

COLORADO MOUNTAIN COLLEGE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

**COLORADO MOUNTAIN COLLEGE
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Mountain College
Glenwood Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Colorado Mountain College (the College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of a Matter

Implementation of GASB Statement No. 75

During fiscal year ended June 30, 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, the College reported a restatement for the change in accounting principle (see Note 1). As of July 1, 2017, the College's net position was restated to reflect the impact of this adoption. Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions and Related Ratios, the Schedule of Proportionate Share of the Net OPEB Liability, the Schedule of OPEB Contributions and Related Ratios, and the Schedule of Changes in Total OPEB Liability and Related Ratios 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Actual to Budget Comparison Schedule – Collegewide and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Actual to Budget Comparison Schedule – Collegewide and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, on our consideration of the College'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 result of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 30, 2019

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Following is a discussion of Colorado Mountain College's (the College or CMC) financial performance for the fiscal year ended June 30, 2018. It should be read in conjunction with the College's financial statements, which begin on page 17.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- The College is nearing completion of its current strategic plan, Reaching New Heights and has met or exceeded nearly all of the objectives articulated in the plan. These achievements provide a substantial foundation upon which to update the College's strategic plan for 2019 - 2023. The new plan, Reaching Greater Heights, was presented to the CMC Board of Trustees for approval and finalized in October 2018.
- In response to volatility in local revenues and increasing costs associated with the state's retirement plan (PERA), the College was able to add an additional defined contribution retirement plan for new employees. The new plan is more flexible and portable while significantly lowering college expenditures.
- The College is phasing out its voluntary early retirement program over the period 2014 - 2019. A liability of \$1.8 million remains at June 30, 2018.
- After a two-year pilot by the Steamboat campus, the Trustees approved the college-wide adoption of a textbook direct-delivery option for students as part of an innovative and cost-effective strategy. The 2018 Summer Semester was the official launch college-wide.
- The increased usage of WebEx has expanded the College's abilities to offer courses at every location, including bachelor's-level courses and hard-to-fill sections, and is influencing the design of college facilities, many of which are now featuring smaller "self-serve" rooms in which small groups of students can participate in WebEx courses.
- In 2018, the entire CMC external website was redesigned and launched.
- IT infrastructure was significantly enhanced to include redundant broadband networks into each campus, expansion of broadband connectivity (between 500 megabytes to 1 gigabyte at each campus), and Wi-Fi circuits expanded throughout campus buildings (including residence halls). By 2018, nearly all of the non-personnel recommendations proposed in the IT Master Plan have been implemented.
- The Assessment Director position was vacated in 2015 and not filled until 2018 due to back-to-back-to-back failed searches. The position was filled in May 2018. A college-wide assessment plan will commence immediately.
- As part of the Academic Affairs redesign, the College adopted procedures for assigning faculty college-wide, which will allow the College to locate instructional expertise at campuses according to programmatic criticality across its service area. The College also completed the hiring process for seven Academic Deans and one Dean of Academic Support, all of whom officially began work by July 2018.

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

- The College entered into a long-term agreement with Ruffalo Noel Levitz, a premier enrollment strategy consulting firm. This contract will result in new plans for stabilizing enrollments, strengthening certain programs and campuses, re-thinking retention strategies, and improving the effectiveness of institutional and foundation financial aid.
- Overall enrollment between 2014-18 was stable in spite of changes to CMC's tuition structures and historically low unemployment rates, especially in comparison to other open-access institutions in Colorado. CMC Overall Enrollment (unduplicated headcount, credit) only dropped from 5,893 to 5,806 (-1.5%) while only two of ten comparison schools in Colorado fared better.
- Total number of degrees and certificates awarded increased from 1,122 to 1,131 (+1%) between 2014 and 2017. Overall retention improved from 53% to 55% during this time.
- The past four years have yielded targeted enrollment growth, including Concurrent Enrollment growth of 45% and Hispanic enrollment growth of 18.3%. Additionally, the Hispanic student completion rate is now at 29%, which is 2% above the national average.
- Morgridge Commons, the largest community convening facility on the Western Slope outside of Grand Junction, officially opened in February 2018. The space hosted over 400 events reaching over 10,000 attendees in this partial first year.
- In 2017, the College entered into a unique lease-purchase arrangement with the Town of Breckenridge to secure 20 affordable apartments (with an option for an additional 10) for CMC students and faculty/staff. In 2018, the board authorized the purchase of 30 units.
- The Spring Valley campus is now developing and/or remodeling three buildings, all of which will enhance opportunities for the community's use of and interactions with the campus. The College is actively exploring expanding its Aspen campus, which would bring numerous and collaborative community benefits, including affordable housing.
- Following a comprehensive evaluation of campus safety and security, the College implemented substantial capital improvements intended to better "harden" and secure campus facilities. Many additional improvements are planned for the upcoming year.
- In 2017, the College took a leadership role in the state regarding the problems associated with an amendment to the Colorado Constitution (Gallagher). Though unsuccessful at the ballot box in 2017, the College's efforts were lauded by numerous rural communities and helped elevate a conversation that has reached the highest levels of state government. The College is once again on the ballot for November 2018 for this same issue.
- In 2018, CMC introduced legislation (HB 18-1366) authorizing the Board of Trustees to enter into long-term lease-purchase arrangements. This change will allow the College to use its physical assets, such as land, as collateral for public-private partnerships for new facilities such as housing and conference facilities. The bill passed unanimously.
- The College adjusted the net pension liability to reflect the College's share of the overall plan liability (as provided by Colorado's Public Employee Retirement Association (PERA)). For 2017-18 the required pension expense recognized was \$37.6 million and the net pension liability increased by \$8.4 million.

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows represent the activities of the College as a whole, with all operating funds combined into one statement.

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

- Independent Auditors' Report, which presents an unmodified opinion prepared by our auditors, CliftonLarsonAllen LLP, an independent certified public accounting firm, on the fairness, in all material respects, of our financial statements.
- Statement of Net Position, which presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College at June 30, 2018. Its purpose is to present a financial snapshot of the College. It aids readers in determining the assets available to continue College operations; how much the College owes to employees, vendors and creditors; and a picture of net position and their availability for expenditure by the College.
- Statement of Revenues, Expenses and Changes in Net Position, which presents the total revenues, earned and expenses incurred by the College for operating, nonoperating and other related activities during the fiscal year ended June 30, 2018. Its purpose is to assess the College's operating and nonoperating activities.
- Statement of Cash Flows, which presents the cash receipts and disbursements of the College for the fiscal year ended June 30, 2018. Its purpose is to assess the College's ability to generate net cash flows to meet its obligations as they come due.
- Notes to the Financial Statements, which present additional information to support the financial statements and are commonly referred to as "Notes". Their purpose is to clarify and expand on the information in the financial statements.
- Required Supplementary Information, which presents this Management's Discussion and Analysis, and schedules providing additional net pension liability and OPEB information as required by the Governmental Accounting Standards Board.

Reporting the College as a Whole

The analysis shows the financial activity of the College as a whole (all funds combined) and begins on page 17. The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. This means that regardless of which fund it was recorded in, it is included in these reports. All of the current year's revenue and expenses are also taken into account, regardless of the fund they are recorded in.

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

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

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

Enrollment Highlights

For FY2017-18, the College increased tuition rates slightly, as seen in the chart below. The Board of Trustees is considering a five-year tuition plan in support of the strategic enrollment management plan. The College has identified enrollment growth as a strategic priority and will weigh this with tuition rates when making recommendations on tuition rates each year.

Associate degree tuition rates from 2013-14 to 2017-18:

Tuition Category	2013-14 Rate/Credit Hr.	2014-15 Rate/Credit Hr.	2015-16 Rate/Credit Hr.	2016-17 Rate/Credit Hr.	2017-18 Rate/Credit Hr.
In-District	\$ 56.00	\$ 57.00	\$ 57.00	\$ 62.00	\$ 65.00
In-State	\$ 95.00	\$ 101.50	\$ 107.00	\$ 127.00	\$ 147.00
Out of State	\$ 299.00	\$ 317.00	\$ 373.00	\$ 429.00	\$ 440.00
Service Area	N/A	\$ 97.00	\$ 103.00	\$ 123.00	\$ 143.00
Industry Rate	\$ 101.00	\$ 112.00	\$ 119.00	\$ 127.00	\$ 147.00

Bachelor degree tuition rates from 2013-14 to 2017-18:

Tuition Category	2013-14 Rate/Credit Hr.	2014-15 Rate/Credit Hr.	2015-16 Rate/Credit Hr.	2016-17 Rate/Credit Hr.	2017-18 Rate/Credit Hr.
In-District	\$ 95.00	\$ 99.00	\$ 99.00	\$ 99.00	\$ 99.00
In-State	\$ 200.00	\$ 212.00	\$ 212.00	\$ 212.00	\$ 212.00
Out of State	\$ 405.00	\$ 429.00	\$ 429.00	\$ 429.00	\$ 440.00
Service Area	N/A	\$ 205.00	\$ 205.00	\$ 205.00	\$ 205.00

Credit enrollments for FY2017-18 ended 0.7% higher than the prior year, with Bachelor's enrollments up 3.6%. Additionally, net tuition revenue was less than budgeted due to a continued shift in the mix of students (fewer out of state students) while the use of tuition discounts leveled out. The net tuition revenue ended approximately \$0.9 million less than budget for the year. Residency mix within the student base is an important financial consideration for the College. The in-district associate-level students now account for over 75% of the student population and contribute 38.5% of the tuition revenue, while the out-of-state associate-level students account for less than 9% of the student population and contribute 31.3% of the tuition revenue. This proportional decrease of out-of-state students in FY2017-18 negatively impacted total tuition revenue.

Noncredit courses are offered as lifelong learning opportunities for the community and do not count towards a student degree or certificate. These enrollments (noncredit and ESL) decreased overall in FY2017-18. When all types of student FTE are combined, there is a 1.5% total decrease over the prior year. As the economy recovers, the College anticipates these noncredit enrollments will begin to increase in the coming years. Nevertheless, enrollments at CMC are considered stronger than most peer institutions.

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Enrollments are generally measured in full time equivalents (FTE) where a full time student is counted as taking 30 credit hours per year. Following is an enrollment comparison with last year:

FTE Category	2016-17 Actual	2017-18 Actual
Credit FTE	3,619.52	3,646.12
Noncredit FTE	370.55	364.30
ESL FTE	286.37	203.39
Total	4,276.43	4,213.80

Net Position

The College's net position is \$39,744,180 at June 30, 2018, reflecting a decrease of \$34,254,244 from last year, due mainly to non-cash entries. Total current assets increased by \$1.9 million due mostly to higher cash balances while total noncurrent assets decreased by \$0.4 million with changes in depreciable values of capital assets. All assets combined increased \$1.5 million over last year.

