

Colorado Mountain College

Independent Auditor's Reports and Financial Statements

Year ended June 30, 2016

E

RECEIVED

By Justin L. Smith at 3:10 pm, Dec 16, 2016

Colorado Mountain College
June 30, 2016

Table of Contents

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis (Unaudited) 5

Basic Financial Statements

 Statement of Net Position 19

 Colorado Mountain College Foundation, Inc. – Statement of Financial Position 21

 Statement of Revenues, Expenses and Changes in Net Position 22

 Colorado Mountain College Foundation, Inc. – Statement of Activities..... 23

 Statement of Cash Flows..... 24

 Notes to Financial Statements..... 27

Required Supplementary Information

 Schedule of Funding Progress – Health Insurance Plan 54

 Schedule of the Changes in Net Pension Liability 55

 Schedule of Employer Contributions 56

Supplementary Information

 Actual to Budget Comparison Schedule – Collegewide 58

Reports Required by the Uniform Guidance

 Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* 61

 Independent Auditor’s Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance 63

 Schedule of Expenditures of Federal Awards 65

 Notes to Schedule of Expenditures of Federal Awards..... 67

 Schedule of Findings and Questioned Costs 69

 Summary Schedule of Prior Audit Findings 73

Independent Auditor's Report

Board of Trustees
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 Colorado Mountain College (the College), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 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 opinions, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Trustees
Colorado Mountain College

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

Opinions

In our opinions, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2016 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.

Other Matters

Required Supplementary Information

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

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 accompanying supplementary information including the Actual to Budget Comparison Schedule – Collegewide and the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Trustees
Colorado Mountain College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
October 31, 2016

THIS PAGE LEFT BLANK INTENTIONALLY

Colorado Mountain College

Management's Discussion and Analysis (Unaudited)

Year ended June 30, 2016

Following is a discussion of Colorado Mountain College's (the College or CMC) financial performance for the fiscal year ended June 30, 2016. It should be read in conjunction with the College's financial statements which begin on page 19.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- The College strategic plan, Reaching New Heights: 2014-2018, is well underway and the President outlined priorities in organizational effectiveness, diversity and inclusivity, communications management and strategic enrollment management.
- In conjunction with the strategic plan, the College implemented a new strategic branding initiative with roll-out continuing through 2016-17.
- Additionally, Basecamp, a communication portal for both students and employees, was implemented this year. This communication tool is the primary tool being used across the College.
- Two successful nursing program accreditation visits occurred during 2015-16.
- An upgrade to the student registration software was completed to allow students to plan their course load through degree completion and to register for the current semester in one step online.
- A college-wide Diversity Equity and Inclusivity Plan was developed in support of the overall strategic plan and will be implemented in the coming years.
- The Scion Group completed a student and employee housing study to inform the Board's long-term capital planning process.
- The College engaged Natural Capitalism Solutions to assist in developing a long-term college-wide Sustainability Plan. Implementation will begin in 2016-17.
- The average number of credits earned by enrolled students increased by 20 percent over the previous year.
- An internal job shadow program was introduced this year in support of long-term succession planning.
- A Medical Assistant Program Certificate was approved and will be offered in 2016-17.
- The College, in partnership with the Garfield County Library District, received the largest ever awarded Federal Mineral Lease District grant in the amount of \$750,000 for the Cooper Commons project in downtown Glenwood Springs.
- In conjunction with Commnet Wireless, the College facilitated the construction of a cell tower on the Spring Valley campus to address safety concerns.
- During 2015-16 the College implemented WebEx as the college-wide instructional and administrative online collaborative tool.
- The College offered the first President's Scholarships. A \$1,000 scholarship was available to all in-district high school seniors for the 2015-16 academic year.
- Credit enrollments increased 1.4 percent over the prior year. As the economy recovers, the College typically experiences declines in enrollments due to students returning to work. An increase of any amount during good economic times is a very positive result for the College.
- Collegewide operating revenue was lower than budgeted by approximately \$2.6 million due to lower net tuition revenue and grants and contracts revenue. Despite an increase in enrollments, the number of students who are classified as in-district students paying a lower tuition rate increased in proportion to the number of students classified as in-state or out-of-state students paying a higher tuition rate.

Colorado Mountain College

Management's Discussion and Analysis (Unaudited)

Year ended June 30, 2016

- Collegewide operating expenses was underspent by \$6.7 million as a result of significant salary savings due to turnover and longer than usual vacancies in positions and the deferred maintenance projects for campus facilities.
- 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 2015-16 the required expense recognized was \$9.2 million and the net pension liability increased by \$11.4 million.
- The College is phasing out its voluntary early retirement program over the period 2014-2019. A liability of \$3.5 million is recorded at June 30, 2016.
- The College invested in employees by providing an infusion of professional development funds and a salary increase this year. Additionally, the College provided a nonbase building merit adjustment for employees mid-year.
- Investments were also made in technology both in the classroom and in the College operations. Following is a sample of technology projects which were funded in 2015-16:
 - Wireless network upgrades throughout the College
 - Collegewide network server and router upgrades
 - Additional smart classroom equipment to reach 95 percent of all classrooms
 - Student computer lab upgrades/replacements
 - Additional campus security cameras

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 Auditor's Report which presents an unmodified opinion prepared by our auditors, **BKD, LLP**, an independent certified public accounting firm, on the fairness, in all material respects, of our financial statements.
- Statement of Net Position which presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College at June 30, 2016. 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, 2016. Its purpose is to assess the College's operating and nonoperating activities.

Colorado Mountain College

Management’s Discussion and Analysis (Unaudited)

Year ended June 30, 2016

- Statement of Cash Flows which presents the cash receipts and disbursements of the College for the fiscal year ended June 30, 2016. Its purpose is to assess the College’s ability to generate net cash flows to meet its obligations as they come due.
- Notes to the Financial Statements which present additional information to support the financial statements and are commonly referred to as “Notes”. Their purpose is to clarify and expand on the information in the financial statements.
- Required Supplementary Information which presents a Schedule of Funding Progress for the College’s Health Insurance Plan, Schedule of the Changes in Net Pension Liability and Schedule of Employer Contributions as required by the Governmental Accounting Standards Board.

Reporting the College as a Whole

The analysis of the College as a whole (all funds combined) begins on page 19. 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.

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 FY2015-16, 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 2012-13 to 2015-16:

Tuition Category	2012-13 Rate/Credit Hr.	2013-14 Rate/Credit Hr.	2014-15 Rate/Credit Hr.	2015-16 Rate/Credit Hr.
In-district	\$ 56.00	\$ 56.00	\$ 57.00	\$ 57.00
In-state	\$ 95.00	\$ 95.00	\$ 101.50	\$ 107.00
Out of State	\$ 299.00	\$ 299.00	\$ 317.00	\$ 373.00
Service Area	N/A	N/A	\$ 97.00	\$ 103.00
Industry Rate	\$ 101.00	\$ 101.00	\$ 112.00	\$ 119.00

Colorado Mountain College
Management's Discussion and Analysis (Unaudited)
Year ended June 30, 2016

Bachelor degree tuition rates from 2012-13 to 2015-16:

Tuition Category	2012-13 Rate/Credit Hr.	2013-14 Rate/Credit Hr.	2014-15 Rate/Credit Hr.	2015-16 Rate/Credit Hr.
In-district	\$ 95.00	\$ 95.00	\$ 99.00	\$ 99.00
In-state	\$ 200.00	\$ 200.00	\$ 212.00	\$ 212.00
Out of State	\$ 405.00	\$ 405.00	\$ 429.00	\$ 429.00
Service Area	N/A	N/A	\$ 205.00	\$ 205.00

Credit enrollments for FY2015-16 ended 1.4 percent higher than the prior year. However, net tuition revenue was less than budgeted due to a shift in the mix of students (fewer out of state students) and the use of tuition discounts. The net tuition revenue ended approximately \$764,000 less than budget for the year. Residency mix within the student base is an important financial consideration for the College. The in-district students account for almost 67 percent of the student population and contribute 33.25 percent of the tuition revenue, while the out of state students account for only 16.6 percent of the student population and contribute 51 percent of the tuition revenue. The proportion of out of state students decreased in FY2015-16 which 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 FY2015-16. They did not decrease more than the credit FTE increased, thus when all types of student FTE are combined, there is a small increase in total over the prior year. As the economy recovers, the College anticipates these noncredit enrollments will begin to increase in the coming years.

