



TECHNICAL COLLEGE OF THE ROCKIES
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2018

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Independent Auditor's Report

November 5, 2018

Board of Education
Technical College of the Rockies
Delta, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Technical College of the Rockies, a component unit of the Delta County Joint School District 50J, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Technical College of the Rockies as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Education
Technical College of the Rockies
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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statement. The combining statement and schedule, the Auditor's Integrity Report of the Colorado Department of Education, and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 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 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

**TECHNICAL COLLEGE OF THE ROCKIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

Reporting the College as a Whole

The Technical College of the Rockies is a public institution of higher education, governed by the Delta County Joint School District No. 50J Board of Education. The College provides post-secondary and secondary career and technical programs that lead to a certificate of occupational proficiency. The College is affiliated with the Colorado Community College System and accredited by the Council of Occupational Education. The Service area of the College includes Delta, Montrose, Gunnison, Hinsdale, Ouray, and San Miguel counties.

This discussion and analysis provides an overall view of the Technical College of the Rockies's financial activities for the fiscal year 2017-2018. Revenues for the College come from the State of Colorado (FTE funding), school district funding for secondary students, contract revenue, student tuition and fees, grants and various enterprise ventures. The intent of this analysis is to look at the College's financial performance as a whole. Complete understanding of the fiscal performance of the College may require reading of the basic financial statements for the College.

Financial Highlights

Key financial highlights for the fiscal year ended on June 30, 2018 are as follows:

- In total, net position decreased by (\$1,379,232). The College's fund balance decreased (\$45,403). There were several factors that caused the fund balance to decrease this fiscal year. This was the first year with our new name, therefore there were expenses involved in changing the name of the College. The biggest expense was a new outdoor road sign, along with a remodel of the commons area. Also, in the Bookstore, there was a purge of old inventory that could no longer be sold, that had to be expensed in this current year. Below will be an explanation on how reporting of the Employer's Pension and OPEB liabilities have a negative effect on the College's overall net position.
- The College had \$3,082,376 in total revenues. State revenues accounted for \$1,226,165 or 40% of total revenues. Program specific revenues accounted for \$1,024,878 or 34% of total revenues. Student aid programs and other operating grants accounted for \$831,333 or 26% of total revenues.
- The College had \$4,461,608 in total expenses. Instructional expenses accounted for \$2,443,818 or 54% of total expenses. General, supporting, business and student aid programs accounted for \$2,017,790 or 46% of total expenses.
- Total expenses of \$4,461,608 exceeded total revenues of \$3,082,376 by (\$1,379,232). A net change in fund balance of (\$45,403), capital outlays exceeding depreciation \$16,762, liability for early retirement \$21,169, amount of donated assets \$123,506 and the College's pension and OPEB expenses of (\$1,495,266) make up the total of expenditures exceeding revenues.
- Since FY 15 the College is required to record in the Government Wide financial statements their portion of Employer Net Pension liability with the adoption of GASB 68. With the adoption of GASB 68, the College shows a Net pension liability of (\$9,743,004). See Note F Defined Benefit Pension Plan in the financial statements for further explanation of the College's pension plan.
- In FY 18 the College is required to record in the Government Wide financial statements their portion of the OPEB Plan "Other Post-Employment Benefits" Plan. The College's Net OPEB obligation for FY 18 is (\$222,489). See Note G Defined Benefit Other Post Employment Benefit (OPEB) Plan for further explanation.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Technical College of the Rockies as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of the whole College, presenting both an aggregate view of the College's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the College's operations in more detail than the government-wide statements by providing information about the College's most significant funds. The remaining statements provide financial information about the activities for which the College acts solely as a trustee or agent for the benefit of those outside the reporting entity.

Reporting the College as a Whole

While this report contains all funds used by the College to provide programs and activities, the view of the College as a whole looks at all the financial transactions and asks the question, "How did we do financially during the 2017-2018 fiscal year?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting similar to the accounting system used by most private sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the College's net position and changes in that position. This change in net position is important because it identifies whether the financial position of the College has improved or diminished for the College as a whole. The cause of this change may be a result of many factors, some financial, some not. Non-financial factors include enrollment levels, statutorily required reserves, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the College reports its governmental activities, which include instruction, support services and student aid programs.