A number of capital projects were started during FY2017-18 but are not complete, and thus are reflected in the Construction in Progress totals. The Construction in Progress projects from the prior year were completed and capitalized into the appropriate capital asset category and annual depreciation recorded. The net impact of these transactions along with equipment inventory adjustments was a \$0.3 million increase in net capital assets. Other assets, which include cash, investments and accounts receivable, saw a \$1.2 million increase overall. The College's investment in large capital projects is beginning to ramp up as the Board of Trustees is in the process of finalizing a long-term facilities master plan in accordance with the strategic plan. This plan will outline new construction plans in the near-term, mid-term and long-term and guide investment in capital projects for the next 10 years. The cash and investments balances in the Other Assets category has built up while construction has been slow and will help support the long-term capital plan the Board approves.

GASB 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 implemented during FY2014-15, establishes accounting and financial reporting standards for governments that provide their employees' pension benefits. The College participates in Colorado Public Employee Retirement Association (PERA), a cost-sharing pension plan. GASB 68 requires each employer involved in a cost-sharing pension plan, such as PERA, to report their proportionate share of the total unfunded net pension liability and expense of the plan. Having employers record their share of the unfunded liability provides transparency to financial statement users as to the entire net pension liability and pension expense of the cost-sharing plan. GASB 68 also requires an annual adjustment to the pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions, based on the change in the College's portion of the total Colorado's PERA liability and the changes in actuarial assumptions used to value the overall PERA plan liability. These changes for FY2017-18 resulted in an increase to the College's portion of the liability in the amount of \$8.4 million or a total liability of \$177,361,268 at June 30, 2018. The pension expense is reflected in the Operating Expenses section of the Statement of Revenues, Expenses and Changes in Net Position, and is allocated proportionately to the functional areas by percentage of salary. The actual cost of operations, without this expense, is displayed in the far right column below:

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Operating Expenses	Financial Statement Presentation	Remove Pension Expense*	Actual Operating Expenses
Instruction	\$ 44,382,925	\$ (17,219,526)	\$ 27,163,399
Community Service	1,472,757	(453,272)	1,019,485
Academic Support	5,685,799	(1,766,047)	3,919,752
Student Services	10,353,033	(3,649,794)	6,703,239
Institutional Support	23,538,312	(6,601,962)	16,936,350
Operation and Maintenance of Plant	8,834,237	(1,760,006)	7,074,231
Scholarships	4,072,697	-	4,072,697
Auxiliary Enterprises	9,799,472	(1,291,837)	8,507,635
Depreciation	3,895,160	-	3,895,160
Total Operating Expenses	\$ 112,034,392	\$ (32,742,444)	\$ 79,291,948

*Note: the removed amount shown here is the difference between pension expense and contributions made to PERA related to the defined benefit pension plan during the year.

New for FY2017-18, GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), is now reflected in the financial statements. Eligible employees of the College are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer other postemployment benefit (OPEB) plan administered by PERA. The PERA Board has the authority 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. More details concerning GASB 68 and 75 are provided in the notes to these financial statements.

In addition to the pension and OPEB liabilities, the College is phasing out an optional early retirement program. This year the liability was reduced by approximately \$708,000, leaving a balance payable of \$1,839,056 for the final year.

Long-term debt owed by the College in the form of Certificates of Participation issued for \$26,775,000, with a balance of \$26,080,000 remaining at June 30, 2018.

Overall, current liabilities increased \$803,000 year over year. Noncurrent liabilities, including the pension and retirement liabilities, increased \$10.5 million year over year as described above. All liabilities combined increased \$11.3 million this year driven primarily by the required pension liability entry.

Restricted net position includes the required legal emergency reserve in compliance with the TABOR amendment, grant funds and loan funds, and the certificates of deposits held as collateral in the down payment assistance program.

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

The following table breaks the net position down further:

**Table 1
Net Position**

	<u>2018</u>	<u>2017</u>
Capital Assets, Net	\$ 136,420,400	\$ 136,093,451
Other Assets	98,766,789	97,561,607
Total Assets	<u>235,187,189</u>	<u>233,655,058</u>
Deferred Outflows of Resources	<u>36,022,287</u>	<u>52,899,278</u>
Long-Term Liabilities	209,300,639	198,820,222
Other Liabilities	11,282,232	10,479,617
Total Liabilities	<u>220,582,871</u>	<u>209,299,839</u>
Deferred Inflows of Resources Related to Pensions	<u>10,882,425</u>	<u>3,256,073</u>
Net Investment in Capital Assets	125,705,534	126,364,551
Restricted Net Position	2,770,405	2,560,178
Unrestricted Net Position	<u>(88,731,759)</u>	<u>(54,926,305)</u>
Total Net Position	<u>\$ 39,744,180</u>	<u>\$ 73,998,424</u>

The College has a deficit unrestricted net position as of June 30, 2018 due to the net pension liability totaling \$177.4 million and the net OPEB liability totaling \$4.7 million. The College has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA. Unrestricted net position strictly from "University Operations" would be a surplus of approximately \$65.3 million as detailed in Note 10. A Board of Trustee initiative requires the College to carry a reserve for the purpose of backfilling revenues if they decline, equal to 15% of the total operating revenue budget. Additional reserves are established to support specific initiatives and contribute to net position of the College.

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Following is a recap of the change in net position:

**Table 2
Change in Net Position**

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Tuition and Fees, Net	\$ 8,502,427	\$ 8,679,782
Federal, State, Private Grants and Contracts	5,404,272	6,937,219
Auxiliary Enterprises	8,319,833	7,612,652
Other	1,370,691	1,772,517
Total Operating Revenue	<u>23,597,223</u>	<u>25,002,170</u>
Nonoperating Revenue		
State Appropriations	7,319,484	7,143,039
Federal Nonoperating	3,796,905	3,494,465
Property Taxes	46,292,234	44,884,062
Investment Income	1,347,864	954,954
Gifts	837,038	
Unrealized Gain (Loss) on Investments	(728,398)	(1,143,376)
Gain in Disposition of Capital Assets	-	18,390
Total Nonoperating Revenue	<u>58,865,127</u>	<u>55,351,534</u>
Capital Contributions	<u>674,888</u>	<u>645,790</u>
Total Revenues	<u>\$ 83,137,238</u>	<u>\$ 80,999,494</u>
Operating Expenses		
Instruction	\$ 44,382,925	\$ 40,546,535
Community Service	1,472,757	1,827,561
Academic Support	5,685,799	4,807,154
Student Services	10,353,033	10,025,243
Institutional Support	23,538,312	23,754,274
Operation and Maintenance of Plant	8,834,237	9,152,169
Scholarships	4,072,697	3,698,592
Auxiliary Enterprises	9,799,472	8,234,652
Depreciation	3,895,160	3,928,153
Total Operating Expenses	<u>112,034,392</u>	<u>105,974,333</u>
Nonoperating Expenses		
Interest Expense on Capital Debt	1,050,429	441,965
Amortization of Prepaid		
Bond Insurance	18,426	307,476
Total Nonoperating Expenses	<u>1,068,855</u>	<u>749,441</u>
Total Expenses	<u>\$ 113,103,247</u>	<u>\$ 106,723,774</u>
Restatement due to Change in Accounting Principle	\$ (4,288,235)	\$ -
Change in Net Position	<u>\$ (34,254,244)</u>	<u>\$ (25,724,280)</u>

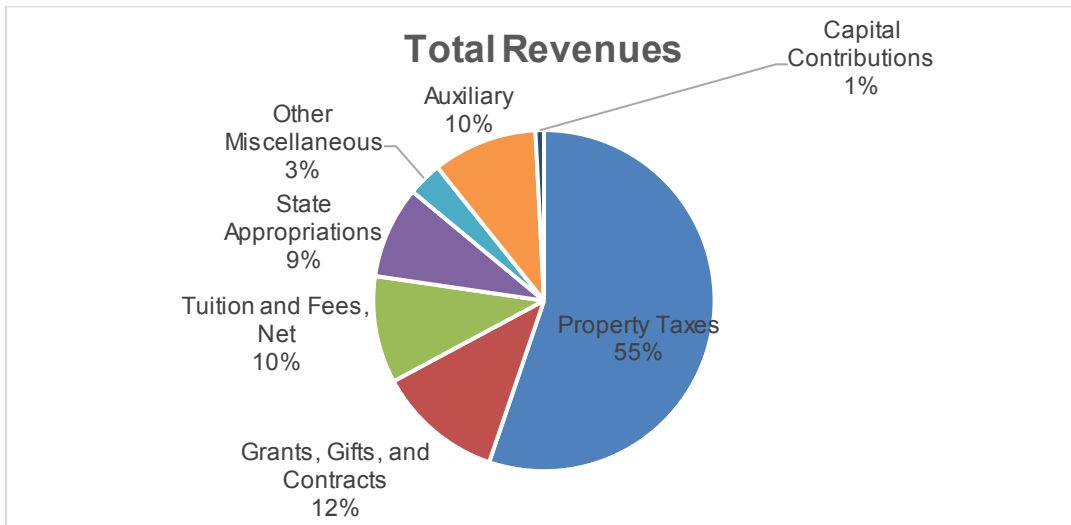
**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Revenues

The College experienced an increase in total revenues over last year in the amount of \$2.1 million. This is attributed mostly to an increase in property taxes values. Property tax revenues lag 18 months due to the timing of valuations and tax bills being paid. The increase in values were offset by changes in the residential assessment rate due to the Gallagher Amendment. The state support increased by 2.5% and represents the average percentage received by all institutions of higher education and reflects the stabilizing economy at the state level. Tuition also remained steady due to rate increases being offset by a change in residency mix.

Nonoperating income related to investments shows a noticeable improvement in investment income and a slower decrease in noncash market values of investment accounts. Generally accepted accounting principles require that investment accounts be marked to market values each year which can, depending on the markets, be significant in any given year.

The following graph depicts total revenue of the College:



Revenues from all sources total \$83,137,238, with \$23,597,223, or 28.5%, generated from operating revenues and \$59,540,015, or 71.6%, from nonoperating revenues and capital contributions.

Property taxes, which account for 56% of the total revenues, are classified as nonoperating revenue in accordance with generally accepted accounting principles.

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Expenses

Overall expenses have increased by \$6.4 million from the prior year, the result of a variety of noncash transactions during the year. However, regular operating expenditures in the general fund were \$6.2 million less than budget as the College experienced large salary savings due to vacancies and retirements, and college staff focused on maintaining good stewardship over taxpayer dollars. More than offsetting these savings in expenses was the recording of the pension liability in conjunction with GASB 68. The additional annual expense recorded to reflect the College's portion of the PERA pension liability (required by GASB 68) is \$32.7 million this year, compared with \$28.1 million last year.

The large salary savings referred to above reflects the challenges the College is facing in recruiting and retaining talented staff and faculty, while phasing out the early retirement plan. The high cost of living and high cost of housing in the college service area is a challenge for employees.

Cash Flows

The Statement of Cash Flows provides information concerning the cash receipts and disbursements during the fiscal year.