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	2014-15 Actual	2015-16 Actual
Credit FTE	3,627.41	3,717.11
Noncredit FTE	440.57	418.40
ESL FTE	330.71	327.11
Total	4,398.69	4,462.62

Colorado Mountain College

Management's Discussion and Analysis (Unaudited)

Year ended June 30, 2016

Net Position

The College's net position is \$99,722,704 at June 30, 2016, reflecting a decrease of only \$264,812 from last year. Total current assets increased by \$5.3 million due mostly to higher cash balances, while total noncurrent assets decreased by \$1.2 million with changes in depreciable values of capital assets. All assets combined increased \$4.1 million over last year.

A number of capital projects were started during FY2015-16 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 were capitalized into the appropriate capital asset category and annual depreciation recorded. The net impact of these transactions along with equipment inventory adjustments was a \$2 million decline in net capital assets. Other assets which includes cash, investments and accounts receivable saw the opposite result with a \$6.1 million increase overall. The College's investment in large capital projects has been limited the past two years 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 that each employer involved in a cost-sharing pension plan, such as PERA, must 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 Public Employee Retirement Association (PERA) liability and the changes in actuarial assumptions used to value the overall PERA plan liability. These changes for FY2015-16 resulted in an increase to the College's portion of the liability in the amount of \$11.4 million or a total liability of \$101,536,835 at June 30, 2016. More details concerning GASB 68 are provided in the notes to these financial statements.

In addition to the pension liability, the College is phasing out an optional early retirement program over the next few years and this year the liability was reduced by approximately \$709,000, leaving a balance payable of \$3,471,105.

Long-term debt owed by the College in the form of Certificates of Participation was reduced by \$925,000 during the FY2015-16. These Certificates were issued in 2007 and mature in FY2027.

Overall current liabilities increased by \$1.6 million year over year. This is due primarily to an increase in accounts payable at June 30th which can fluctuate widely depending on what capital projects are in progress. Noncurrent liabilities, including the pension and retirement liabilities increased \$9.6 million year over year as described above. All liabilities combined increased \$11.2 million this year driven primarily by the required pension liability entry.

Colorado Mountain College
Management's Discussion and Analysis (Unaudited)
Year ended June 30, 2016

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

The following table breaks the net position down further:

Table 1		
Net Position		
	6/30/16	6/30/15
Capital Assets, Net	\$ 135,563,389	\$ 137,560,822
Other Assets	81,882,903	75,755,894
Total Assets	217,446,292	213,316,716
Deferred Outflows of Resources		
Related to Pensions	11,849,173	4,271,803
Long-term Liabilities	117,085,437	107,459,731
Other Liabilities	10,894,761	9,301,635
Total Liabilities	127,980,198	116,761,366
Deferred Inflows of Resources		
Related to Pensions	1,592,563	839,637
Net Investment in		
Capital Assets	122,077,752	123,235,677
Restricted Net Position	4,223,932	4,553,007
Unrestricted Net		
Position	(26,578,980)	(27,801,168)
Total Net Position	\$ 99,722,704	\$ 99,987,516

The College has a deficit unrestricted net position as of June 30, 2016 due to a net pension liability totaling \$101.5 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 exclusive of this liability would be approximately \$74.9 million. A Board of Trustee initiative requires the College to carry a reserve for the purpose of backfilling revenues if they decline, equal to 25 percent of the total operating revenue budget. Additional reserves are established to support specific initiatives and contribute to the net position of the College.

Colorado Mountain College
Management's Discussion and Analysis (Unaudited)
Year ended June 30, 2016

Following is a recap of the change in net position:

Table 2
Change in Net Position

	Year ended	
	6/30/16	6/30/15
Operating Revenues:		
Tuition and Fees, Net	\$ 8,364,331	\$ 7,820,154
Federal, State, Private Grants and Contracts	5,461,115	5,140,237
Auxiliary Enterprises	7,482,795	7,571,561
Other	857,228	787,745
Total Operating Revenue	22,165,469	21,319,697
Nonoperating Revenue:		
State Appropriations	7,143,039	6,435,286
Federal Nonoperating	3,565,040	4,013,543
Property Taxes	48,875,514	44,333,010
Investment Income	810,311	785,422
Unrealized Gain on Investments	840,016	93,015
Gain in disposition of capital assets	7,850	2,620
Total Nonoperating Revenue	61,241,770	55,662,896
Capital Contributions	217,254	3,243,748
Total Revenues	\$ 83,624,493	\$ 80,226,341

Colorado Mountain College
Management's Discussion and Analysis (Unaudited)
Year ended June 30, 2016

Table 2 (continued)
Change in Net Position

	Year ended	
	6/30/16	6/30/15
Operating Expenses:		
Instruction	\$ 27,320,819	\$ 26,487,029
Community Service	1,048,830	1,062,374
Academic Support	3,787,034	3,652,703
Student Services	6,464,766	6,219,996
Institutional Support	21,101,821	22,888,052
Operation and Maintenance of Plant	9,282,118	9,131,860
Scholarships	3,209,863	3,423,175
Auxiliary Enterprises	7,288,010	7,301,844
Depreciation	3,846,901	3,934,242
Total Operating Expenses	83,350,162	84,101,275
Nonoperating Expenses:		
Interest Expense on Capital Debt	523,582	576,126
Amortization of Prepaid		
Bond Insurance	15,651	15,651
Total Nonoperating Expenses	539,233	591,777
Total Expenses	\$ 83,889,395	\$ 84,693,052
Adjustment for change in accounting principles	\$ 0	\$(84,420,088)
Change in Net Position	\$ (264,812)	\$(88,886,799)

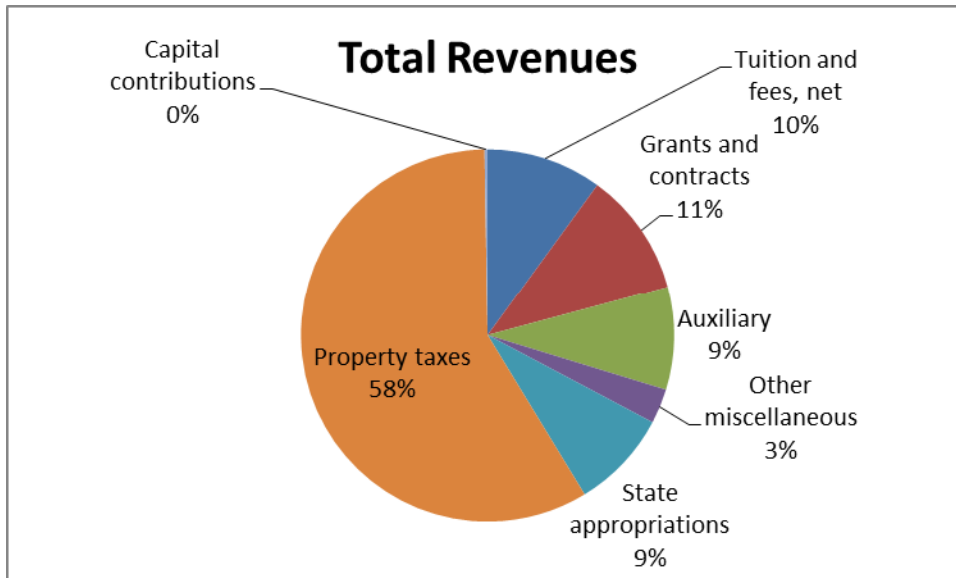
Colorado Mountain College
Management's Discussion and Analysis (Unaudited)
Year ended June 30, 2016

Revenues

The College experienced an increase in total revenues over last year in the amount of \$3.4 million. This is attributed to increases in property taxes, state appropriations and tuition. The increase in property tax is due to the housing markets first sign of recovery from the recession and a small increase in oil and gas values. Property tax revenues lag 18 months behind actual dates due to the timing of valuations and tax bills being paid. Due to this timing difference it is anticipated that residential property tax values will continue to increase through 2017-18. The state support increase represents the average percentage increase received by all institutions of higher education and reflects the recovering economy at the state level. Tuition increases year over year are due to rate increases and a small increase in enrollment.

