	1,083,775	96,861
Reversions to state general fund	$ -	$ -	$ -	$ -	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Lamar Community College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 543,964	$ 401,189	$ 16,348	$ 124,578	$ 1,849
Supplementals	-	-	-	-	-
Transfers	-	-	-	-	-
Total appropriations	543,964	401,189	16,348	124,578	1,849
Less expenditures	533,542	401,189	12,000	118,504	1,849
Reversions to state general fund	$ 10,422	$ -	$ 4,348	$ 6,074	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System
State-Funded Student Financial Assistance Programs
Schedule of Allocations, Expenditures, Transfers and Reversions
Year Ended June 30, 2018

	Morgan Community College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 728,970	$ 562,877	$ 20,412	$ 138,286	$ 7,395
Supplementals	-	-	-	-	-
Transfers	-	2,032	-	(2,032)	-
Total appropriations	728,970	564,909	20,412	136,254	7,395
Less expenditures	728,970	564,909	20,412	136,254	7,395
Reversions to state general fund	$ -	$ -	$ -	$ -	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Northeastern Junior College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 979,869	$ 747,233	$ 35,723	$ 189,201	$ 7,712
Supplementals	97,215	74,723	3,572	18,920	-
Transfers	-	-	-	-	-
Total appropriations	1,077,084	821,956	39,295	208,121	7,712
Less expenditures	1,077,084	821,956	39,295	208,121	7,712
Reversions to state general fund	$ -	$ -	$ -	$ -	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Otero Junior College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 992,697	$ 731,153	$ 31,873	$ 220,533	$ 9,138
Supplementals	-	-	-	-	-
Transfers	-	-	-	-	-
Total appropriations	992,697	731,153	31,873	220,533	9,138
Less expenditures	992,697	731,153	31,873	220,533	9,138
Reversions to state general fund	$ -	$ -	$ -	$ -	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Pikes Peak Community College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 9,723,866	$ 8,306,178	$ 296,924	$ 1,070,107	$ 50,657
Supplementals	(29,645)	-	-	-	(29,645)
Transfers	-	107,010	-	(107,010)	-
Total appropriations	9,694,221	8,413,188	296,924	963,097	21,012
Less expenditures	9,694,221	8,413,188	296,924	963,097	21,012
Reversions to state general fund	$ -	$ -	$ -	$ -	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Pueblo Community College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 5,198,202	$ 4,207,442	$ 136,180	$ 786,016	$ 68,564
Supplementals	30,000	-	-	30,000	-
Transfers	-	-	-	-	-
Total appropriations	5,228,202	4,207,442	136,180	816,016	68,564
Less expenditures	5,228,202	4,207,442	136,180	816,016	68,564
Reversions to state general fund	$ -	$ -	$ -	$ -	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Red Rocks Community College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 3,892,345	$ 3,266,798	$ 126,256	$ 440,182	$ 59,109
Supplementals	5,910	-	-	-	5,910
Transfers	-	-	-	-	-
Total appropriations	3,898,255	3,266,798	126,256	440,182	65,019
Less expenditures	3,898,040	3,266,798	126,256	439,967	65,019
Reversions to state general fund	$ 215	$ -	$ -	$ 215	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

Colorado Community College System

State-Funded Student Financial Assistance Programs

Schedule of Allocations, Expenditures, Transfers and Reversions

Year Ended June 30, 2018

	Trinidad State Junior College				
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Undergraduate Merit Scholarships	Colorado Work-Study	CTE Student Grant
Appropriations					
Original	$ 1,410,265	$ 1,004,001	$ 34,302	$ 363,035	$ 8,927
Supplementals	(28,651)	-	-	(20,688)	(7,963)
Transfers	-	-	-	-	-
Total appropriations	1,381,614	1,004,001	34,302	342,347	964
Less expenditures	1,355,016	1,004,001	34,302	315,749	964
Reversions to state general fund	$ 26,598	$ -	$ -	$ 26,598	$ -

See accompanying notes to statement of appropriations, expenditures, transfers and reversions.

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Independent Auditor's Report on Compliance For Each State-Funded Student Assistance Programs and Report on Internal Control Over Compliance

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

Report on Compliance for Each State Funded Student Assistance Program

We have audited the Community College System's (the System) compliance with the types of compliance requirements described in the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid,* issued by the Colorado Department of Higher Education (CDHE) and System policies that could have a direct and material effect on each of the System's state-funded student financial assistance programs for the year ended June 30, 2018. The System's state-funded student financial assistance programs are identified in the accompanying statement of allocations, expenditures, transfers and reversions.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, terms and conditions of its state awards and System policies applicable to its state-funded student financial assistance programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the System's state-funded student financial assistance programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid,* issued by the CDHE. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state-funded student financial assistance program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state-funded student financial assistance program. However, our audit does not provide a legal determination of the System's compliance with those requirements.

Opinion on Each State-Funded Student Financial Assistance Program

In our opinion, the System complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its state-funded student financial assistance programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above and System policies applicable to state-funded student financial assistance programs. In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on each state-funded student financial assistance program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the audit requirements of the CDHE, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state-funded student financial assistance program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state-funded student financial assistance program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state-funded student financial assistance program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of CDHE and System policies. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
November 28, 2018

BKD LLP
CPAs & Advisors

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Independent Auditor's Required Communications to Those Charged with Governance

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

As part of our audit of the financial statements of the Colorado Community College System (a higher education institution of the State of Colorado) (the System) as of and for the year ended June 30, 2018, we wish to communicate the following to you.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The System's significant accounting policies are described in Note 3 of the audited financial statements.