The main sources of cash received from operations are tuition and fees, grants and contracts, and auxiliary operations. The majority of cash payments are for salaries to employees and payments to suppliers.

Property tax and state revenues are not considered cash from operations; however, in combination, they provide the majority of the cash received for the College, representing 56% of revenue.

Net cash used by operating activities increased \$681,957 from 2016-17 to 2017-18. This is the net result of increases in both cash received and cash payments. The large contributing factors are sales and services of auxiliary enterprises, and other operating receipts on the cash received side; and decreases in payments to suppliers being offset by increases in payments to employees and payments for auxiliary enterprises on the cash payments side. Sales and services of auxiliary enterprises account for an over \$0.6 million increase in cash received, with an additional \$0.9 million from operating receipts. The most notable change in cash flows from financing activities is that there was no new proceeds from the capital debt issues in early 2017. Overall cash and cash equivalents, from both operations and non-operations, increased by \$4.7 million over the prior year. More detail can be found in the Statement of Cash Flows.

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS AND DEBT

Capital Assets

At June 30, 2018, the College had \$136,420,400 invested in capital assets, net of depreciation, consisting of buildings, land, land improvements, equipment, infrastructure, library materials and construction in progress. Following is a breakdown of those assets:

**Table 5
Capital Assets at Year End
Net of Depreciation**

	2018	2017
Land	\$ 13,524,612	\$ 13,524,612
Library Materials	605,949	617,160
Construction in Progress	2,854,496	3,473,802
Land Improvements	1,411,625	1,496,248
Buildings	111,242,917	110,036,071
Equipment and Software	2,039,154	2,026,811
Infrastructure	4,339,762	4,515,674
Other Fixed Assets	401,885	403,073
Total Capital Assets	\$ 136,420,400	\$ 136,093,451

Depreciation expense of \$3,895,160 was recorded during FY2017-18. Six projects at multiple campuses comprise the construction in progress total. These projects were started in FY2017-18 but will not be complete until 2018-19. They include Steamboat residence hall wing remodels, the build out of repurposed space at the central administrative offices, a new Dillon ADA ramp with remodel, and the Spring Valley capital project. The Board of Trustees and College leadership are developing a new long-term capital plan to cover the next 10 years, but has committed to two new buildings, one building remodel, and extensive site improvements at the Spring Valley Campus. The net change, after additions, deletions, and depreciation is an increase in capital assets of \$326,949.

Debt

The College has one debt issue outstanding, which is certificates of participation (COPs) issued in 2017 for the purpose of refunding the 2007 COPs and funding improvements on the Spring Valley campus, the Aspen campus, and other capital facilities of the College designated by the Board. The COPs were issued for \$26,775,000, with a premium of \$999,118, and the outstanding principal balance at June 30, 2018 is \$26,080,000. The bonds are scheduled to be paid off in FY2047.

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

COLORADO MOUNTAIN COLLEGE FOUNDATION

The Colorado Mountain College Foundation (the Foundation) is a discretely presented component unit of the College. The Foundation's primary purpose is to fundraise to help support College initiatives and student scholarships. The Foundation's financial statements have been audited by Kundinger, Corder & Engle, P.C. an audit firm, different than the College's audit firm. The Foundation's financial statements are included in the basic financial statements in accordance with generally accepted accounting principles.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In spite of challenges in the state's fiscal environment, and because of sound management decisions and careful stewardship of public resources, the College's financial standing is stronger today than it was five years ago. According to Moody's, the College's financial soundness is now comparable to larger and more mature institutions across the state.

The primary revenue source for the College is property tax, supplying 56% of the College's budgeted revenue. The economic recovery over the past few years has positively impacted housing and business property valuations, which, in turn, has begun to be realized in the College's revenues. A large portion of the property tax received by the College comes from oil and gas in western Garfield County. Gas production took a large dip in FY2016-17 with a number of companies exiting the region, and a much smaller dip occurred during FY2017-18. There are now signs of a very slow recovery over the next several years.

Overall enrollments have been relatively flat for the past few years due to the economic recovery. This demonstrates the college's stability in spite of the strongest economy in the state's history (strong economies usually result in declining enrollments at access institutions). Importantly, following expected trends, the college's enrollments are strongest among local students; non-resident numbers continue to decline, which is not surprising or unexpected. Recent changes to the college's tuition rates will offset some of the volatility caused by fluctuating enrollment mixes. Note: high school graduations across the nation are in decline, creating intense competition for out-of-state students, especially for states with large declines in high school students. CMC's plan to focus on local students is a strong buffer against this impending decline in non-resident enrollments. Unfortunately, many colleges throughout the nation are already struggling with these new realities, and closures, consolidations, and cutbacks have become common in states like New York, Ohio, Wisconsin, and Pennsylvania.

With the improving economy, the State of Colorado continues experiencing a recovery in revenue. Colorado ranks particularly high compared to other states, thanks in part to low unemployment and strong growth in personal income. While the College received a 2.5% increase in state revenues for FY2017-18, it was granted an 8.95% increase in state revenues for FY2018-19, plus a one-time additional increase of 2%.

Given the current state laws, such as TABOR, the state is challenged in its ability to retain all of the revenue it receives. Furthermore, the Gallagher Amendment requires periodic rebalancing of residential and commercial property taxes by lowering statewide residential assessment rates; commercial assessment rates remain fixed according to the state's constitution. As a result of recent dramatic growth on the Front Range, the College experienced significant reductions in residential assessment rates for 2017, with additional reductions likely in 2019. It is unknown whether increases in value will be enough to offset the declining assessment rates in the future.

**COLORADO MOUNTAIN COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

For FY2018-19, the College will continue its commitment to technology upgrades, classroom equipment upgrades, deferred maintenance on buildings, sustainability initiatives, and a few major capital projects. A total of \$3.8 million is budgeted for these investments next year. The College developed a five-year IT Master Plan in conjunction with the Strategic Plan and is working with the Board of Trustees in developing a long-term Facilities Master Plan. The Facilities Master Plan will guide the capital budget over the next five to ten years.

ACCREDITATION

AQIP (Academic Quality Improvement Process) was the College's method of accreditation through 2018. Due to changes within the Higher Learning Commission (HLC), the College will be transitioned to the Standard Pathways until 2023-24 when the College will submit an assurance argument (self-study). The most recent System Portfolio Report was submitted on June 4, 2018 and the College received feedback from HLC regarding the College's strengths and opportunities for improvement. Specifically, strengths in the mission, vision and values; ethics and integrity; and quality of faculty and staff. Areas of improvement include how we use data, program review, and assessment of student learning outcomes. A focused peer review visit will take place in 2019-20, and the Institutional Actions Council has extended CMC's accreditation through 2023-24.

CONTACTING THE COLLEGE

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

**COLORADO MOUNTAIN COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 54,782,572
Restricted Cash and Cash Equivalents	16,633,451
Property Tax Receivable, Net of Allowance of \$196,934	9,075,514
Student Accounts Receivable, Net of Allowance of \$103,000	214,079
Other Accounts Receivable	1,393,813
Inventories	68,060
Prepaid Expenses	1,607,141
Total Current Assets	83,774,630

NONCURRENT ASSETS

Restricted Cash and Cash Equivalents	132,629
Restricted Investments	26,150
Long-Term Investments	14,629,652
Other Noncurrent Assets	203,728
Nondepreciable Capital Assets	
Land	13,524,612
Other Fixed Assets	401,885
Construction in Progresss	2,854,496
Depreciable Capital Assets (Net)	
Land Improvements	1,411,625
Buildings and Improvements	111,242,917
Infrastructure	4,339,762
Equipment and Software	2,039,154
Library Materials	605,949
Total Noncurrent Assets	151,412,559
Total Assets	\$ 235,187,189

DEFERRED OUTFLOWS OF RESOURCES (NOTE 8)

\$ 36,022,287

**COLORADO MOUNTAIN COLLEGE
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2018**

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 2,821,991
Deposits Payable	176,450
Accrued Salaries	902,814
Accrued Interest Payable	437,064
Other Accrued Liabilities	1,481,999
Unearned Revenue	1,627,247
Funds Held for Others	93,172
Certificates of Participation and Capital Leases Payable	458,651
Voluntary Early Retirement Program Payable	1,839,056
Compensated Absences	1,443,788
Total Current Liabilities	11,282,232

NONCURRENT LIABILITIES

Certificates of Participation and Capital Leases Payable	26,602,130
Compensated Absences	266,212
Land Obligation Payable	411,600
Net OPEB Liability	4,659,429
Net Pension Liability (Note 8)	177,361,268
Total Noncurrent Liabilities	209,300,639
Total Liabilities	220,582,871

DEFERRED INFLOWS OF RESOURCES (NOTE 8 AND 9)

10,882,425

NET POSITION

Net Investment in Capital Assets	125,705,534
Restricted for:	
TABOR Reserve	2,430,000
Loans	28,125
Scholarships and Other - Expendable	312,280
Unrestricted	(88,731,759)
Total Net Position	\$ 39,744,180

See accompanying Notes to Financial Statements.

**COLORADO MOUNTAIN COLLEGE FOUNDATION INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

ASSETS

Cash and Cash Equivalents	\$ 1,205,396
Accounts Receivable	41,627
Contributions Receivable, Net	1,091,358
Investments	15,775,089
Cash Surrender Value of Life Insurance	33,655
Total Assets	<u>\$ 18,147,125</u>

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 167,615
Accrued Liabilities	62,918
Charitable Gift Annuity Payable	4,275
Total Liabilities	<u>234,808</u>

Net Assets:

Unrestricted	592,072
Temporarily Restricted	8,781,070
Permanently Restricted	8,539,175
Total Net Assets	<u>17,912,317</u>
Total Liabilities and Net Assets	<u>\$ 18,147,125</u>

COLORADO MOUNTAIN COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

REVENUES

Operating Revenues	
Tuition and Fees, Net of Scholarship Allowance of \$2,984,028	\$ 8,502,427
Federal, State, Private Grants, and Contracts	5,404,272
Auxiliary Enterprises	8,319,833
Other Operating Revenues	1,370,691
Total Operating Revenues	<u>23,597,223</u>

EXPENSES

Operating Expenses	
Instruction	44,382,925
Community Service	1,472,757
Academic Support	5,685,799
Student Services	10,353,033
Institutional Support	23,538,312
Operation and Maintenance of Plant	8,834,237
Student Aid	4,072,697
Auxiliary Enterprises	9,799,472
Depreciation	3,895,160
Total Operating Expenses	<u>112,034,392</u>

Operating Revenue (Loss) (88,437,169)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	7,319,484
Federal Nonoperating Revenue	3,796,905
Property Taxes	46,292,234
Investment Income	1,347,864
Gifts	837,038
Unrealized Loss on Investments	(728,398)
Amortization of Prepaid Bond Insurance	(18,426)
Interest Expense on Capital Debt	(1,050,429)
Net Nonoperating Revenues (Expenses)	<u>57,796,272</u>

Income Before Other Revenues (30,640,897)

Capital Contributions 674,888

Change in Net Position (29,966,009)

Net Position - Beginning of Year	<u>73,998,424</u>
Net Effect of Change in Accounting Principle	<u>(4,288,235)</u>
Net Position - Beginning of Year as Restated	<u>69,710,189</u>

NET POSITION - END OF YEAR \$ 39,744,180

See accompanying Notes to Financial Statements.