Nonoperating income related to investments shows a swing of \$747,001 year over year, due to 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. This year was fairly significant to total revenues.

The following graph depicts total revenue of the College:



Revenues from all sources total \$83,624,583, with \$22,165,469, or 26.5 percent, generated from operating revenues and \$61,459,114, or 73.5 percent, from nonoperating revenues and capital contributions. Property taxes which account for 58.4 percent 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, 2016

Expenses

Overall expenditures have decreased by \$803,657 from the prior year, the result of a variety of transactions during the year. Expenditures were also \$6.7 million less than budget as the College experienced large salary savings due to vacancies and retirements, and there were a number of capital projects which did not get started before the fiscal year-end. So, although the project was budgeted, it either did not get completed or did not get started until after the end of the fiscal year resulting in expenditure savings. Offsetting these savings in expenditures, was the recording of the pension liability in conjunction with GASB 68. The calculated annual expense recorded to reflect the College's portion of the PERA pension liability (required by GASB 68) is \$9.2 million this year, compared with \$6.5 million last year. Institutional Support expenditures declined from the prior year due to a retirement plan phase-out expenditure recorded last year and not this year and offsetting increases in salaries and benefits year over year.

The large salary savings referred to above reflects the challenges the College is facing in recruiting talented staff and faculty. The high cost of living and high cost of housing in the college service area is forcing candidates to reconsider when offered a position with the College. The administration and the Board of Trustees are investigating solutions to the housing issues faced by employees. This is not a problem unique to the College, therefore partnership options are also being explored.

Despite the cost of living challenges the College did hire four new full-time faculty for the 2015-16 fiscal year which is reflected in the increased expenditures year over year in the category of Instruction.

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 67 percent of revenue.

Net cash used in operations decreased \$322,979 from 2014-15 to 2015-16. This is the result of both increased cash received and increased cash payments. The large contributing factors are tuition and contracts and grants on the cash received side and payments to employees and suppliers on the cash payments side. Tuition and contracts and grants account for an almost \$2 million increase in cash received, while payments to employees and suppliers account for approximately \$1.6 million in increased cash payments. Contracts and grants in 2015-16 include new TRIO Student Support Services grant funding of approximately \$400,000. The increase in payments to employees included a salary increase for full- and part-time employees of 2.5 percent and benefit increase of 6 percent. Changes in nonoperating cash flows include an increase in state funding of \$708,000; a property tax increase of \$3.8 million; a decline in sale of assets of \$1.1 million; a decline in gifts for capital purposes of \$3 million and a decline in construction of capital assets of \$2.6 million. The Board of Trustees is in the process of defining the next long-term capital plan which will ultimately increase the annual investment in capital construction. The previous capital plan concluded in 2014-15, therefore the 2015-16 year reflects a decline in overall capital spending while the next plan is being finalized. Overall cash and cash

Colorado Mountain College
Management's Discussion and Analysis (Unaudited)
Year ended June 30, 2016

equivalents, from both operations and nonoperations, increased by \$5.7 million over the prior year. More detail can be found in the Statement of Cash Flows.

CAPITAL ASSETS AND DEBT

Capital Assets

At June 30, 2016, the College had \$135,563,389 invested in capital assets, net of depreciation, consisting of buildings, land, land improvements, equipment, infrastructure, library materials and construction in progress. Following is a breakdown of those assets:

Table 5
Capital Assets at Year-End
Net of Depreciation

	6/30/16	6/30/15
Land	\$ 13,524,612	\$ 12,363,112
Library Materials	621,949	625,005
Construction In Progress	817,543	466,439
Land Improvements	1,665,464	1,842,548
Buildings	111,632,765	115,533,577
Equipment and Software	2,209,427	2,388,946
Infrastructure	4,691,586	3,943,886
Other Fixed Assets	400,043	397,309
Total Capital Assets	\$ 135,563,389	\$ 137,560,822

During the year the College made an adjustment to separate the building and land value on two college owned properties which accounts for the increase in land value and a portion of the decrease in buildings. Depreciation accounts for the remaining decrease in building value. Depreciation expense of \$3,846,901 was recorded during FY2015-16. Six projects at multiple campuses comprise the construction in progress total. These projects were budgeted in 2015-16 but will not be complete until 2016-17. They include residence hall wing remodels, a veterinarian technology program building, an elevator addition, fire sprinkler retrofit project and the build out of vacant space at the central administrative offices. The Board of Trustees and college leadership are developing a new long-term capital plan to cover the next 10 years. The previous plan culminated in FY2014-15, therefore the investment in new capital assets has been limited until the new plan is in place. The net change, after additions, deletions and depreciation is a decrease in capital assets of \$1,997,433.

Colorado Mountain College
Management's Discussion and Analysis (Unaudited)
Year ended June 30, 2016

Debt

The College has one debt issue outstanding which is certificates of participation (COPs) issued in 2007 for the purpose of financing construction of an academic building in Rifle and in Breckenridge. The COPs were issued for \$19,580,000, and the outstanding principal balance at June 30, 2016 is \$13,015,000. The bonds are scheduled to be paid off in FY2027.

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

The primary revenue source for the College is property tax, supplying almost 60 percent 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. However, property tax receipts are delayed by 18 months from the valuation date therefore, most of the increase from the housing market will not be realized until 2017-18 and forward. A large portion of the property tax received by the College comes from oil and gas in western Garfield County. Gas production has declined significantly in the past 18 months with a number of companies pulling out of the region. The result has been a projected decline of 50 percent, or \$4 million, in oil and gas revenues to the College in FY2016-17. The long-term outlook for the oil and gas industry suggests that a further dip may occur and then a very slow recovery over the next several years. The housing market recovery will offset a portion of this revenue decline, but may require a few years to catch up. This has limited the capital investments the College plans to make in 2016-17, but will not impact required deferred maintenance.

Overall enrollments have been relatively flat or down slightly for the past few years due to the economic recovery. When jobs are available, students tend to leave school to return to work. This past year the College saw a slight increase in enrollments over the prior year and for next year (FY2016-17) the College budgeted another small increase. Maintaining enrollment during strong economic times can be a challenge for community colleges, thus even small increases are significant to the fiscal health of the College. A primary focus of the College's strategic plan is a robust enrollment plan to stabilize and grow enrollments. To support the enrollment plan, the Board of Trustees has been developing a five year tuition and tuition discount plan. These two things combined will yield more stable net tuition revenue in the future.

With the improving economy, the State of Colorado is experiencing a recovery in revenue. However, with the current state laws, in particular TABOR, the state is challenged in its ability to retain all of the revenue it receives. The September 2016 revenue forecast indicates that the economy continues to show growth but at a slower pace than the last two years. It is unclear how the potential TABOR refunds will impact the state's ability to increase the portion of state support for higher education. Due to the uncertainty at this time, the College has budgeted zero increase in state revenues for 2016-17.

Colorado Mountain College
Management's Discussion and Analysis (Unaudited)
Year ended June 30, 2016

For FY2016-17, the College will continue its commitment to technology upgrades, classroom equipment upgrades, deferred maintenance on buildings, sustainability initiatives, and a few capital projects. A total of \$4.3 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 is anticipated to be complete by November 2016 and will guide the capital budget over the next five to ten years.