Statement of Net Position

The following is a statement of the College's net position for the fiscal year 2017 compared to 2018.

Assets	2017	2018
Current	\$936,690	\$929,451
Capital Assets	1,885,821	2,026,089
Total Assets	2,822,511	2,955,540
Deferred Outflows		
OPEB Deferred Outflows		8,016
Pension Deferred Outflows	3,754,133	2,799,966
Total Deferred Outflows	3,754,133	2,807,982
Total Assets & Deferred Outflows	\$6,576,644	\$5,763,522

<u>Liabilities</u>		
Current	\$123,869	\$162,033
Non-Current Liabilities	9,771,823	9,965,493
Total Liabilities	9,895,692	10,127,526
<u>Deferred Inflows</u>		
OPEB Deferred Inflows		19,923
Pension Deferred Inflows	330,385	878,643
Total Deferred Inflows	330,385	898,566
<u>Net Position</u>		
Net Investment in Capital Assets	1,885,821	2,026,089
Restricted	46,984	44,947
Unrestricted	(5,582,238)	(7,333,606)
Total Net Position	(3,649,433)	(5,262,570)
Total Liabilities, Deferred Inflows and Net Position	\$6,576,644	\$5,763,522

Total current assets increased by \$133,029. Intergovernmental receivables balance at year end is \$130K greater than prior year. Inventory decreased by \$63K in this current year. \$35K of this was due to a “clean-up” of old inventory that could no longer be sold in the bookstore. These items were either given away or disposed of. The value of this inventory was expensed in this current year. Year end balances in cash, student receivables and prepaid expenses combined decreased by \$60K from the prior year. Capital assets increased by \$140K this year. This increase is due to transferring the portion the College contributed to The PIC Building in Montrose, CO. This building was acquired in FY 17, but was recorded as property on the School District’s fixed assets list. It was transferred to the College in FY 18. The value of this building is \$123K, which includes improvements. The College also remodeled their Commons area and purchased a new outdoor sign in this current year. Pension deferred outflows decreased in the current year by \$954K.

Non-current liabilities is mostly the College’s net pension liability, and this liability decreased slightly by \$7K from the prior year. The total liabilities increased from the prior year, most is the net OPEB obligation, which is new this current year. This portion alone is \$222K.

Statement of Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The following detail is a reflection of total revenues for the College as a whole and expenditures listed as costs of operations.

	<u>2017</u>	<u>2018</u>
<u>Revenues</u>		
<u>Program Revenues</u>		
Charges for Services and Sales	\$1,251,325	\$1,024,878
Operating Grants and Contributions	519,701	556,345
Capital Grants and Contributions	295,358	274,988
Total Program Revenue	\$2,066,384	\$1,856,211
<u>General Revenues</u>		
State FTE Funding	1,196,606	1,226,165
Interest	0	0
Total General Revenue	1,196,606	1,226,165
Total Revenue	\$3,262,990	\$3,082,376

Expenses

Instructional	\$2,637,330	\$2,443,818
General Administration	710,861	882,997
School Administration	481,276	491,974
Business Services	610,879	588,349
Student Aid	74,448	53,132
Unallocated Depreciation	1,933	1,338
Total Expenses	\$4,516,727	\$4,461,608
Increase (Decrease) in Net Position	<u>(\$1,253,737)</u>	<u>(\$1,379,232)</u>

Revenues decreased by \$181K from the prior year, which was fully from program revenue as state funding increased by \$29K. Student aid increased in the current year by \$37K, and capital grants and contributions decreased by \$20K. There were changes in a few programs in FY 18. The Business Program did not run in FY 18 and the Law Enforcement Program ran only one semester. The LPN program had a transition year, and did not have a full program in FY 18. These led to the overall program revenue to go down.

Program expenses were relatively flat from the prior year decreasing slightly by \$55K. Part of the change is due to changes of PERA expenditures in the current year. Instructional expenses decreased by \$194K, due to the programs listed above not running in the current year. General administration expenses increased by \$172K mostly due to the capital projects in this current year. School administration, business expenses, student aid, and depreciation make up the difference with a total decrease in expenses of \$34K. Instructional activities at the College include LPN Nursing, Business, Law Enforcement, Auto Mechanics, EMT, Cosmetology, Mine Training, Early Childhood, Massage and Welding. The Extended Studies Department delivers a variety of courses that depend on community interest.