**COLORADO MOUNTAIN COLLEGE FOUNDATION INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND SUPPORT				
Contributions	\$ 20,647	\$ 1,734,755	\$ 243,712	\$ 1,999,114
In-Kind Contributions				
Colorado Mountain College	1,024,178	-	-	1,024,178
Other	22,899	-	-	22,899
Investment Return, Net of Investment				
Expenses	30	999,795	25,769	1,025,594
Other Income	32,726	-	-	32,726
Net Assets Released from Restrictions	2,266,228	(2,266,228)	-	-
Total Revenue, Gains and Support	<u>3,366,708</u>	<u>468,322</u>	<u>269,481</u>	<u>4,104,511</u>
EXPENSES				
Program Services:				
Scholarships	999,964	-	-	999,964
Distributions to or for the benefit of				
Colorado Mountain College	1,273,636	-	-	1,273,636
Scholarship Administration and other				
Program Expenses	174,364	-	-	174,364
Total Program Services	<u>2,447,964</u>	<u>-</u>	<u>-</u>	<u>2,447,964</u>
Supporting Services				
Management and General	536,079	-	-	536,079
Development and Fund Raising	368,939	-	-	368,939
Total Supporting Services	<u>905,018</u>	<u>-</u>	<u>-</u>	<u>905,018</u>
Total Expenses	<u>3,352,982</u>	<u>-</u>	<u>-</u>	<u>3,352,982</u>
Change in Net Assets	13,726	468,322	269,481	751,529
Net Assets - Beginning of Year	<u>578,346</u>	<u>8,312,748</u>	<u>8,269,694</u>	<u>17,160,788</u>
NET ASSETS - END OF YEAR	<u>\$ 592,072</u>	<u>\$ 8,781,070</u>	<u>\$ 8,539,175</u>	<u>\$ 17,912,317</u>

See accompanying Notes to Financial Statements.

**COLORADO MOUNTAIN COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received	
Tuition and Fees	\$ 8,474,581
Contracts and Grants (Operating Revenue)	5,738,180
Sales and Services of Auxiliary Enterprises	8,388,406
Other Operating Receipts	1,944,396
Cash Payments	
Payments to Suppliers	(11,830,183)
Payments to Employees	(50,859,063)
Payments for Auxiliary Enterprises	(9,719,542)
Scholarships Disbursed	(4,072,697)
Net Cash Provided (Used) by Operating Activities	<u>(51,935,922)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	7,319,484
Deposits Held in Custody for Others	31,587
Property Taxes	45,341,849
Federal Nonoperating Revenue	3,796,905
Direct Loan Receipts	4,629,174
Direct Loan Disbursements	(4,629,174)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>56,489,825</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Gifts and Grants for Capital Purposes	1,511,926
Acquisition or Construction of Capital Assets	(4,241,719)
Proceeds from Sale of Capital Assets	8,680
Principal Paid on Capital Debt	(762,025)
Interest Payments on Capital Debt and Leases	(722,288)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,205,426)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	3,000,144
Investment Income	1,347,864
Net Cash Provided (Used) by Investing Activities	<u>4,348,008</u>

INCREASE IN CASH AND CASH EQUIVALENTS

4,696,485

Cash and Cash Equivalents - Beginning of Year

66,852,167

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 71,548,652

See accompanying Notes to Financial Statements.

**COLORADO MOUNTAIN COLLEGE
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

**RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE
STATEMENT OF NET POSITION**

Cash and Cash Equivalents	\$ 54,782,572
Restricted Cash and Cash Equivalents - Current	16,633,451
Restricted Cash and Cash Equivalents - Noncurrent	132,629
Total Cash and Cash Equivalents	<u>\$ 71,548,652</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Loss	\$ (88,437,169)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	3,895,160
Amortization of Land Obligation Payable	(49,958)
Changes in Operating Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources	
Receivables, Net	932,387
Inventories	2,580
Prepaid Expenses	(237,471)
Pension and OPEB Related Items	33,595,711
Accounts Payable and Accrued Liabilities	(1,650,535)
Deposits Payable	(15,853)
Deferred Revenue	29,226
Net Cash Used by Operating Activities	<u>\$ (51,935,922)</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Accounts Payable Incurred for Purchase of Capital Assets	\$ 41,140
Amortization of Prepaid Bond Insurance	18,426
Unrealized Loss on Investments	728,398
Amortization of Bond Premium	33,304
Tuition Provided Under Land Obligation Agreement	49,958
Assets Acquired Through a Capital Lease	6,093

See accompanying Notes to Financial Statements.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Colorado Mountain College (the College or CMC) is a self-governing local college district with taxing authority. The College was formed in 1965 to serve post-high school education needs, including vocation and adult education.

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

As required by generally accepted accounting principles (GAAP), these financial statements present the College (primary government) and its component unit. The component unit discussed below is included in the College's reporting entity because of the significance of its operational or financial relationships with the College.

Discretely Presented Component Unit

The College's financial statements include one supporting organization as a discretely presented component unit.

Colorado Mountain College Foundation, Inc. (the Foundation) is a separate not-for-profit 501(c)(3) corporation formed to promote the welfare, development and being of the College. The Foundation is a separate legal entity with its own Board of Trustees. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the College. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. Separately issued financial statements are available by contacting the Foundation at 802 Grand Avenue, Glenwood Springs, Colorado 81601.

Basis of Accounting and Presentation

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

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

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Cash and Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018, cash and cash equivalents consisted primarily of cash on hand, demand deposits and money market funds with brokers.

Investments and Investment Income

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit are carried at cost.

Investment income consists of interest and dividend income. The unrealized gain (loss) on investments represents the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

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

Inventories

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

Property Taxes

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on February 28 and June 15, or in full on April 30. An allowance for uncollectible taxes of \$196,934 has been recorded based on an analysis of historical trends. The original January 1, 2018 levy for the College was 3.997 mills.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

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

Compensated Absences

College policies permit most employees to accumulate annual and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as annual leave benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as Medicare taxes computed using rates in effect at that date. The current portion represents estimated amounts that will be paid out within one year. Sick leave accumulates but does not vest and thus is not accrued for at year-end.

Deferred Inflows and Outflows of Resources

A deferred inflow of resources is an acquisition of net position by the College that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by the College that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

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

Budget

The Board of Trustees adopts an annual budget to authorize and control spending from the various accounting funds of the College. The 2017-18 budget was amended in June 2018. The College's expenditures for a fund may not exceed the amount budgeted. Budgets are adopted on a basis consisted with generally accepted accounting principles in the United States of America.

Original Budget*	Supplemental Appropriation*	Revised Budget*
\$ 117,367,500	\$ 33,063,053	\$ 150,430,553

* Excludes agency funds, which are held by the College on behalf of others but not available to the College.

Cost-sharing Defined Benefit Pension and Other Postemployment Benefits Plans

The College participates 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) and the Health Care Trust Fund (HCTF), a cost-sharing multiple employer other postemployment benefit (OPEB) plan administered by PERA. The net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources, pension expense, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF and HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the plans when earned by the employees in accordance with the benefit terms. The plans' investments are reported at fair value.

Net Position

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

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues and Expenses

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position.

Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing for the year ended June 30, 2018 was \$2,984,028.

Application of Restricted and Unrestricted Resources

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

Related Party

In 2012, the College and Garfield County Public Library District (the Library) entered into an agreement to jointly participate in the construction of a building at the corner of 8th Street and Cooper Avenue in downtown Glenwood Springs, Colorado.

A related condominium association was established in November 2013, with a Board of Directors comprised of an equal number of representatives from the College and the Library. Title of the building has been conveyed to the College and the Library based on ownership detailed in the Project Development Agreement. The College owns all parking spots and approximately 8,300 square feet on the second floor, while the Library owns approximately 12,800 square feet on the ground floor, 3,200 square feet on the second floor and the plaza unit. Other project components are considered as common elements. The College has ongoing financial responsibility related to maintenance over common areas and College-owned portions of the building.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restatement of Net Position

The College adopted the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. The adoption of GASB statement 75 required the College to restate beginning net position as of July 1, 2017. A summary of the restatement is described as follows:

Net Position as Previously Reported	\$ 73,998,424
Proportionate Share of Net OPEB Liability as of June 30, 2017	
Less Contributions Subsequent to the Measurement Date	<u>(4,288,235)</u>
Net Position as Restated	<u><u>\$ 69,710,189</u></u>

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents as of June 30, 2018 is comprised of the following:

Deposits	\$ 25,847,547
ColoTrust	20,787,016
Money Market Funds	8,140,146
Cash on Hand	7,863
Total Unrestricted Cash and Cash Equivalents	<u>54,782,572</u>
Restricted Cash and Cash Equivalents -	
Government Money Market Funds	16,633,451
Restricted Cash and Cash Equivalents - Deposit	<u>132,629</u>
Total	<u><u>\$ 71,548,652</u></u>

The restricted cash and cash equivalents consist of money market funds restricted for the unspent proceeds associated with the outstanding 2017 COPs and a deposit account restricted for the employee down payment assistance program.

Deposits

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

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

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

At June 30, 2018, the carrying amount of the College's deposits, including nonnegotiable certificates of deposits that are included in investments given their maturity date was beyond 90 days, was \$26,006,281. The College's bank balance of these deposits and nonnegotiable certificates of deposit in banks totaled \$27,418,115, of which \$1,298,573 was insured by federal deposit insurance and the remainder was collateralized in accordance with PDPA. The College also had cash on hand of \$7,863 at June 30, 2018.

Investments

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

At June 30, 2018, the College has invested \$20,787,016 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities Commission administers and enforces all state statutes governing ColoTrust. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. As of June 30, 2018, the College's investment in ColoTrust investment pool was rated AAAM by Standard's and Poor's. The Trust records its investments at fair value and the District records its investment in the Trust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

In addition, the College has invested in two other types of money market funds, as follows:

Federated Treasury Obligations Money Market Funds – This is a Rule 2a-7 type government money market fund and maintains shares in value of \$1. This fund is rated by Standard and Poor's at AAAM and by Moody's at Aaa-mf. Total deposit in this fund as of June 30, 2018 was \$16,633,451. The weighted average maturity for the fund was less than 30 days.