ACCREDITATION

AQIP (Academic Quality Improvement Process) is the College's method of accreditation and is a continual annual process. Annual updates are made of the College's continuous improvement projects and periodic visits from the Higher Learning Commission (HLC) take place. CMC's progress toward creating a culture of evidence is presented in our Systems Portfolio, which documents our success and is updated periodically. In response to the Systems Portfolio, the HLC provides feedback regarding the College's strengths and opportunities for improvement via a Systems Appraisal. The next System Portfolio Report is due June 1, 2018.

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 VP for Fiscal Affairs at 802 Grand Avenue, Glenwood Springs, Colorado 81601.

THIS PAGE LEFT BLANK INTENTIONALLY

Colorado Mountain College
Statement of Net Position
June 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 48,341,901
Short-term investments	2,500,000
Property tax receivable, net of allowance of \$196,673	9,408,894
Student accounts receivable, net of allowance of \$88,000	148,922
Other accounts receivable	1,452,212
Inventories	105,080
Prepaid expenses	1,297,332
Total current assets	<u>63,254,341</u>

Noncurrent assets:

Restricted cash and cash equivalents	1,865,992
Restricted investments	26,115
Long-term investments	16,501,426
Other noncurrent assets	235,029

Nondepreciable capital assets:

Land	13,524,612
Other fixed assets	400,043
Construction in progress	817,543

Depreciable capital assets (net):

Land improvements	1,665,464
Buildings and improvements	111,632,765
Infrastructure	4,691,586
Equipment and software	2,209,427
Library materials	621,949

Total noncurrent assets	<u>154,191,951</u>
TOTAL ASSETS	<u>217,446,292</u>

**DEFERRED OUTFLOWS OF RESOURCES
RELATED TO PENSIONS (NOTE 8)**

11,849,173

Colorado Mountain College
Statement of Net Position (continued)
June 30, 2016

LIABILITIES

Current liabilities:	
Accounts payable	2,378,319
Deposits payable	211,538
Accrued salaries	1,220,568
Accrued interest payable	228,161
Other accrued liabilities	2,131,771
Unearned revenue	1,554,172
Funds held for others	55,003
Bonds and capital leases payable	968,544
Voluntary early retirement program payable	660,145
Compensated absences	1,486,540
Total current liabilities	10,894,761
Noncurrent liabilities:	
Bonds and capital leases payable	12,065,258
Voluntary early retirement program payable	2,810,960
Land obligation payable	507,214
Compensated absences	165,170
Net pension liability (Note 8)	101,536,835
Total noncurrent liabilities	117,085,437
TOTAL LIABILITIES	127,980,198

**DEFERRED INFLOWS OF RESOURCES
RELATED TO PENSIONS (NOTE 8)**

1,592,563

NET POSITION

Net investment in capital assets	122,077,752
Restricted for:	
TABOR reserve	2,175,000
Loans	28,040
Bond reserve	1,733,614
Other purposes - expendable	287,278
Unrestricted	(26,578,980)
TOTAL NET POSITION	\$ 99,722,704

Colorado Mountain College Foundation, Inc.
Statement of Financial Position
June 30, 2016

ASSETS

Cash and cash equivalents	\$ 1,113,261
Account receivable	26,468
Contributions receivable, net	1,072,568
Investments	13,061,754
Cash surrender value of life insurance	34,276
TOTAL ASSETS	<u><u>\$ 15,308,327</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 70,865
Accrued liabilities	81,252
Charitable gift annuity payable	5,226
TOTAL LIABILITIES	<u>157,343</u>

NET ASSETS

Unrestricted	499,189
Temporarily restricted	6,573,684
Permanently restricted	8,078,111
Total net assets	<u>15,150,984</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 15,308,327</u></u>

Colorado Mountain College
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2016

REVENUES

Operating revenues:	
Tuition and fees, net of scholarship allowance of \$3,063,453	\$ 8,364,331
Federal, state, private grants and contracts	5,461,115
Auxiliary enterprises	7,482,795
Other operating revenue	857,228
Total operating revenues	<u>22,165,469</u>

EXPENSES

Operating expenses:	
Instruction	27,320,819
Community service	1,048,830
Academic support	3,787,034
Student services	6,464,766
Institutional support	21,101,821
Operation and maintenance of plant	9,282,118
Student aid	3,209,863
Auxiliary enterprises	7,288,010
Depreciation	3,846,901
Total operating expenses	<u>83,350,162</u>
Operating loss	<u>(61,184,693)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	7,143,039
Federal nonoperating revenue	3,565,040
Property taxes	48,875,514
Investment income	810,311
Unrealized gain on investments	840,106
Gain on disposition of capital assets	7,850
Amortization of prepaid bond insurance	(15,651)
Interest expense on capital debt	(523,582)
Net nonoperating revenues	<u>60,702,627</u>
Income before other revenues	<u>(482,066)</u>
Capital contributions	217,254
Change in net position	<u>(264,812)</u>
Net position - beginning of year	<u>99,987,516</u>
Net position - end of year	<u><u>\$ 99,722,704</u></u>

Colorado Mountain College Foundation, Inc.
Statement of Activities
Year ended June 30, 2016

REVENUES AND OTHER SUPPORT	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions	\$ 15,141	\$ 1,460,255	\$ 28,400	\$ 1,503,796
In-kind contributions:				
From Colorado Mountain College	922,706	-	-	922,706
Other	33,264	-	-	33,264
Investment return, net of investment expense	13	327,607	7,758	335,378
Other Income	15,773	-	-	15,773
Net assets released from restrictions due to satisfaction of program and time restrictions	1,546,230	(1,546,230)	-	-
Total revenues and other support	2,533,127	241,632	36,158	2,810,917
EXPENSES				
Program services:				
Scholarships	757,112	-	-	757,112
Distributions to or for the benefit of Colorado Mountain College	790,326	-	-	790,326
Scholarship administration and other program expenses	157,186	-	-	157,186
Total program services:	1,704,624	-	-	1,704,624
Support services:				
Management and general	437,869	-	-	437,869
Development and fund raising	360,765	-	-	360,765
Total program services:	798,634	-	-	798,634
Total expenses	2,503,258	-	-	2,503,258
Change in net assets	29,869	241,632	36,158	307,659
Net assets - beginning of year	469,320	6,317,508	8,056,497	14,843,325
Reclassification of net assets	-	14,544	(14,544)	-
Net assets - end of year	\$ 499,189	\$ 6,573,684	\$ 8,078,111	\$ 15,150,984

Colorado Mountain College
Statement of Cash Flows
Year ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received:	
Tuition and fees	\$ 8,668,161
Contracts and grants (operating revenue)	5,551,238
Sales and services of auxiliary enterprises	7,629,964
Other operating receipts	552,952
Cash payments:	
Payments to suppliers	(12,253,165)
Payments to employees	(52,124,016)
Payments for auxiliary enterprises	(7,162,835)
Scholarships disbursed	(3,209,863)
Net cash used in operating activities	<u>(52,347,564)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	7,143,039
Deposits held in custody for others	778
Property taxes	47,995,308
Federal nonoperating revenue	3,565,040
Direct loan receipts	5,473,254
Direct loan disbursements	(5,473,254)
Net cash provided by noncapital financing activities	<u>58,704,165</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Gifts and grants for capital purposes	217,254
Acquisition or construction of capital assets	(1,378,714)
Payment of prior year payables for capital assets	(359,697)
Proceeds from sale of capital assets	23,084
Principal paid on capital debt	(938,847)
Interest payments on capital debt and leases	(565,331)
Net cash used in capital and related financing activities	<u>(3,002,251)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	1,563,689
Investment income	812,507
Net cash provided by investing activities	<u>2,376,196</u>

Increase in cash and cash equivalents	5,730,546
Cash and cash equivalents, beginning of year	44,477,347
Cash and cash equivalents, end of year	<u><u>\$ 50,207,893</u></u>