The College also operates a comprehensive testing and assessment center and basic skills/career counseling service center. Technical College of the Rockies also houses and budgets for the Delta County Joint School District No. 50J Technology Repair Department.

In FY 18 the ENGAGE initiative was kicked off under the umbrella of the Technical College. ENGAGE stands for Energy, Growth, Agriculture & Entrepreneurship. This is an initiative to foster economic activity and to diversify the local economy in Delta County. This initiative was awarded a three year \$1.36 million EDA grant to operate and grow this initiative. ENGAGE is under the umbrella of Technical College of the Rockies, but is partnered with Delta County School District, Delta County Economic Development Corporation, Delta County, Region 10 & the Southwest Innovation Corridor.

The College provides student services and business services for 928 total students, of which 194 are considered "full time", 46 were high school or "secondary", 191 were "part-time" certificate and 497 were "part-time" non-certificate (*this number is based on student enrollment in community ed and industry training courses*). Enrollment for FY 16-17 was down 36.46 FTE compared to the prior year. Current year enrollment stayed somewhat consistent. We have reconfigured our course schedule in a few programs which allows for more part-time and concurrent students in the 2018-19 school year.

The College depends on general State FTE funding, which increased slightly in the current fiscal year. State funding is expected to increase \$100K in fiscal year 2018-19.

Fund Financial Statements

Governmental Funds

Fund financial reports provide detailed information about the College's major funds. The College's only major governmental fund is the General Fund. The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. For financial reporting purposes, the College's General Fund is considered to be a governmental fund, which focuses on how monies flow into and out of the fund and the balances left at fiscal year-end for spending in future periods. This fund is combined for presentation purposes with the College's Student Financial Aid Fund. These funds are reported using an accounting method referred to as modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the College's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.

Fiduciary Funds

The College is a trustee, or fiduciary, for the Private Purpose Scholarship Trust Fund and one agency fund, the student activity fund. The College cannot use these funds for operation costs. They are accounted for separately. The College is responsible for ensuring that these funds are used for their intended purposes.

Capital Assets and Debt

At the end of FY 18, the College had \$2,026,089 invested in capital assets, including buildings, furniture and fixtures, and vehicles.

	Capital Assets at Fiscal Year End Net of Depreciation	
	2017	2018
Land	\$29,639	\$126,872
Building and Improvements	1,575,748	1,549,111
Furniture, Equipment and Vehicles	280,434	350,106
Totals	<u>\$1,885,821</u>	<u>\$2,026,089</u>

The College added \$140,268 in capital assets net of depreciation in 2018.

As of June 30, 2018, the College has a balance of \$21,169 in long-term debt. This is for Early Retirement Benefit.

General Fund Budgeting Highlights

The College's procedures in establishing the budgetary data reflected in the financial statements are summarized on page 20 of the financial statements. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

During fiscal year 2018, there was an increase in budget for capital projects and a decrease in program. The College uses a line-item based budget. The budgeting systems are designed to tightly control line-item expenditures, but provide flexibility for overall budgetary management.

General Fund revenues and other financing sources in the amount of \$3,348,808 was \$142,990 less than budgeted. The major variances in the budgeted revenue came in Other Local revenue and Federal Sources. This was the first year of the College received the EDA grant. Because of the unknowns in how much the program would spend in the first fiscal year, the College budgeted the full first year allocation of the grant.

Expenditures and other financing uses had actual expenditures of \$3,394,211 which was \$136,742 under budget. The largest difference is in supporting services, which was \$200K under budget.

Initiatives

The Technical College of the Rockies is involved in several initiatives for the 2018-19 school year.

Concurrent Enrollment Alignment - Aligning all possible programs to concurrent enrollment will open more opportunities for secondary students to gain post-secondary credit while in high school. As of August 2018 TCR offers Automotive Technology, CADD, CNA, Cosmo, Barber, Nail Tech, Esthetician, and ECE for concurrent enrollment. The school is working to have Medical Clinical Assistant, Business Entrepreneurship, and Dental Assisting by next year.