Dreyfus General Government Securities Money Market Fund – This is a U.S. Government money market fund, which maintains a net asset value per share of \$1. Total balance in this fund as of June 30, 2018 was \$8,140,146. The weighted average maturity for the fund was less than 30 days.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

In addition, the College had the following investments and certificates of deposit with original maturities greater than 90 days:

	Current	Cost	Current	Maturity	Fair Value	Credit Rating	
	Market Value	Basis	Yield		Level	Moody's	S&P
<u>Certificates of Deposit (Non-Negotiable)</u>							
Vectra Bank	\$ 26,150	\$ 26,150	0.00%	4/25/2019	N/A	N/A	N/A
	<u>26,150</u>	<u>26,150</u>					
<u>Government Issued or Guaranteed Bonds</u>							
Federal Home Loan Bank	4,696,148	4,334,536	5.00%	12/10/2021	2	AAA	AA+
Federal Home Loan Bank	9,933,504	8,762,632	5.75%	6/12/2026	2	AAA	AA+
	<u>14,629,652</u>	<u>13,097,168</u>					
Total Investments	<u>\$ 14,655,802</u>	<u>\$ 13,123,318</u>					
<u>Statement of Net Position Classification</u>							
Long-Term Investments	\$ 14,629,652						
Restricted Investments	26,150						
	<u>\$ 14,655,802</u>						

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

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

Concentration of Credit Risk – is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. The College’s investment policy states that no more than 50% of the portfolio may be placed in an investment pool, such as ColoTrust. As of June 30, 2018, 29.9% of the College’s investments are in ColoTrust. In addition, the College’s investments in U.S. government agencies constituted 32.7% of its total investments.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. State law allows the investment of public funds in any security issued by, guaranteed by, or the credit of which is pledged for payment by the United States, a federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, or the government national mortgage association.

Investments in these types of securities are limited to a term of five years from the date of purchase, unless the governing body authorizes investment for such period in excess of five years. The College does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value Measurement – The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Certain investments, such as the nonnegotiable certificates of deposit, ColoTrust, and money market funds, are exempt from being measured at fair value and thus are excluded from the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See table above for levels associated with applicable investments.

NOTE 3 RECEIVABLES

Other accounts receivable balance is made up of the following as of June 30, 2018:

Type of Receivable	Amount
Federal Government Grant Receivable	\$ 957,178
Private Foundations and Other Receivable	62,749
Local Government Accounts Receivable	1,500
State Government Grant Receivable	37,134
Other Miscellaneous Receivable	335,251
	\$ 1,393,813

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 is:

	Balance July 1, 2017	Additions	Retirements	Transfers In (Out)	Balance June 30, 2018
Nondepreciable Capital Assets					
Artwork	\$ 327,750	\$ -	\$ -	\$ -	\$ 327,750
Land	13,524,612	-	-	-	13,524,612
Other Fixed Assets	75,323	-	(1,188)	-	74,135
Construction in Progress	3,473,802	2,648,730	-	(3,268,036)	2,854,496
Total Nondepreciable Capital Assets	17,401,487	2,648,730	(1,188)	(3,268,036)	16,780,993
Depreciable Capital Assets					
Land Improvements	3,036,892	74,120	-	-	3,111,012
Buildings and Improvements	143,334,512	791,290	-	3,268,036	147,393,838
Equipment	7,766,389	674,830	(130,738)	-	8,310,481
Library Materials	3,141,230	41,819	(31,441)	-	3,151,608
Software	741,770	-	-	-	741,770
Infrastructure	5,358,773	-	-	-	5,358,773
Total Depreciable Capital Assets	163,379,566	1,582,059	(162,179)	3,268,036	168,067,482
Less Accumulated Depreciation					
Land Improvements	1,540,644	158,743	-	-	1,699,387
Buildings and Improvements	33,298,441	2,852,480	-	-	36,150,921
Equipment	5,743,156	651,417	(123,246)	-	6,271,327
Library Materials	2,524,070	53,030	(31,441)	-	2,545,659
Software	738,192	3,578	-	-	741,770
Infrastructure	843,099	175,912	-	-	1,019,011
Total Accumulated Depreciation	44,687,602	3,895,160	(154,687)	-	48,428,075
Net Depreciable Capital Assets	118,691,964	(2,313,101)	(7,492)	3,268,036	119,639,407
Net Carrying Amount	\$ 136,093,451	\$ 335,629	\$ (8,680)	\$ -	\$ 136,420,400

Interest cost capitalized for the year ended June 30, 2018 is \$86,923.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Amounts Due Within One Year
Certificates of Participation (COPs)	\$ 26,775,000	\$ -	\$ 695,000	\$ 26,080,000	450,000
COPs Premiums	999,118	-	33,304	965,814	-
Capital Leases	75,899	6,093	67,025	14,967	8,651
Compensated Absences	1,670,165	1,546,888	1,507,053	1,710,000	1,443,788
Voluntary Early Retirement Program Payable	2,547,364	-	708,308	1,839,056	1,839,056
Total	<u>\$ 32,067,546</u>	<u>\$ 1,552,981</u>	<u>\$ 3,010,690</u>	<u>\$ 30,609,837</u>	<u>\$ 3,741,495</u>

On January 1, 2008, the College issued \$19,580,000 in COPs, Series 2007, at a premium of \$7,353, with interest rates varying from 3.75% to 4.375%. The COP Series 2007 were re-financed during fiscal year 17 as part of the 2017 COPs issued for \$26,775,000, at a premium of \$999,118, and with interest rates ranging from 2.00% to 5.00%.

The premium on the COPs of \$999,118 and the prepaid bond insurance costs of \$291,825, are being amortized over the life of the COPs. The balance of the premium at June 30, 2018 is \$965,814 and the unamortized balance of the prepaid bond insurance cost is \$149,528 included in other noncurrent assets. The amount of the premium credited as a reduction of interest expense for the year was \$33,304 and the amount of the prepaid bond insurance costs amortized for the year was \$15,651.

The following is a schedule of the future COPs payments as of June 30, 2018:

Year Ending June 30	Principal	Interest	Total
2019	\$ 450,000	\$ 1,050,281	\$ 1,500,281
2020	465,000	1,038,806	1,503,806
2021	480,000	1,024,631	1,504,631
2022	495,000	1,005,056	1,500,056
2023 - 2027	2,805,000	4,709,080	7,514,080
2028 - 2032	3,580,000	3,937,655	7,517,655
2033 - 2037	4,425,000	3,084,889	7,509,889
2038 - 2042	5,365,000	2,155,268	7,520,268
2043 - 2047	6,540,000	970,000	7,510,000
2048	1,475,000	29,500	1,504,500
	<u>\$ 26,080,000</u>	<u>\$ 19,005,166</u>	<u>\$ 45,085,166</u>

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Capital Lease Obligations

The College has an outstanding liability for capital leases of \$14,967 relating to copiers at various campuses and a long-term lease at the central services. The following is a schedule of the future capital lease's payments as of June 30, 2018:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 8,651
2020	5,988
2021	893
Gross Capital Lease Obligation	15,532
Less Interest	565
Net Capital lease Obligation	<u>\$ 14,967</u>

The underlying gross capitalized asset cost of the capital leases is \$24,565 and the accumulated amortization as of June 30, 2018 is \$9,596.

Voluntary Early Retirement Program

The College has a Voluntary Early Retirement Program (VERP), which is strictly voluntary and available to employees if they qualified based on eligibility requirements and were approved by the president. To be eligible, employees must have a minimum of 15 years of continuous fulltime service, be at least 50 years of age on or before June 30, 2019 and may not be more than 65 years of age on or before their requested resignation date. Employees wishing to participate were required to submit their intention by March 31, 2015 with the program terminating on June 30, 2019. The VERP liability for an employee was determined using the salary and years of service as of June 30, 2014. The following is a schedule of the future VERP payments as of June 30, 2018:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 1,839,056
	<u>\$ 1,839,056</u>

NOTE 6 OPERATING LEASES

The College, as lessor, has several real estate operating leases for classroom, office and parking lot space, generally for periods of one year or less. Rental payments received on these leases for the year ended June 30, 2018, were approximately \$257,939. Rental payments received on multi-year leases expiring from 2015 to 2018, for the year ended June 30, 2018, were approximately \$442,162. In addition, the College entered into the following operating lease contract as the "Lessor."

Aspen Ballet Company

On March 20, 2000, the College entered into a lease contract with the Aspen Ballet Company and School (ABC) to lease a portion of the new Aspen Campus Building for 30 years. Rent for the entire 30-year term will be \$637,000.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 OPERATING LEASES (CONTINUED)

This was paid in the following manner: a gift by John and Carrie Morgridge of \$250,000 was paid to the College in installments through the year 2004; \$162,000 was paid on the date that the contract began; and \$75,000 was paid on the first three anniversary dates of the commencement of the contract. The receipt of these funds is recorded in unearned revenue and then recognized as revenue over the 30-year term of the lease. The lease commenced in January 2001 at the completion of the building.

For the year ended June 30, 2018, the College earned \$21,233 of rental income.

NOTE 7 ACCRUED SALARIES AND COMPENSATED ABSENCES

Salaries of certain contractually employed personnel are paid over a 12-month period but are earned during an academic year of approximately nine months. The salaries and benefits earned but unpaid as of June 30, 2018 are estimated to be \$615,557. Additionally, other part-time employees' salaries and benefits earned but unpaid as of June 30, 2018 are estimated to be \$256,703. Full-time employees sub-contracted to perform projects during the summer earned but unpaid as of June 30, 2018 are estimated to be \$30,554.

Some employees receive annual leave, which may accumulate to 240 hours. Unused leave is paid upon termination. The liability for unused annual leave at June 30, 2018 is \$1,710,000.

NOTE 8 PENSION PLAN

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

Plan Description (PERA)

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

Benefits Provided

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.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 PENSION PLAN (CONTINUED)

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

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 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 post-retirement 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 two%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of two% 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 two% 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 the College 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:

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 PENSION PLAN (CONTINUED)

	<u>For the Year Ended December 31, 2017</u>	<u>For the Year Ended December 31, 2018</u>
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as Specified in C.R.S. 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as Specified in C.R.S. 24-51-411 ¹	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. 24-51-208(1)(f) ¹	<u>5.00%</u>	<u>5.00%</u>
Total Employer Contribution Rate to the SDTF ¹	<u>19.13%</u>	<u>19.13%</u>

¹Rates 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 the College is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the College were \$4,842,192 for the year ended June 30, 2018.

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

At June 30, 2018, the College reported a liability of \$177,361,268 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The College proportion of the net pension liability was based on College contributions to the SDTF for the calendar year 2017 relative to the total contributions of participating employers to the SDTF.