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

Cash and cash equivalents	\$ 48,341,901
Restricted cash and cash equivalents	1,865,992
Total cash and cash equivalents	<u><u>\$ 50,207,893</u></u>

Colorado Mountain College
Statement of Cash Flows (continued)
Year ended June 30, 2016

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (61,184,693)
Adjustments to reconcile operating loss to to net cash used in operating activities:	
Depreciation	3,846,901
Amortization of land obligation payable	(34,384)
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Receivables, net	(46,409)
Inventories	35,120
Prepaid expenses	(246,398)
Pension related items	4,598,332
Accounts payable and accrued liabilities	333,566
Deposits payable	47,090
Deferred revenue	303,311
Net cash used in operating activities	<u><u>\$ (52,347,564)</u></u>

Noncash investing, capital and financing activities:

Accounts payable incurred for purchase of capital assets	\$ 451,835
Amortization of prepaid bond insurance	15,651
Unrealized gain on investments	840,106
Amortization of bond premium	377
Tuition provided under land obligation agreement	34,384
Assets acquired through a capital lease	7,578

THIS PAGE LEFT BLANK INTENTIONALLY

Colorado Mountain College

Notes to Financial Statements

June 30, 2016

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 P.O. Box 1763, Glenwood Springs, Colorado 81602.

Basis of Accounting and Presentation

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

Colorado Mountain College

Notes to Financial Statements

June 30, 2016

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.

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, 2016, 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.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

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 \$196,673 has been recorded based on an analysis of historical trends. The original January 1, 2016 levy for the College was 3.997 mills.

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.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

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.

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 2015-16 budget was amended in June 2016. The College's expenditures for a fund may not exceed the amount budgeted. Budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America.

Original Budget*	Supplemental Appropriation*	Revised Budget*
<u>\$ 88,578,916</u>	<u>\$ 10,567,055</u>	<u>\$ 99,145,971</u>

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

Cost-sharing Defined Benefit Pension Plan

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). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when earned by the employees in accordance with the benefit terms. The plan's investments are reported at fair value.

Colorado Mountain College

Notes to Financial Statements

June 30, 2016

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.

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net 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, 2016 was \$3,063,453.

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.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

Implementation of New Accounting Principle

The College implemented Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72), which generally requires state and local governments to measure investments at fair value. GASB’s goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government’s financial position. The implementation of GASB 72 had no effect on net position, however, it did change the requirements for information disclosed in the footnotes included within this financial report.

Related Party

The College maintains deposits at Alpine Bank. One member of the College’s Board of Trustees is employed with Alpine Bank; this Board member, however, is not involved in any decisions on behalf of the College with respect to this matter.

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.

Note 2: Cash and Cash Equivalents and Investments

Cash and cash equivalents as of June 30, 2016 is comprised of the following:

Deposits	\$ 16,530,336
ColoTrust	25,092,109
Money market funds	6,711,593
Cash total	48,334,038
Cash on hand	7,863
Total cash and cash equivalents	48,341,901
Restricted cash and cash equivalents	1,865,992
Total	\$ 50,207,893

Colorado Mountain College

Notes to Financial Statements

June 30, 2016

The restricted cash and cash equivalents consist of money market funds restricted for the required reserves associated with the outstanding 2007 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 percent of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state.

At June 30, 2016, the carrying amount of the College's deposits, including nonnegotiable certificates of deposits, was \$19,188,828. The College's deposits in banks and nonnegotiable certificates of deposit in banks totaled \$20,704,813, of which \$1,411,499 was insured by federal deposit insurance and \$19,293,314 was collateralized in accordance with PDPA. The College also had cash on hand of \$7,863 at June 30, 2016.

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, 2016, the College has invested \$25,092,109 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1.

Colorado Mountain College

Notes to Financial Statements

June 30, 2016

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

	Current Market Value	Cost Basis	Current Yield	Maturity	Credit Rating	
					Moody's	S&P
<u>Certificates of deposit (non-negotiable)</u>						
				Various ranging from 8/28/2018 to		
Vectra Bank	\$ 26,115	\$ 26,115	0.00%	4/25/2019		
People's Bank	2,500,000	2,500,000	0.38%	8/12/2016		
	<u>2,526,115</u>	<u>2,526,115</u>				
<u>Government issued or guaranteed bonds</u>						
Federal Home Loan Bank	5,236,465	4,334,536	5.00%	12/10/2021	AAA	AA+
Federal Home Loan Bank	11,264,961	8,796,068	5.75%	6/12/2026	AAA	AA+
	<u>16,501,426</u>	<u>13,130,604</u>				
<u>Money market funds</u>						
Federated Government Obligation	1,733,615	1,733,615				
Dreyfus General	6,711,593	6,711,593				
	<u>8,445,208</u>	<u>8,445,208</u>				
Total investments	<u>\$ 27,472,749</u>	<u>\$ 24,101,927</u>				
<u>Statement of net position classification</u>						
Money market funds in restricted cash and cash equivalents	\$ 1,733,615					
Money market funds in cash and cash equivalents	6,711,593					
Short-term investments	2,500,000					
Long-term investments	16,501,426					
Restricted investments	26,115					
	<u>\$ 27,472,749</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.

As of June 30, 2016, the College’s investment in ColoTrust investment pool was rated AAAM by Standard and Poor’s.

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 percent of the portfolio may be placed in an investment pool, such as ColoTrust. As of June 30, 2016, 48 percent of the College’s investments are in ColoTrust. In addition, the College’s investments in U.S. government agencies constituted 44 percent of its total investments.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

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 certifications of deposit and ColoTrust, 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.

The College has the following recurring fair value measurements as of June 30, 2016:

- Money Market Funds held by a broker, of \$8.4 million are valued using quoted market prices (Level 1 inputs).
- Government issued or guaranteed bonds of \$16.5 million are valued using a matrix pricing model (Level 2 inputs).

Note 3: Receivables

Other accounts receivable is made up of the following as of June 30, 2016:

Type of Receivable	Amount
Federal government grant receivable	\$ 972,878
State government grant receivable	16,598
Other miscellaneous receivable	462,736
	\$ 1,452,212

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2016 is:

	Balance, July 1, 2015	Additions	Retirements	Transfers In (Out)	Balance, June 30, 2016
Nondepreciable capital assets					
Artwork	\$ 327,750	\$ -	\$ -	\$ -	\$ 327,750
Land	12,363,112	-	-	1,161,500	13,524,612
Other fixed assets	69,559	2,734	-	-	72,293
Construction in progress	466,439	1,260,022	-	(908,918)	817,543
Total nondepreciable capital assets	<u>13,226,860</u>	<u>1,262,756</u>	<u>-</u>	<u>252,582</u>	<u>14,742,198</u>
Depreciable capital assets					
Land improvements	3,036,892	-	-	-	3,036,892
Buildings and improvements	143,282,894	-	-	(1,161,500)	142,121,394
Equipment	7,343,132	556,660	(449,654)	-	7,450,138
Library materials	3,110,834	45,575	(30,414)	-	3,125,995
Software	741,770	-	-	-	741,770
Infrastructure	4,449,855	-	-	908,918	5,358,773
Total depreciable capital assets	<u>161,965,377</u>	<u>602,235</u>	<u>(480,068)</u>	<u>(252,582)</u>	<u>161,834,962</u>
Less accumulated depreciation					
Land improvements	1,194,344	177,084	-	-	1,371,428
Buildings and improvements	27,749,317	2,739,312	-	-	30,488,629
Equipment	4,967,304	715,886	(434,131)	-	5,249,059
Library materials	2,485,829	48,631	(30,414)	-	2,504,046
Software	728,652	4,770	-	-	733,422
Infrastructure	505,969	161,218	-	-	667,187
Total accumulated depreciation	<u>37,631,415</u>	<u>3,846,901</u>	<u>(464,545)</u>	<u>-</u>	<u>41,013,771</u>
Net depreciable capital assets	<u>124,333,962</u>	<u>(3,244,666)</u>	<u>(15,523)</u>	<u>(252,582)</u>	<u>120,821,191</u>
Net carrying amount	<u>\$ 137,560,822</u>	<u>\$ (1,981,910)</u>	<u>\$ (15,523)</u>	<u>\$ -</u>	<u>\$ 135,563,389</u>

Interest cost capitalized for the year ended June 30, 2016 is \$26,575.