Strategic Scheduling – The economic environment, combined with demographic data and student input has TCR strategically implementing multiple scheduling options for Automotive Technology, Cosmetology, Hairstyling, Nail Technician, Esthetician, CADD, EMT, CNA, and ECE. It should be noted POST Academy, LPN, and Massage are not being considered for change due to constraints on credit hours and clinical hour requirements.

Schedule Alignment – Until this year, the school did not focus on schedule alignments with our secondary institution partners. As an asset of the Delta County 50J school district, we decided to align our calendar with theirs. There will be some adjustments as we look to the second and third order effects on our other partners in surrounding districts.

Scaling to Outlying Service Areas – Continuing initiatives of expansion last, TCR finalized a Gunnison CO campus in October, and is in the process of establishing a service center in Montrose CO. The Gunnison campus is accredited by the Council of Occupational Education and is now offering Cosmetology, ECE, Hairstyling, and CNA. The Montrose service center is scheduled to be accredited by this time next year.

Downtown Delta Campus Expansion – College purchased a building in downtown Delta in 2016 to eventually house the ENGAGE initiative (see below). Through analysis and discussion, it was determined the space in Delta would be better utilized if the colleges healthcare programs would be co-located with ENGAGE. Doing so will allow additional financing opportunities for the project, ensure sustainability, and broadly enhance the downtown area.

ENGAGE Initiative - Since 2015, TCR has partnered with Delta County Economic Development, Region 10, The City of Delta, Delta County, Small Business Development and other partners, to start the ENGAGE Project. ENGAGE stands for ENergy, Growth, Agriculture, and Entrepreneurship. The idea of ENGAGE is to help support the community entrepreneurs in growing and launching their initiatives, particularly in agriculture and energy related fields. The College was awarded a three year EDA grant for operations of the ENGAGE project in fiscal year 17-18. The ENGAGE project is ongoing and is supporting many entrepreneurship programs throughout Delta County. The range of influence extends from the North Fork areas of Paonia and Hotchkiss, to Cedaredge and Delta.

Current Issues

State dollars, in combination with tuition revenue and programming for high school students from the local school districts, make up the bulk of the revenue for the College. We expect that there will be an increase in state dollars for the technical colleges for 2018-19.

Tuition revenue is reviewed by the management team each year. Tuition for some programs and some fees were increased for the 2018-2019 school year. The need for the increases is due to state funding increasing minimally in the current year, and ongoing facility demands for aging buildings and infrastructure. We currently anticipate another tuition increase for the 2019-20 school year.

The physical plant is aging and in need of upgrades to keep the buildings viable for classroom and support functions. The roof on the main building was completed in the fall of 2013 using fund balance dollars, as approved by the board of education. A second roof on building B was replaced in the fall of 2015, with the assistance of school district capital. Roofing upgrades are scheduled in phases, fund balance dollars may be necessary to complete the needed upgrade.

The College's staff continues to explore new programs and classes in occupational fields. These classes might lead to additional full time programs, but are started as a night class or on-line class in order to gauge demand. Those courses would include Business Entrepreneurship, Crane certification training, and Dental Assistant.

Contacting the College

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the:

Technical College of the Rockies
%Delta County Joint School District No. 50J
7655 2075 Rd
Delta, CO 81416
Tel: 970-874-4438
Fax: 970-874-5744

Technical College of the Rockies

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Cash and cash equivalents	\$ 629,216
Intergovernmental receivable	135,925
Other receivables	30,562
Student accounts receivable, net of allowance of \$10,220	22,016
Inventory	87,478
Prepaid expenses	24,254
Capital assets (net of accumulated depreciation)	<u>2,026,089</u>
Total assets	2,955,540
Deferred outflows of resources	
OPEB related deferred outflows	8,016
Pension related deferred outflows	<u>2,799,966</u>
Total deferred outflows of resources	<u>2,807,982</u>
Total assets and deferred outflows of resources	<u><u>\$ 5,763,522</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Liabilities	
Accounts payable	\$ 57,390
Accrued liabilities	40,442
Unearned revenue	43,032
Current portion early retirement benefit	21,169
Noncurrent liabilities	
Net OPEB obligation	222,489
Net pension liability	<u>9,743,004</u>
Total liabilities	10,127,526
Deferred inflows of resources	
OPEB related deferred inflows	19,923
Pension related deferred inflows	<u>878,643</u>
Total deferred inflows of resources	898,566
Net Position	
Net investment in capital assets	2,026,089
Restricted for emergencies	44,947
Unrestricted	<u>(7,333,606)</u>
Total net position	<u>(5,262,570)</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 5,763,522</u></u>