At December 31, 2017, the College proportion was 0.886%, which was a decrease of 0.034% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the College recognized pension expense of \$37,624,371. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 2,765,476	\$ -
Changes of Assumptions or Other Inputs	30,796,679	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	6,680,053
Changes in Proportion	-	3,975,542
Contributions Subsequent to the Measurement Date	2,315,209	
Total	<u>\$ 35,877,364</u>	<u>\$ 10,655,595</u>

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 PENSION PLAN (CONTINUED)

\$2,315,209 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 23,849,658
2020	4,076,875
2021	(2,481,439)
2022	(2,538,534)
	<u>\$ 22,906,560</u>

Actuarial Assumptions

The December 31, 2016 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

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	3.90 – 9.17 Percent
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Inflation	7.25 Percent
Discount rate ¹	5.26 Percent
Future Post-Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007 (Automatic)	2.00 Percent
PERA Benefit Structure Hired After December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

¹ The discount rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 4.72% as described below.

Healthy mortality assumptions for active members reflect 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 percent factor applied to male rates and a 55 percent factor applied to female rates.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 PENSION PLAN (CONTINUED)

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

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

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuation 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 PERA's Board during the November 18, 2016 Board meeting.

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 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 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:

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	10 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	<u>100.00 %</u>	

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%.

Discount Rate

The discount rate used to measure the total pension liability was 4.72%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

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

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 PENSION PLAN (CONTINUED)

- 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 GASB Statement No. 67 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 average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of December published at the end of each week by The Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.72%.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25% and the municipal bond index rate of 3.86% were used in the discount rate determination resulting in a discount rate of 5.26%.

Sensitivity 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%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Proportionate Share of the Net Pension Liability	\$ 220,650,153	\$ 177,361,268	\$ 141,823,746

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 PENSION PLAN (CONTINUED)

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 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% (to be phased in over a period of 3 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.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 PENSION PLAN (CONTINUED)

At June 30, 2018, the College reported a liability of \$177,361,268 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 the College's 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 Revisions Required by <u>SB 18-200 (pro forma)</u>	Proportionate Share of the Net Pension Liability Calculated Using Plan Provisions Required by <u>SB 18-200 (pro forma)</u>
7.25%	84,103,490

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate the collective net pension liability, approximately \$79,146,310 of the estimated reduction is attributable to the use of a 7.25% discount rate.

Plan Description (DCP)

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

Funding Policy (DCP)

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. Covered payrolls for the DCP for the fiscal year ended June 30, 2017 were \$9,292,107. For the current fiscal year the employer's contribution to the DCP, recognized as pension expense, was \$1,813,435, which is 19.25% of covered payrolls for July 1, 2016 through December 31, 2016 and 20.15% for January 1, 2017 through June 30, 2017. Contributions by employees were \$743,369, which is 8% of covered payrolls.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS

General Information about the OPEB Plan

PERA Health Care Trust OPEB Plan

.Plan Description

Eligible employees of the College are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. 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. PERA issues a publicly available comprehensive annual financial report (CAFR) 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 Division, School Division, Local Government Division and Judicial Division Trust Funds), 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.

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. 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.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

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 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each 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 the College is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from College were \$253,770 for the year ended June 30, 2018.

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

At June 30, 2018, the College reported a liability of \$4,122,435 for its proportionate share of the net OPEB liability. The net OPEB liability 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. The College's proportion of the net OPEB liability was based on the College's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the College's proportion was 0.317%, which was a decrease of 0.012% from its proportion measured as of December 31, 2016.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

For the year ended June 30, 2018, the College recognized OPEB expense of \$296,838. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions or Other Inputs	19,496	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	68,967
Changes in Proportion	-	132,319
Contributions Subsequent to the Measurement Date	120,611	
Total	<u>\$ 140,107</u>	<u>\$ 201,286</u>

\$120,611 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in 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:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ (39,407)
2020	(39,407)
2021	(39,407)
2022	(39,401)
2023	(22,164)
Thereafter	(2,004)
	<u>\$ (181,790)</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 % in the Aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.00% for 2017, Gradually Rising to 4.25% in 2023

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

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:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	2.50%
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 percent factor applied to male rates and a 55 percent factor applied to female rates.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

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 percent factor applied to rates for ages less than 80, a 108 percent 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 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent 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 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90% 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.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

- 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 of 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 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 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:

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>100.00 %</u>	

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 the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
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%
Proportionate Share of the Net OPEB Liability	\$ 4,009,011	\$ 4,122,435	\$ 4,259,047

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.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

- 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 HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 4,634,913	\$ 4,122,435	\$ 3,685,021

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at www.copera.org/investments/pera-financial-reports.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

General Information about the OPEB Plan

Colorado Educators Benefit Trust OPEB Plan

Plan Description

The College participates in a defined benefit postemployment healthcare plan administered by the Colorado Educators Benefit Trust (CEBT). This plan offers healthcare assistance to eligible retired employees and their beneficiaries. The CEBT plan is considered a single-employer agent plan for financial reporting purposes and has no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75. CEBT does not issue a separate publicly available financial report for the plan.

The CEBT plan allows qualifying retired employees to continue their “active” health insurance coverage on a self-pay basis until they are eligible for Medicare. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that is determined by pooling the qualifying retirees with active employees, thus, creating an “implicit rate subsidy.”

Summary of Significant Accounting Policies

The College is required to report OPEB information in its financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Summary of Membership Information

The following table provides a summary of the number of participants in the plan as of June 30, 2016:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	418
Total Plan Members	<u>419</u>

Total OPEB Liability

At June 30, 2018, the College reported a liability of \$536,994. The total OPEB liability as of June 30, 2018 was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017.

For the year ended June 30, 2018, the College recorded total OPEB expense of \$56,358 due to the change in the total OPEB liability, changes to deferred outflows and inflows of resources, and amortization of deferred amounts.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

Deferred Items

Deferred inflows of resources and deferred outflows of resources are calculated based on various factors in the actuarial process. For the measurement period ended June 30, 2017 there were:

- Changes in assumptions

Changes in assumptions are amortized over the closed period equal to the average expected remaining service life of all covered active and inactive participants. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The weighted average expected remaining service lives, assuming zero years for all retirees, determined as of the beginning of the measurement period ended June 30, 2017 is 8.2352 years.

One year of amortization is recognized in the College's total OPEB expense for the fiscal year ended June 30, 2017.

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to the CEBT OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	\$ -	\$ 25,544
Contributions Subsequent to the Measurement Date	4,816	-
Total	\$ 4,816	\$ 25,544

As of June 30, 2018, 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	Amount
2019	\$ (3,531)
2020	(3,531)
2021	(3,531)
2022	(3,531)
2023	(3,531)
Thereafter	(7,889)
	\$ (25,544)

\$4,816 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019.

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Cost Method	Individual Entry Age
Inflation	2.80%
Salary Increase	3.9% plus age-based increases
Demographic Assumptions	Same as used for PERA HCTF plan December 31, 2015 valuation
Mortality	For healthy retirees, the RP- 2000 Combined Mortality Table projected with Scale AA to 2020 (set back 1 year for males and set back 2 years for females)
Discount rate	3.56%
Health Care Cost Trend Rates	Initial rate of 7.5% declining to an ultimate rate of 4.25% after 15 years
Participation Rates	15% of retirees were assumed to continue their health care coverage

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.56% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate was 2.92% as of the prior measurement date.

Sensitivity Analysis

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan’s total OPEB liability, calculated using a discount rate of 3.56%, as well as what the plan’s total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease 2.56%	Current Rate 3.56%	1% Increase 4.56%
Total OPEB Liability	\$ 583,100	\$ 536,994	\$ 494,318

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 474,188	\$ 536,994	\$ 610,733

NOTE 10 UNRESTRICTED NET POSITION

Unrestricted net position is comprised of the following as of June 30, 2018:

University Operations	\$ 65,117,740
Net Pension Liability	(177,361,268)
Pension Related Deferred Outflows	35,877,364
Pension Related Deferred Inflows	(10,655,595)
Net OPEB Liability	(4,659,429)
OPEB Related Deferred Outflows	144,923
OPEB Related Deferred Inflows	(226,830)
Compensated Absences Liability	(1,710,000)
Total Unrestricted Net Position	\$ (88,731,759)

NOTE 11 COMMITMENTS AND CONTINGENCIES

Tax, Spending and Debt Limitations

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

Federally Assisted Grant Program

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

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contracts

The College has negotiated an intergovernmental agreement related to the purchase of property in Edwards, Colorado. The College has paid \$800,000 in cash and \$800,000 in exchange for providing Eagle County and Eagle school district employees to receive credit towards classes taken at the College for up to \$400,000 for each entity. Through June 30, 2018, \$388,400 has been used. The remaining obligation of \$411,600 is reflected as land obligation payable on the Statement of Net Position.

Construction Commitments

As of June 30, 2018, the College had various contracts for the acquisition and construction of projects, which totaled \$20,304,157

NOTE 12 RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses and natural disasters. The College maintains a broad commercial insurance program for claims that may arise from such matters, which includes property, liability, workers compensation/employers liability, errors & omissions, crime cyber and foreign liability insurance. Claims have not exceeded the policy limits in any of the three preceding years. There have been no significant decreases in insurance coverage or limits.

NOTE 13 COMPONENT UNIT – FOUNDATION

The following details the investments held by the Foundation at June 30, 2018:

Publicly Traded Mutual Funds Invested in	
Fixed Income	\$ 3,873,635
U.S. Large Cap Equities	3,875,985
Other Equities	4,310,592
Foreign Large Cap Equities	48,589
Other Foreign Equities	630,969
Real Estate	169,748
U.S. Corporate Bonds	2,269,841
International Bonds	371,591
Mortgage and Asset Backed Bonds	9,113
Cash and Cash Equivalents	215,026
Total Investments	<u>\$ 15,775,089</u>

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 COMPONENT UNIT – FOUNDATION (CONTINUED)

Investments are recorded in the following net asset balance at June 30, 2018:

Unrestricted Net Assets	\$ 177,324
Temporarily Restricted Net Assets	7,181,459
Permanently Restricted Net Asset	8,416,306
	<u>\$ 15,775,089</u>

The following table summarizes the valuation of the Foundation's investments by the fair value hierarchy levels as of June 30, 2018:

Description	Fair Value	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 215,026	\$ 215,026	\$ -	\$ -
Equity Mutual Funds	8,866,135	8,866,135	-	-
Fixed Income Mutual Funds	3,873,635	3,873,635	-	-
Real Estate Mutual Funds	169,748	169,748	-	-
Fixed Income Securities	2,650,545	-	2,650,545	-
Total	<u>\$ 15,775,089</u>	<u>\$ 13,124,544</u>	<u>\$ 2,650,545</u>	<u>\$ -</u>

All assets have been valued using a market approach, except for Level 2 assets. The fair value of Level 2 assets has been estimated using models and other valuation methodologies. There were no changes in valuation techniques during the current year.

Temporarily restricted net assets are available for the Foundation to provide scholarships to the students of the Colorado Mountain College, support the faculty and leaders of the College, fund College facilities' construction and maintenance, and support various academic and community programs. At June 30, 2018, temporarily restricted net assets consisted of the following:

Unspent Earnings on Endowment Funds	\$ 4,120,154
Contributions Received or Receivable for Specific Purposes	4,660,916
Total Temporarily Restricted Net Assets	<u>\$ 8,781,070</u>

Net assets totaling \$2,266,228 were released from restriction in 2018 as donor imposed restrictions were met.