During the year ended June 30, 2016, the College participated in an exchange of one acre of land with the Town of Breckenridge along the Breckenridge Campus property line. There was no financial impact for this transaction as both parcels were of equal value.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the College for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Certificates of Participation (COPs)	\$ 13,940,000	\$ -	\$ 925,000	\$ 13,015,000	\$ 960,000
COPs premiums	4,337	-	377	3,960	-
Capital leases	21,111	7,578	13,847	14,842	8,544
Compensated absences	1,615,038	1,453,367	1,416,695	1,651,710	1,486,540
Voluntary early retirement program payable	4,180,127	-	709,022	3,471,105	660,145
Net pension liability	90,114,058	11,422,777	-	101,536,835	-
Total	\$ 109,874,671	\$ 12,883,722	\$ 3,064,941	\$ 119,693,452	\$ 3,115,229

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 percent to 4.375 percent. The COPs require annual debt service payments ranging from \$871,433 to \$1,540,200, including interest. Final payments are due in August 2026.

The premium on the COPs of \$7,353 and the prepaid bond insurance costs of \$336,000, are being amortized over the life of the COPs. The balance of the premium at June 30, 2016 is \$3,960 and the unamortized balance of the prepaid bond insurance cost is \$180,829. The amount of the premium credited as a reduction of interest expense for the year was \$377 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, 2016:

Year Ending June 30	Principal	Interest	Total
2017	\$ 960,000	\$ 529,088	\$ 1,489,088
2018	995,000	491,931	1,486,931
2019	1,035,000	452,575	1,487,575
2020	1,075,000	408,359	1,483,359
2021	1,125,000	360,234	1,485,234
2022-2026	6,385,000	1,027,813	7,412,813
2027	1,440,000	31,500	1,471,500
	\$ 13,015,000	\$ 3,301,500	\$ 16,316,500

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

Capital Lease Obligations

The College has an outstanding liability for capital leases of \$14,842 relating to copiers at various campuses. The following is a schedule of the future capital lease's payments as of June 30, 2016:

Year Ending June 30	Amount
2017	\$ 8,544
2018	4,134
2019	2,664
Gross capital lease obligation	15,342
Less interest	500
Net capital lease obligation	\$ 14,842

The underlying gross capitalized asset cost of the capital leases is \$24,753 and the accumulated amortization as of June 30, 2016 is \$11,449.

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, 2016:

Year Ending June 30	Amount
2017	\$ 660,145
2018	382,283
2019	2,428,677
	\$ 3,471,105

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, 2016, were approximately \$188,698. Rental payments received on multi-year leases expiring from 2015 to 2018, for the year ended June 30, 2016, were approximately \$406,360. The College entered into the following operating lease contract as the "Lessor."

Colorado Mountain College

Notes to Financial Statements

June 30, 2016

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. 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, 2016, 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, 2016 are estimated to be \$868,582. Additionally, other part-time employees' salaries and benefits earned but unpaid as of June 30, 2016 are estimated to be \$267,466. Full-time employees sub-contracted to perform projects during the summer earned but unpaid as of June 30, 2016 are estimated to be \$84,520.

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, 2016 is \$1,651,710.

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

Colorado Mountain College

Notes to Financial Statements

June 30, 2016

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.

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 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is 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 percent 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 percent or 100 percent 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 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of two percent 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 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent 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.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

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 percent of their PERA-includable salary. The employer contribution requirements for all employees are summarized in the table below:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
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	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SDTF ¹	17.33%	18.23%

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 \$4,705,020 for the year ended June 30, 2016.

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

At June 30, 2016, the College reported a liability of \$101,536,835 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The College proportion of the net pension liability was based on College contributions to the SDTF for the calendar year 2015 relative to the total contributions of participating employers to the SDTF.

At December 31, 2015, the College proportion was 0.964 percent, which was an increase of 0.006 from its proportion measured as of December 31, 2014.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

For the year ended June 30, 2016, the College recognized pension expense of \$9,160,877. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,478,542	\$ 3,133
Changes of assumptions or other inputs	-	1,201,903
Net difference between projected and actual earnings on pension plan investments	7,650,711	-
Changes in proportion	367,512	387,527
Contributions subsequent to the measurement date	2,352,408	-
Total	\$ 11,849,173	\$ 1,592,563

\$2,352,408 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ 1,989,600
2018	2,320,415
2019	2,028,262
2020	1,565,925
	\$ 7,904,202

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 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

Colorado Mountain College

Notes to Financial Statements

June 30, 2016

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

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35 percent of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. 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 3.90 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent 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, 2016

- 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 actuarial cost method and assumptions, the SDTF’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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 128,277,520	\$ 101,536,835	\$ 79,169,144

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.

Colorado Mountain College

Notes to Financial Statements

June 30, 2016

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, 2016 were \$9,271,996. For the current fiscal year the employer's contribution to the DCP, recognized as pension expense, was \$1,743,867, which is 18.35 percent of covered payrolls for July 1, 2015 through December 31, 2015 and 19.25 percent for January 1, 2016 through June 30, 2016. Contributions by employees were \$741,760, which is 8 percent of covered payrolls.

Note 9: Postemployment Health Care Plans

PERA Health Care Trust Fund

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

Funding Policy – The College is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the College are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended June 30, 2016, 2015 and 2014 the College contributions to the HCTF were \$268,468, \$269,424 and \$257,795, respectively, equal to their required contributions for each year.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

Other Postemployment Benefits

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

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

The following table shows the components of the College’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the College’s net OPEB obligation to the plan. The net pension obligation of the College is included in other accrued liabilities on the Statement of Net Position.

Annual required contribution (ARC)	\$	45,689
Interest on net pension obligation (NPO)		11,749
Adjustment to ARC		(11,145)
Annual OPEB costs		46,293
Contributions made		(4,820)
Increase in NPO		41,473
NPO beginning of year		276,445
NPO end of year	\$	317,918

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	\$ 40,865	17%	\$ 243,736
6/30/15	\$ 40,972	20%	\$ 276,445
6/30/16	\$ 46,293	10%	\$ 317,918

Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$352,493, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$352,493.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

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

Actuarial Methods and Assumptions

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

The following table details the actuarial assumptions made:

Assumptions	Health Care Plan
Actuarial valuation date	June 30, 2016
Actuarial cost method	Projected Unit Credit Cost
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	4.25%
Payroll growth rate	3.00%
Health care cost trend, including inflation	6.50%
Decreasing for 2032 and later	3.25%

Note 10: 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 percent 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.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

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.

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, 2016, \$292,786 has been used. The remaining obligation of \$507,214 is reflected as land obligation payable on the Statement of Net Position.

Construction Commitments

As of June 30, 2016, the College had various contracts for the acquisition and construction of projects which totaled \$543,178.