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments and Accounting Estimates

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

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

Financial Statement Disclosures

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

- Retirement plan (note 14)
- Other postemployment benefits – PERA Healthcare Trust Fund (note 18)
- Related-party transactions (note 22)

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:
- No matters are reportable

Proposed Audit Adjustments Not Recorded
- Included on pages 120-121 is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole

Auditor's Judgments About the Quality of the System's Accounting Principles

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

- The System adopted GASB Statement No. 75, *Accounting for Postemployment Benefits Other Than Pensions*

Disagreements with Management

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

- No matters are reportable

Consultation with Other Accountants

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

- The Foundations included in the aggregate discretely presented component units are audited by other auditors. We placed reliance on the audit of the financial statements of the Foundations as of June 30, 2018, and for the year then ended. The audits of the Foundations are not audited in accordance with *Government Accounting Standards.*

Significant Issues Discussed with Management

Prior to Retention

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

- No matters are reportable

<u>During the Audit Process</u>

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

- Recording of the net OPEB liability as measured according to GASB Statement No. 75

<u>Difficulties Encountered in Performing the Audit</u>

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

- No matters are reportable

<u>Other Material Communications</u>

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

- Management representation letter

* * * * *

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

BKD, LLP

Denver, Colorado
November 28, 2018

Colorado Community College System - OSA

ATTACHMENT

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

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	352,446,084	3,306,654	355,752,738	0.94%
Non-Current Assets & Deferred Outflows	869,274,487	586,088	869,860,575	0.07%
Current Liabilities	(77,764,597)	(1,223,155)	(78,987,752)	1.57%
Non-Current Liabilities & Deferred Inflows	(2,043,732,936)		(2,043,732,936)	
Current Ratio	4.532		4.504	-0.62%

Total Assets & Deferred Outflows	1,221,720,571	3,892,742	1,225,613,313	0.32%
Total Liabilities & Deferred Inflows	(2,121,497,533)	(1,223,155)	(2,122,720,688)	0.06%
Total Net Position	899,776,962	(2,669,587)	897,107,375	-0.30%

Operating Revenues	(471,752,653)	(978,524)	(472,731,177)	0.21%
Operating Expenses	993,953,549	939,322	994,892,871	0.09%
Nonoperating (Revenues) Exp	(156,448,447)	(3,204,493)	(159,652,940)	2.05%
Change in Net Position	(365,752,449)	(3,243,695)	(368,996,144)	0.89%

Client: Colorado Community College System - OSA
Period Ending: June 30, 2018

Major Enterprise Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows: *Current* DR (CR)	Assets & Deferred Outflows: *Non-Current* DR (CR)	Liabilities & Deferred Inflows: *Current* DR (CR)	Liabilities & Deferred Inflows: *Non-Current* DR (CR)	Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating (Revenues) Exp DR (CR)	Net Position DR (CR)	Net Effect on Following Year: *Change in Net Position* DR (CR)	Net Effect on Following Year: *Net Position* DR (CR)
To reverse the prior year accrual to record the effect of the under accrual of the compensated absence payable due to campuses not using the proper PERA percentages (systemwide)		F	0	0	0	0	0	0	(574,108)	574,108	0	0
	Beginning net position									574,108		0
	Expense								(574,108)		0	
To show the effect of the error in netting the insurance proceeds against current year expenses for roof wind damage at PPCC.		F	0	0	0	0	0	1,011,620	(1,011,620)	0	0	0
	Expense							1,011,620				
	Nonoperating revenue								(1,011,620)			
To show effect of CCCS early adopting GASB 89 which eliminates the requirement to capitalize interest; however the state has not early adopted (systemwide).		J	0	864,434	0	0	0	(864,434)	0	0	0	0
	Capital Asset - Construction in Process			864,434								
	Interest Expense							(864,434)				
To show effect of expenditures relating to capital assets improperly excluded from accrual in FY18 (ACC/FRCC)		F	0	431,019	(431,019)	0	0	0	0	0	0	0
	Capital Asset			431,019								
	Accounts Payable				(431,019)							
To show effect of reclassification of Private Donations from other operating revenues to "Non-operating Gifts" (systemwide)		F	0	0	0	0	1,072,276	0	(1,072,276)	0	0	0
	Other Operating Revenue						1,072,276					
	Non-operating Gifts								(1,072,276)			
To show effect of entries waived by the campuses for invoices received after year end which should have been acccrued and paid (Systemwide)		F	0	0	(792,136)	0	0	792,136	0	0	(792,136)	792,136
	Accounts Payable				(792,136)							792,136
	Expense							792,136			(792,136)	
To record estimated contingency for roof replacement due to hail damage at PPCC		J	3,640,000	(709,365)	0	0	0	0	(2,930,635)	0	0	0
	Receivable		3,640,000									
	Impairment loss								709,365			
	Capital Assets			(709,365)								
	Insurance Recovery								(3,640,000)			

To show effect for the portion of scholarship allowance that was not reclassified to offset capital fee revenues		F	0	0	0	0	(2,050,800)	0	2,050,800	0	0	0
	Tuition and Fee Revenue						(2,050,800)					
	Capital Fee Revenue								2,050,800			
To correct the overstatement of Pell receivable for expenditures relating to FY19 (ACC)		F	(333,346)	0	0	0	0	0	333,346	0	(333,346)	333,346
	Accounts Receivable - Due from other gov		(333,346)									333,346
	Federal Pell Grants								333,346		(333,346)	
Total passed adjustments			3,306,654	586,088	(1,223,155)	0	(978,524)	939,322	(3,204,493)	574,108	(1,125,482)	1,125,482
							Impact on Change in Net Position			**(3,243,695)**		
							Impact on Net Position			**(2,669,587)**		