Permanently restricted net assets consist of approximately 60 endowment funds. Of the total, one fund is restricted to provide maintenance for College facilities; the remainder is to provide for scholarships for the students of the College. At June 30, 2018, the balance of permanently restricted net assets consists of the following:

Unspent Earnings on Endowment Funds	\$ 58,197
Contributions Received or Receivable for Specific Purposes	8,356,930
Total Temporarily Restricted Net Assets	<u>\$ 8,415,127</u>

**COLORADO MOUNTAIN COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 COMPONENT UNIT – FOUNDATION (CONTINUED)

At June 30, 2018, unconditional contributions receivable are due as follows:

Receivable in Less than One Year	\$ 11,831
Receivable in One to Five Years	852,068
Receivable in More than Five Years	268,900
Total Unconditional Contributions Receivable	1,132,799
Less Discount to Net Present Value	(41,441)
Contributions Receivable, Net	\$ 1,091,358

Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 0.01% to 1.285%.

At June 30, 2018, contributions receivable are recorded in the following accounts:

Unrestricted Net Assets	\$ 53,169
Temporarily Restricted Net Assets	916,865
Permanently Restricted Net Asset	121,324
	\$ 1,091,358

During the fiscal year ended June 30, 2018, the College recognized gifts of \$627,385 from the Foundation.

NOTE 14 RENT AND DOWN PAYMENT ASSISTANCE PROGRAMS

Full-time, benefit eligible employees of the College may request a loan for rent assistance subject to program requirements and limitations. The loan can be up to the amount of first and last month rent plus security deposit for a rental within the College or within 60 miles. The loan is repaid, without interest, through a payroll deduction by the end of the lease or within one year, whichever is sooner.

The Housing Down Payment Assistance Program was terminated during FY2014-15 and is being phased out over the following four years. The program required a second mortgage or signed promissory note, which was amortized over 30 years, with a balloon payment due in five years.

Employees are required to minimally make monthly interest payments during the first five years and pay the entire balance due at the end of the five year period.

As of June 30, 2018, the Rent Assistance Program has no employees owing the College, and the Down Payment Assistance Program has three participants with a balance of \$26,150.

REQUIRED SUPPLEMENTARY INFORMATION

**COLORADO MOUNTAIN COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
College's Proportion of the Net Pension Liability (Asset)	0.886%	0.920%	0.964%	0.958%	0.972%
College's Proportionate Share of the Net Pension Liability (Asset)	\$ 177,361,268	\$ 168,999,576	\$ 101,536,835	\$ 90,114,058	\$ 86,616,427
College's Covered Payroll	\$ 26,406,021	\$ 26,646,762	\$ 26,962,425	\$ 25,933,643	\$ 25,188,488
College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	671.7%	634.2%	376.6%	347.5%	343.9%
Plan Fiduciary Net Position as a Position as a Percentage of the Total Pension Liability	43.20%	43.80%	56.10%	59.80%	61.08%

Information above is presented as of the measurement date December 31.

Information is not currently available for prior years; additional years will be displayed as they become available.

**COLORADO MOUNTAIN COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Pension Contribution	\$ 4,842,192	\$ 4,778,605	\$ 4,705,020	\$ 4,458,106	\$ 4,036,599
Contributions in Relation to the Contractually Required Pension Contribution	<u>4,842,192</u>	<u>4,778,605</u>	<u>4,705,020</u>	<u>4,458,106</u>	<u>4,036,599</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll	\$ 25,707,008	\$ 26,406,021	\$ 26,646,762	\$ 26,708,154	\$ 25,495,463
Pension Contributions as a Percentage of Covered Payroll	18.84%	18.10%	17.66%	16.69%	15.83%

Information above is presented as of the College's fiscal year.

Information is not currently available for prior years; additional years will be displayed as they become available.

**COLORADO MOUNTAIN COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>
College's Proportion of the Net OPEB Liability (Asset)	0.317%	0.329%
College's Proportionate Share of the Net OPEB Liability (Asset)	\$ 4,122,435	\$ 4,271,025
College's Covered Payroll	\$ 26,406,021	\$ 26,646,762
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.6%	16.0%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%	16.72%

Information above is presented as of the measurement date December 31.

Information is not currently available for prior years; additional years will be displayed as they become available.

**COLORADO MOUNTAIN COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS***

	<u>2018</u>	<u>2017</u>
Contractually Required OPEB Contribution	\$ 253,770	\$ 265,939
Contributions in Relation to the Contractually Required OPEB Contribution	<u>253,770</u>	<u>265,939</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll	\$ 25,707,008	\$ 26,406,021
OPEB Contributions as a Percentage of Covered Payroll	0.99%	1.01%

Information above is presented as of the College's fiscal year.

Information is not currently available for prior years; additional years will be displayed as they become available.

**COLORADO MOUNTAIN COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS***

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 44,390.00
Interest on the total OPEB liability	15,499
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	-
Changes in assumptions	(29,075)
Benefit payments	<u>(4,816)</u>
Net change in total OPEB liability	25,998
Total OPEB liability - beginning	<u>510,996</u>
Total OPEB liability - ending	<u><u>536,994</u></u>
 Covered payroll	 \$ 27,999,468
 Total OPEB liability as a percentage of covered payroll	 1.92%

Information above is presented as of the measurement date June 30.

Information is not currently available for prior years; additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

**COLORADO MOUNTAIN COLLEGE
SUPPLEMENTARY INFORMATION
ACTUAL TO BUDGET COMPARISON SCHEDULE - COLLEGEWIDE
JUNE 30, 2018**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Operating Revenues			
Tuition and Fees	\$ 12,365,300	\$ 11,486,455	\$ (878,845)
Federal, State, Private Grants and Contracts	16,521,400	10,029,586	(6,491,814)
Auxiliary Enterprises	8,624,800	8,319,833	(304,967)
Other Operating Revenue	1,093,300	1,370,691	277,391
Total Operating Revenues	<u>38,604,800</u>	<u>31,206,565</u>	<u>(7,398,235)</u>
EXPENSES			
Operating Expenses			
Instruction	42,057,611	44,382,925	(2,325,314)
Community Service	1,593,135	1,472,757	120,378
Academic Support	5,511,412	5,685,799	(174,387)
Student Services	9,910,503	10,353,033	(442,530)
Institutional Support	26,237,417	23,538,312	2,699,105
Operation and Maintenance of Plant	19,162,668	8,834,237	10,328,431
Student Aid	13,883,016	11,682,039	2,200,977
Auxiliary Enterprises	9,737,260	9,799,472	(62,212)
Depreciation	7,939,410	3,895,160	4,044,250
Reserve Expenditures	5,155,000	-	5,155,000
Total Operating Expenses	<u>141,187,433</u>	<u>119,643,734</u>	<u>21,543,699</u>
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	7,836,000	7,319,484	(516,516)
Federal Nonoperating Revenue	4,151,200	3,796,905	(354,295)
Property Taxes	46,051,800	46,292,234	240,434
Gifts	-	837,038	837,038
Investment Income	815,000	1,347,864	532,864
Unrealized Loss on Investments	-	(728,398)	(728,398)
Amortization of Prepaid Bond Insurance	(20,000)	(18,426)	1,574
Interest Expense on Capital Debt	(1,050,429)	(1,050,429)	-
Net Nonoperating Revenues (Expenses)	<u>57,783,571</u>	<u>57,796,272</u>	<u>12,701</u>
Capital Contributions	<u>8,123,500</u>	<u>674,888</u>	<u>(7,448,612)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,675,562)	(29,966,009)	6,709,553
Fund Balance - Beginning of Year (as Restated, See Note 1)	<u>69,710,189</u>	<u>69,710,189</u>	<u>-</u>
FUND BALANCE - END OF YEAR	\$ 33,034,627	\$ 39,744,180	\$ 6,709,553

SINGLE AUDIT



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Colorado Mountain College
Glenwood Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Colorado Mountain College (the College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 30, 2019. Our report includes a reference to other auditors who audited the financial statements of the Colorado Mountain College Foundation (the Foundation), as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Foundation 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 College'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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 College'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 30, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Colorado Mountain College
Glenwood Springs, Colorado

Report on Compliance for Each Major Federal Program

We have audited Colorado Mountain College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about the College'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 major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion the Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on the major federal program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 College'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 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

Board of Trustees
Colorado Mountain College

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 30, 2019

**COLORADO MOUNTAIN COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures Pass-Through To Other	Federal Expenditures
U.S. Department of Interior				
<i>Passed Through Colorado State Office Bureau or Land Management</i>				
Fish, Wildlife and Plan Conservation Resource Mangement	15.231	L12AC20458	\$ -	\$ 10,516
Environmental Quality and Protection Resource Management	15.236	L15AC00235	-	28,643
<i>Passed through Garco FMLD</i>				
Federal Mining Leasing District	15.227	16-ST-01	-	43,684
Total U.S. Department of Interior			-	82,843
Environmental Protection Agency				
<i>Passed Through Colorado Department of Public Health and Environment</i>				
Nonpoint Source Implementation Grants	66.460	C9-99818614	-	133,821
Total Environment Protection Agency			-	133,821
U.S. Department of Agriculture				
<i>Passed Through U.S. Forest Service</i>				
Winter Internship Pilot White River National Forest Program	N/A	16-PA-11021500-051	-	250,841
Total Environment Protection Agency			-	250,841
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007		-	86,296
Federal Work-Study Program	84.033		-	75,638
Federal Pell Grant Program	84.063		-	3,634,971
Federal Direct Student Loans	84.268		-	4,625,314
Subtotal Student Financial Assistance Cluster			-	8,422,219
TRIO Cluster				
Trio Student Support Services	84.042		-	281,576
Trio Student Support Services	84.042A		-	358,897
Trio Upward Bound	84.047		-	580,319
Subtotal TRIO Cluster			-	1,220,792
<i>Passed Through Colorado Department of Education</i>				
Adult Education - Basic Grants to States	84.002A	5002	-	219,769
<i>Passed through Colorado Community College System</i>				
Career and Technical Education - Basic Grants to States	84.048	1645	-	119,643
Career and Technical Education - Basic Grants to States	84.048A	1622	-	182,349
Subtotal			-	521,761
Total U.S. Department of Education			-	10,164,772

See accompanying notes to Schedule of Expenditures of Federal Awards.