The accompanying notes are an integral part of this statement.

Technical College of the Rockies

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Function/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instructional services	\$ 2,443,818	\$ 955,379	\$ -	\$ 250,825	\$ (1,237,614)
Support services:					
General administration	882,997	-	-	-	(882,997)
School administration	491,974	-	-	-	(491,974)
Business	588,349	69,499	-	24,163	(494,687)
Student aid programs	53,132	-	556,345	-	503,213
Unallocated depreciation	1,338	-	-	-	(1,338)
Total governmental activities	\$ 4,461,608	\$ 1,024,878	\$ 556,345	\$ 274,988	(2,605,397)
		General revenues:			
				State FTE funding	1,226,165
				Total general revenues	1,226,165
				Change in net position	(1,379,232)
				Net position at beginning of year	(3,649,433)
				Change in accounting principle	(233,905)
				Net position at beginning of year (restated)	(3,883,338)
				Net position at end of year	<u>\$ (5,262,570)</u>

The accompanying notes are an integral part of this statement.

Technical College of the Rockies

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 629,216
Intergovernmental receivable	135,925
Other receivables	30,562
Student accounts receivable, net of allowance of \$10,220	22,016
Inventory	87,478
Prepaid expenses	24,254
Total assets	<u>\$ 929,451</u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	\$ 57,390
Accrued expenses	40,442
Unearned revenue	43,032
Total liabilities	<u>140,864</u>
Fund balance	
Nonspendable fund balance	111,732
Restricted for emergencies	44,947
Unassigned	631,908
Total fund balance	<u>788,587</u>
Total liabilities and fund equity	<u>\$ 929,451</u>
Fund equity (as reported above)	\$ 788,587
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are not recorded in the funds	2,026,089
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This is the early retirement liability as of year-end.	(21,169)
Net pension liability OPEB obligation and related deferred inflows and outflows of resources are not recorded in the funds.	(8,056,077)
Total net position	<u>\$ (5,262,570)</u>

The accompanying notes are an integral part of this statement.

Technical College of the Rockies

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2018

	<u>General</u>
Revenues	
Local sources:	
Tuition, fees and services (net of scholarship allowances of \$389,938)	\$ 726,566
Other local	451,777
Intergovernmental:	
Local school districts	67,923
State sources	1,226,165
Federal sources	486,439
Total revenues	<u>2,958,870</u>
Expenditures	
Instruction	1,422,406
Supporting services	880,229
Business services	443,722
Student aid programs (net of scholarship allowances of \$389,938)	53,132
Capital outlay	204,784
Total expenditures	<u>3,004,273</u>
	<u>(45,403)</u>
	Excess of Revenues Over(Under) Expenditures
Fund balance at beginning of year	833,990
Fund balance at end of year	<u>\$ 788,587</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Governmental Funds \$ (45,403)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period (\$178,818-162,056). 16,762

In the governmental funds, expenditures for compensated absences and early retirement are measured by the amount of financial resources used, whereas in the statement of activities, they are measured as the benefits are earned. This is the amount the liability for compensated absences and early retirement changed during the year. 21,169

Revenues in the statement of activities that do not provide available current financial resources are not reported as revenues in the funds. This is the amount of donated capital assets received during the year. 123,506

In the governmental funds, expenditures related to pension/OPEB obligations are measured by the amount of financial resources used, whereas in the statement of activities, they are measured on the accrual basis. This is the amount by which pension and OPEB expense in the statement of activities is more than that in the governmental funds. (1,495,266)

Change in Net Position of Governmental Activities \$ (1,379,232)

The accompanying notes are an integral part of this statement.