Note 11: 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; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have been no significant decreases in insurance coverage.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

Note 12: Component Unit – Foundation

The following details the investments held by the Foundation at June 30, 2016:

Publicly traded mutual funds invested in:	
Fixed Income	\$ 3,206,290
U.S. large cap equities	2,171,124
Other equities	4,478,826
Foreign large cap equities	145,787
Other foreign equities	427,296
Real estate	147,231
U.S. corporate bonds	2,019,475
International bonds	273,789
Mortgage and asset backed bonds	5,906
Cash and cash equivalents	186,030
Total investments	<u>\$ 13,061,754</u>

Investments are recorded in the following net asset balance at June 30, 2016:

Unrestricted net assets	\$ 177,324
Temporarily restricted net assets	4,831,446
Permanently restricted net asset	8,052,984
	<u>\$ 13,061,754</u>

The following table summarizes the valuation of the Foundation’s investments by the fair value hierarchy levels as of June 30, 2016:

Description	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 186,030	\$ 186,030	\$ -	\$ -
Equity mutual funds	7,223,033	7,223,033	-	-
Fixed income mutual funds	3,206,290	3,206,290	-	-
Real estate mutual funds	147,231	147,231	-	-
Fixed income securities	2,299,170	-	2,299,170	-
Total	<u>\$ 13,061,754</u>	<u>\$ 10,762,584</u>	<u>\$ 2,299,170</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.

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

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, 2016, temporarily restricted net assets consisted of the following:

Unspent earnings on endowment funds	\$ 2,469,481
Contributions received or receivable for specific purposes	<u>4,104,203</u>
Total temporarily restricted net assets	<u><u>\$ 6,573,684</u></u>

Net assets totaling \$1,546,230 were released from restriction in 2016 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, 2016, the balance of permanently restricted net assets consists of the following:

Endowment funds for facility maintenance	\$ 56,772
Endowment funds for scholarships	<u>8,021,339</u>
Total endowment funds	<u><u>\$ 8,078,111</u></u>

At June 30, 2016, unconditional contributions receivable are due as follows:

Receivable in less than one year	\$ 66,436
Receivable in one to five years	657,818
Receivable in more than five years	<u>400,000</u>
Total unconditional contributions receivable	1,124,254
Less discount to net present value	<u>(51,686)</u>
Contributions receivable, net	<u><u>\$ 1,072,568</u></u>

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 percent to 1.285 percent.

At June 30, 2016, contributions receivable are recorded in the following accounts:

Unrestricted net assets	\$ 53,913
Temporarily restricted net assets	993,528
Permanently restricted net asset	<u>25,127</u>
	<u><u>\$ 1,072,568</u></u>

Colorado Mountain College
Notes to Financial Statements
June 30, 2016

Note 13: 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 next 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, 2016, the Rent Assistance Program has two employees owing the College a total of \$3,928, and the Down Payment Assistance Program has three participants with a balance of \$26,115.

Required Supplementary Information

Colorado Mountain College
Required Supplementary Information
Schedule of Funding Progress
Year ended June 30, 2016

Health Insurance Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2012	\$ -	\$ 531,765	\$ 531,765	0%	\$ 23,805,436	2%
6/30/2014	\$ -	\$ 318,734	\$ 318,734	0%	\$ 25,510,736	1%
6/30/2016	\$ -	\$ 352,493	\$ 352,493	0%	\$ 27,999,469	1%

Colorado Mountain College
Required Supplementary Information
Schedule of Changes in Net Pension Liability
Year ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability (asset)	0.964%	0.958%	0.972%
College's proportionate share of the net pension liability (asset)	\$ 101,536,835	\$ 90,114,058	\$ 86,616,427
College's covered-employee payroll	\$ 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-employee payroll	376.6%	347.5%	343.9%
Plan fiduciary net position as a percentage of the total pension liability	56.10%	59.80%	61.08%

Information above is presented as of the measurement date

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 Employer Contributions
Year ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,705,020	\$ 4,458,106	\$ 4,036,599
Contributions in relation to the contractually required contribution	<u>4,705,020</u>	<u>4,458,106</u>	<u>4,036,599</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 26,646,762	\$ 26,708,154	\$ 25,495,463
Contributions as a percentage of covered-employee payroll	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

Supplementary Information

Colorado Mountain College
Actual to Budget Comparison Schedule - Collegewide
June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Operating revenues:			
Tuition and fees	\$ 12,191,858	\$ 11,427,784	\$ (764,074)
Federal, state, private grants and contracts	12,086,090	10,934,369	(1,151,721)
Auxiliary enterprises	8,209,670	7,482,795	(726,875)
Other operating revenue	813,695	857,228	43,533
Total operating revenues	33,301,313	30,702,176	(2,599,137)
EXPENSES			
Operating expenses:			
Instruction	28,629,677	27,320,819	1,308,858
Community service	995,059	1,048,830	(53,771)
Academic support	3,876,139	3,787,034	89,105
Student services	7,032,951	6,464,766	568,185
Institutional support	19,588,013	21,101,821	(1,513,808)
Operation and maintenance of plant	13,159,777	9,282,118	3,877,659
Student aid	13,502,016	11,746,570	1,755,446
Auxiliary enterprises	7,909,839	7,288,010	621,829
Depreciation	3,900,000	3,846,901	53,099
Total operating expenses	98,593,471	91,886,869	6,706,602
NONOPERATING REVENUES (EXPENSES)			
State appropriations	7,143,166	7,143,039	(127)
Federal nonoperating revenue	4,500,000	3,565,040	(934,960)
Property taxes	48,612,395	48,875,514	263,119
Investment income	785,955	810,311	24,356
Unrealized gain on investments	-	840,106	840,106
Gain on disposition of capital assets	-	7,850	7,850
Amortization of prepaid bond insurance	(27,500)	(15,651)	11,849
Interest expense on capital debt	(525,000)	(523,582)	1,418
Net nonoperating revenues	60,489,016	60,702,627	213,611
Capital contributions	52,400	217,254	164,854
Excess (deficiency) of revenues over expenditures	(4,750,742)	(264,812)	4,485,930
Fund balances/net position - beginning of year	99,987,516	99,987,516	-
Fund balance - end of year	<u>\$ 95,236,774</u>	<u>\$ 99,722,704</u>	<u>\$ 4,485,930</u>

Single Audit

THIS PAGE LEFT BLANK INTENTIONALLY

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

Board of Trustees
Colorado Mountain College
Glenwood Springs, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Colorado Mountain College (the College), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 31, 2016, which contained a reference to the report of other auditors. The financial statements of Colorado Mountain College Foundation, Inc., the discretely presented component unit of the College, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the College's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 College'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.

Board of Trustees
Colorado Mountain College

Compliance and Other Matters

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

We noted certain matters that we reported to the College's management in a separate letter dated October 31, 2016.

Purpose of this Report

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

BKD, LLP

Denver, Colorado
October 31, 2016

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

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 program for the year ended June 30, 2016. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program 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 a major federal program 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 the major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each 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 its major federal program for the year ended June 30, 2016.

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 our 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 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. 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.

BKD, LLP

Denver, Colorado
October 31, 2016

Colorado Mountain College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Interior</u>			
<i>Passed through Colorado State Office Bureau of Land Management</i>			
Fish, Wildlife and Plant Conservation Resource Management	15.231	L12AC20458	\$ 4,538
Environmental Quality and Protection Resource Management	15.236	L15AC00235	<u>124,337</u>
<i>Total U.S. Department of Interior</i>			128,875
<u>U.S. Department of Labor</u>			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	N/A	<u>54,878</u>
<i>Total U.S. Department of Labor</i>			<u>54,878</u>
<u>Environmental Protection Agency</u>			
<i>Passed through Colorado Department of Public Health and Environment</i>			
Nonpoint Source Implementation Grants	66.460	13-53280, C9-99818608, C9-99818614 & PO FAAAFEGA201500044	<u>12,592</u>
<i>Total Environmental Protection Agency</i>			<u>12,592</u>
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	55,796
Federal Work-Study Program	84.033	N/A	58,563
Federal Pell Grant Program	84.063	N/A	3,565,040
Federal Direct Student Loans	84.268	N/A	<u>5,473,254</u>
Subtotal Student Financial Assistance Cluster			9,152,653
TRIO Cluster			
TRIO_Student Support Services	84.042	N/A	252,657
TRIO_Student Support Services	84.042A	N/A	304,344
TRIO_Upward Bound	84.047	N/A	<u>523,907</u>
Subtotal TRIO Cluster			1,080,908
<i>Passed through Colorado Department of Higher Education</i>			
Improving Teacher Quality State Grants	84.367	B2014-15-4	194,187
<i>Passed through Colorado Department of Education</i>			
Adult Education - Basic Grants to States	84.002A	5002	238,118
<i>Passed through Colorado Community College System</i>			
Career and Technical Education - Basic Grants to States	84.048A	1645 & 1622	<u>318,622</u>
<i>Total U.S. Department of Education</i>			<u>10,984,488</u>