**COLORADO MOUNTAIN COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures Pass-Through To Other	Federal Expenditures
<i>U.S. Department of Health and Human Services</i>				
National Library of Medicine-EnHIP	93.113		-	7,691
TANF Cluster				
<i>Passed through Colorado Department of Human Services and Garfield County DHS</i>				
Temporary Assistance for Needy Families (TANF)	93.558	2015-00000248	-	222,350
<i>Passed through Colorado Department of Regulatory Agencies, Division of Insurance (SHIP)</i>				
Centers for Medicare and Medicaid Services (CMS) Research, Demonstration and Evaluation	93.779	OESFA 13SHIP000007	-	4,290
Special Programs for the Aging, Title IV and Title II Discretionary	93.048	OE SFA 14SMP000003	-	3,255
<i>Total U.S. Department of Health and Human Services</i>			-	237,586
<i>Corporation for National and Community Service</i>				
Retired and Senior Volunteer Program	94.002		-	53,320
<i>Total for Corporation for National and Community Service</i>			-	53,320
Total Expenditures of Federal Awards			\$ -	\$ 10,923,183

See accompanying notes to Schedule of Expenditures of Federal Awards.

COLORADO MOUNTAIN COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Colorado Mountain College (the College). The Schedule includes federally funded projects received directly from federal agencies and the federal amount of pass-through awards received by the College through the State of Colorado or other non-federal entities. The College's reporting entity is defined in Note 1 in the College's basic financial statements for the year ended June 30, 2018.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

NOTE 2 BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in OMB A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements or reports to federal agencies and pass-through grantors. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years, if any. The College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 PASS-THROUGH GRANTOR'S NUMBER

For federal awards expended by the College as a subrecipient, the Schedule includes identification of the pass-through grantor and the identifying number assigned to the grant by the pass-through grantor where the pass-through grantor has supplied such number to the College.

NOTE 4 SUBRECIPIENTS

Of the federal expenditures presented in this schedule, the College passed no funds through to subrecipients.

**COLORADO MOUNTAIN COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268,	Student Financial Assistance Cluster
84.042, 84.042A, 84.047	TRIO Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000/187,500

Auditee qualified as low-risk auditee? X yes _____ no

**COLORADO MOUNTAIN COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

None were noted

Section III – Findings and Questioned Costs – Major Federal Programs

2018 – 001

Federal agency: Department of Education
Federal program title: Student Financial Assistance Cluster
CFDA Numbers: 84.268 – Federal Direct Lending
Award Period: July 1, 2017 to June 30, 2018

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Compliance, Special Tests

Criteria or specific requirement: Colleges and universities are required to report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) system within the required timeframes. Each month, the COD provides institutions with a School Account Statement (SAS) data file containing various records. Institutions are required to reconcile these files to the institution's financial records.

Condition: During our testing over the monthly reconciliation of DLSS data to institutional records, we noted that the College did not have evidence of performing the reconciliation for two months, and for three of the months selected, there was no evidence of review.

Questioned costs: None.

Context: We selected a statistically valid sample of monthly reconciliations. Of the five selected, two had no evidence of completion, and three had no evidence of review.

Cause: Per the student financial aid director, staff turnover in the position responsible for monthly reconciliations caused the records of reconciliations to be lost. Further, the staff in the position performing the monthly reconciliation was not aware of the need to maintain documentation related to review.

Effect: The College was not in compliance with requirements to perform monthly reconciliations of DLSS SAS reports to institutional records.

Repeat Finding: No.

Recommendation: We recommend the College review policies and procedures to ensure that compliance requirements are adhered to in the event of staff turnover.

Views of responsible officials: There is no disagreement with the audit finding.



Section IV – Prior Year Findings

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings were noted.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

2017 – 001

Condition: We recommend the College review its policy for awarding Pell grants to ensure only eligible students are awarded.

Status: This item was resolved during 2018.

2017 – 002

Condition: We recommend the College review its reporting procedures to ensure that students' statuses are accurately and timely reported to NSLDS as required by regulations.

Status: This item was resolved during 2018.



Department of Education:

Colorado Mountain College respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: July 1, 2017 to June 30, 2018

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

No findings were noted

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

Department of Education

2018-001 Student Financial Assistance Cluster –

CFDA No. 84.268 – Federal Direct Lending

Recommendation: We recommend the College review policies and procedures to ensure that compliance requirements are adhered to in the event of staff turnover.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

CMC's current Federal Programs Specialist is undergoing extensive training with an experienced financial aid staff member. This training is providing step by step instruction in SAS reconciliation and other related duties. To ensure greater depth of backup coverage going forward, the original backup for the SAS reconciliations (the Director) will receive additional training as well as adding a third staff member to ensure better coverage should unforeseen absences or events occur. The new Veteran's Coordinator position (final HR approval pending) will serve as the third layer of backup for COD processing and the monthly SAS reconciliations. As recommended, a review of written procedures for the SAS reconciliation will be performed and updated copies will be distributed to pertinent staff.

Name(s) of the contact person(s) responsible for corrective action: Thomas Valles, Director of Student Financial Aid.

Planned completion date for corrective action plan: December 31, 2018

If the Department of Education has questions regarding this plan, please call Thomas Valles, Director of Student Financial Aid at (970) 947-8338.

**STATE OF COLORADO STATE-FUNDED
STUDENT ASSISTANCE PROGRAMS**

**COLORADO MOUNTAIN COLLEGE
STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2018**

Introduction

Colorado Mountain College (the College) is a private institution of higher education located in Glenwood Springs, Colorado.

Our financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2018, was directed toward the objectives and criteria set forth in the College's Financial Aid Policy. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ending on June 30, 2018.

State-Funded Assistance Programs

The state-funded student assistance programs at the College include the Colorado Student Grant Program, Colorado Merit Aid and the Colorado Work-Study Program.

The state-funded student assistance awards made by the College were \$1,859,323 during the year ended June 30, 2018. There were no state matching funds, during the year ended June 30, 2018, transferred to the Federal Perkins Loan Fund.

The College's Director of Financial Aid 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 College in federal and state financial aid programs. The College's Controller is responsible for the programs' financial management, general ledger accounting, payments and collections.

During the year ended June 30, 2018, the College obtained authorizations to award federal student financial aid funds of \$3,641,101 in the Federal Pell Grant Program; \$115,061 in the Federal Supplemental Educational Opportunity Grant Program and \$99,310 in the Federal Work-Study Program.

During the year ended June 30, 2018, the College obtained authorizations to award state student financial aid funds of \$1,605,754 in the Colorado Student Grant Program, \$68,440 in the Colorado Merit Aid Program, \$16,639 in the CTE Grant program, and \$168,490 in the Colorado Work-Study Program.

**COLORADO MOUNTAIN COLLEGE
STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
REPORT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2018**

Report Summary

Purpose and Scope of Audit

Our audit of the state-funded student assistance programs was performed in accordance with the financial compliance elements of *Government Auditing Standards* issued by the Comptroller General of the United States. The purpose of the audit was to formulate an opinion on the statement of student aid program allocations, expenditures, and reversions for the fiscal year ending June 30, 2018 and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and Governing Board directives which were set forth in the handbook.

Our examination included:

- Expressing an opinion on the statement of student aid program allocations, expenditures and reversions.
- Evaluation of the policies, procedures, and practices used to administer these programs.
- Determination of compliance with applicable sections of Colorado Revised Statutes 23-3.3 et. seq. and approved Governing Board policies.

Summary of Current Year Comments

The audit covered the period July 1, 2017 through June 30, 2018 and field work was performed during the period July 9, 2018 through July 20, 2018, and again in September 2018 at the College.

The audit report for the year ended June 30, 2018, contained no findings or recommendations related to state-funded assistance programs.

Summary of Progress in Implementing Prior Comments

The audit report for the year ended June 30, 2016, contained no findings or recommendations related to state-funded assistance programs.



INDEPENDENT AUDITORS' REPORT ON THE STATEMENT OF ALLOCATIONS, EXPENDITURES AND REVERSIONS OF THE STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

Audit Committee of the Board of Trustees
Colorado Mountain College
Glenwood Springs, Colorado

We have audited the accompanying statement of allocations, expenditures and reversions of the State of Colorado State-Funded Assistance Programs (the Statement) of Colorado Mountain College (the College) for the year ended June 30, 2018, and the related notes.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of 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 Department of Higher Education (DHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the College; 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' 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 and reversions of the State of Colorado State-Funded Student Assistance Programs of the Colorado College for the year ended June 30, 2018, in accordance with the format set forth in the *2017-2018 Audit Guide, Colorado-Funded Student Aid* issued by the DHE and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the College, as described in Note 1 to the Statement.

Basis of Accounting

We draw your attention to Note 1 and 2 of the Statement, which describes the basis of accounting. The Statement is a summary of cash activity of the state-funded 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 U.S. generally accepted accounting principles. Accordingly, the accompanying statement is not intended to, and does not present the financial position, changes in financial position or cash flows of the College in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, on our consideration of the College'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 result of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control over financial reporting and compliance.

Restriction on Use

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



CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 30, 2019

COLORADO MOUNTAIN COLLEGE
STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF ALLOCATIONS, EXPENDITURES AND REVERSIONS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Colorado Student Grant Program</u>	<u>Colorado Work-Study Program</u>	<u>Colorado Merit Aid</u>	<u>CTE Grant</u>	<u>Total State- Funded Student Assistance</u>
Allocations					
Original	\$ 1,605,754	\$ 168,490	\$ 68,440	\$ 16,639	\$ 1,859,323
Additional Allocations	-	-	-	-	-
Total Appropriations	<u>1,605,754</u>	<u>168,490</u>	<u>68,440</u>	<u>16,639</u>	<u>1,859,323</u>
Expenditures	<u>1,605,754</u>	<u>168,490</u>	<u>68,440</u>	<u>16,639</u>	<u>1,859,323</u>
Reversions to State General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COLORADO MOUNTAIN COLLEGE
STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
NOTES TO STATEMENT OF ALLOCATIONS, EXPENDITURES AND REVERSIONS
FOR THE YEAR ENDED JUNE 30, 2018

(1) Basis of Presentation

Colorado Mountain College (the College) is governed by the College's Board of Trustees. 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 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 DHE and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the College. The purpose of the Statement is to present the state-funded student financial assistance activities of the for the year ended June 30, 2018.

Because the Statement presents only a selected portion of the activities of the College, it is not intended to and does not present either the financial position or changes in financial position of the College 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.

The College's state-funded student financial assistance programs include the following: the Colorado Student Grant Program, the Colorado Merit Aid Program and the Colorado Work-Study Program.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE STATEMENT OF ALLOCATIONS, EXPENDITURES, AND REVERSIONS OF THE
STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Audit Committee of the Board of Trustees
Colorado Mountain College
Glenwood Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of allocations, expenditures and reversions of the State of Colorado State-Funded Assistance Programs (the Statement) of Colorado Mountain College (the College), and the related notes to the Statement, and have issued our report thereon dated January 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the Statement, we considered the College'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 opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 entity's Statement 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 College's Statement is 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 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 30, 2019

**COLORADO MOUNTAIN COLLEGE
STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no matters to report for the year ended June 30, 2018.

**COLORADO MOUNTAIN COLLEGE
STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no prior audit recommendations for the year ended June 30, 2016.