Colorado Mountain College
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2016

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u><i>U.S. Department of Health and Human Services</i></u>			
TANF Cluster			
<i>Passed through Colorado Department of Human Services, Garfield County DHS, Eagle County DHS</i>			
Temporary Assistance For Needy Families (TANF)	93.558	None provided	152,985
Subtotal TANF Cluster			152,985
<i>Passed through Colorado Department of Regulatory Agencies, Division of Insurance (SHIP)</i>			
Special Programs for the Aging_Title IV_ and Title II_Discretionary Projects	93.048	OESFA 14SMP000003	3,000
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	OESFA 13SHIP000007	5,720
<i>Total U.S. Department of Health and Human Services</i>			161,705
<u><i>Corporation for National and Community Service</i></u>			
Retired and Senior Volunteer Program	94.002	N/A	49,955
<i>Total Corporation for National and Community Service</i>			49,955
Total Expenditures of Federal Awards			<u>\$ 11,392,493</u>

Colorado Mountain College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

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, 2016.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

Colorado Mountain College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP):

Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

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

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

Federal Awards

4. Internal control over major programs:

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

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

Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Colorado Mountain College
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2016

7. Identification of major federal programs:

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

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.

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

Colorado Mountain College
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2016

Section II – Financial Statement Findings

Reference Number	Finding	Questioned Costs
-----------------------------	----------------	-----------------------------

No matters are reportable.

Colorado Mountain College
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2016

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2016-001	<p>Finding: Special Tests & Provisions - Enrollment Reporting</p> <p>Student Financial Assistance Cluster: Federal Direct Student Loans CFDA No. 84.268 Federal Pell Grant Program CFDA No. 84.063 Department of Education - Award Year: 2015-2016</p> <p>Criteria: Per the National Student Loan Data System (NSLDS) Enrollment Reporting Guide (October 2015 revision), institutions must complete and return within 15 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] which is placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by the Department of Education via NSLDS.</p> <p>Condition: We reviewed all 12 months of fiscal year 2016 noting none of the months had all errors cleared within the required 15 days.</p> <p>Questioned Costs: None. Questioned costs would not be applicable under this finding.</p> <p>Context: We obtained the SCHER1 report for the entire fiscal year 2016 and reviewed all 12 months for compliance with this requirement.</p> <p>Effect: Enrollment reporting assists the federal government in management of these programs, including tracking of the 150% subsidized loan limitation provisions and congressional report requirements associated with the Pell grant program. In addition, for the direct loan program it assists lenders in the determination of whether a borrower should be moved into loan repayment or if they are eligible for an in-school deferment. Thus, if the College fails to meet the required reporting timelines or submits inaccurate information to NSLDS, the borrowers' repayment responsibilities may be reported incorrectly resulting in either a lack of timely repayments by the borrowers or the student being inappropriately moved into loan repayment status.</p> <p>Cause: The College was not aware that the National Student Clearinghouse was not automatically clearing errors or providing the College the information it needed to clear the errors noted on roster files submitted to NSLDS.</p> <p>Identification as a repeat finding: Not applicable.</p> <p>Recommendation: We recommend that the College work with the National Student Clearinghouse to request and resolve errors noted on roster files within the required 15 day timeframe.</p> <p>Views of responsible officials: Agree. See separate report for planned corrective actions.</p>

Colorado Mountain College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Reference Number	Summary of Finding	Status
2015-001	<p><i>Special Tests & Provisions - Enrollment Reporting:</i> We recommend that the College review their submission calendar to help ensure that all submissions at the end of the semester occur subsequent to final grades being posted. For errors caused by students automatically being removed from the Student Status Confirmation Report (SSCR) Roster, we recommend that the College continue with manual work around, including reporting students via Transfer Monitoring, until the National Student Clearinghouse is able to develop a solution to correct this issue. Finally, we recommend that the College continue to work with the National Student Clearinghouse to ensure that roster files are submitted with the suggested frequency according to the submission calendar to allow for student information to be received by NSLDS within the required timeframe.</p>	Implemented

THIS PAGE LEFT BLANK INTENTIONALLY



CORRECTIVE ACTION PLAN
Report Issued October 31, 2016

FISCAL YEAR OF FINDING:

2016

AUDITOR FINDING:

Single Audit 2016-001 – Student Financial Aid Cluster: Federal Direct Student Loans and Federal Pell Grant Program - Special Tests & Provisions – Enrollment Reporting. The College was not aware that the National Student Clearinghouse was not automatically clearing errors or providing the College the information it needed to clear the errors noted on roster files submitted to NSLDS. BKD recommends that the College work with the National Student Clearinghouse to request and resolve errors noted on roster files within the required 15 day timeframe.

COLORADO MOUNTAIN COLLEGE PLANNED ACTION:

The College implemented the following process in 2015 and continues to review and improve the process. The Financial Aid Department sends transfer monitoring for all students to the National Student Loan Data System (NSLDS) monthly; after transfer monitoring confirmations are imported, the Registrar's Office sends enrollment reporting roster to the National Student Clearinghouse (NSC). The roster is sent the third-fourth week of each month to NSC in order for the Student Status Change Report (SSCR)/Roster from National Student Loan Data System to the National Student Clearinghouse on the first of each following month can be responded to immediately. The Federal Programs Specialist initiates the transfer monitoring export dates and schedules transmission dates at the National Student Clearinghouse. In addition, we now order the SCHER 1 report from NSLDS. This report provides a summary count of records received and errors. With these numbers, we can review the NSC reports and links to correct erred student records. With the above schedule, the response time will be from 1 week to 15 days.

COLORADO MOUNTAIN COLLEGE RESPONSIBLE PARTY:

Danielle Cerise, Federal Program Specialist
Tom Valles, Director of Financial Aid

ANTICIPATED COMPLETION DATE:

November 30, 2016



SUMMARY OF PRIOR YEAR AUDIT FINDING

Report Issued October 31, 2016

FISCAL YEAR OF FINDING:

2015

AUDITOR FINDING:

Single Audit 2015-001 – Student Financial Aid Cluster: Federal Direct Student Loans and Federal Pell Grant Program - Special Tests & Provisions – Enrollment Reporting. BKD recommended that the College review our submission calendar to help ensure that all submissions at the end of the semester occur subsequent to final grades being posted. For errors caused by students automatically being removed from the Student Status Confirmation Report (SSCR) Roster, BKD recommended that the College continue with manual work around, including reporting students via Transfer Monitoring, until the National Student Clearinghouse is able to develop a solution to correct this issue. Finally, BKD recommended that the College continue to work with the National Student Clearinghouse to ensure that roster files are submitted with the suggested frequency according to the submission calendar to allow for student information to be received by NSLDS within the required timeframe.

COLORADO MOUNTAIN COLLEGE CORRECTIVE ACTION:

The College implemented the following process in 2015 and continues to follow it. The Financial Aid Department sends transfer monitoring for all students monthly; after transfer monitoring confirmations are imported, the Registrar's Office sends enrollment reporting roster. The roster is sent the third-fourth week of each month so the Student Status Change Report/Roster from National Student Loan Data System to the National Student Clearinghouse on the first of each following month can be responded to immediately. The Federal Programs Specialist initiates the transfer monitoring export dates and schedules transmission dates at the National Student Clearinghouse.

COLORADO MOUNTAIN COLLEGE RESPONSIBLE PARTY:

Danielle Cerise, Federal Programs Specialist

STATUS:

Fully corrected October 1, 2016