Technical College of the Rockies

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2018

	Private Purpose Trust	Agency Fund
ASSETS		
Cash and cash equivalents - expendable	\$ 2,470	\$ 23,704
Cash and cash equivalents - non-expendable	2,251	-
Total assets	\$ 4,721	\$ 23,704
LIABILITIES		
Due to student groups	\$ -	\$ 23,704
Total liabilities	-	23,704
NET POSITION		
Committed for scholarships	2,470	-
Nonspendable for perpetuities	2,251	-
Total net position	\$ 4,721	\$ -

The accompanying notes are an integral part of this statement.

Technical College of the Rockies

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Year ended June 30, 2018

	Private Purpose Trust/ Scholarship Trust
ADDITIONS	
Investment income	\$ 1
	1
DEDUCTIONS	
Bank fees	12
	12
Change in net position	(11)
Net position at beginning of year	4,732
Net position at end of year	\$ 4,721

The accompanying notes are an integral part of this statement.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Technical College of the Rockies (the College) are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The College applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Significant accounting policies established in GAAP and used by the College are described below.

1. Financial Reporting Entity

The College is an area vocational school organized under the laws of the State of Colorado. The College provides post-secondary vocational training for Delta and Montrose, Colorado and the surrounding area. The College is governed by the Board of Education of Delta County Joint School District No. 50J (the District).

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes.

The reporting entity consists of (a) the primary government; i.e., the College, and (b) organizations for which the College is financially accountable. The College is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the College.

Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes or issue debt without approval by the College. Organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the College's financial statements include only the funds of the College and do not include any component units, nor do they exclude any potential component units requiring inclusion in the College's reporting entity. The College's basic financial statements include the accounts of all College operations.

The College, while it is a legally separate entity, is a component unit of the District and has been included in the District's financial reporting entity. The College is included as a component unit of the District because the District's Board of Education is also the governing body of the College, for which it exercises oversight and direction and retains accountability.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation

The College's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the College as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the College at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the College's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the College, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the College.

Fund Financial Statements

During the fiscal year, the College segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the College at this more detailed level. The focus of governmental fund financial statements is on major funds. Fiduciary funds are reported by type.

3. Fund Accounting

The accounts of the College are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. College resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and by the means by which spending activities are controlled.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The various funds are grouped, in the financial statements in this report, as follows:

Governmental Funds

Governmental funds are those through which most governmental functions of the College are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the College's only major governmental fund.

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General fund balance is available to the College for any purpose provided it is expended or transferred according to general statutory laws.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds.

Fiduciary trust funds are used to account for assets held by the College under a trust agreement for individuals, private organizations, or other governments and are not available to support the College's own programs. The College's fiduciary trust fund is a private purpose trust which accounts for expendable and non-expendable student scholarship funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The College's agency funds consist of accounts for various student-managed activities.

4. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the College are included on the statement of net position.

Government-wide financial statements are prepared using the accrual basis of accounting.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

Basis of Accounting

While the measurement focus identifies which transactions and events should be recorded on the financial statements, the basis of accounting determines when transactions and economic events are reflected in financial statements.

Governmental funds and agency funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available (often referred to as *susceptible to accrual*). Revenues are measurable when they are subject to reasonable estimation, while the available criterion is satisfied when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The College considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Generally, fees and non-tax revenues are recognized when received. Grants, State reimbursement, and tuition are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources.

Private purpose trust funds use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Budgets and Budgetary Accounting

The College follows these procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all governmental funds. The College legally adopted annual budgets for all of the College's funds for the year ended June 30, 2018.
- Prior to June 30, the budget shall be adopted and appropriations made by formal resolution for the ensuing fiscal year. A public hearing on the proposed budget is held by the Board prior to adoption of the budget.
- Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget. There were no supplemental appropriations approved during the current fiscal year.
- Appropriations lapse at the end of each year, and the College's Board may adopt supplemental appropriations during the year.
- Encumbrance accounting, under which purchase orders, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation is used by the College for internal budgetary control during the year, but is not used for financial reporting purposes.

6. Cash and Investments

The College's policy in determining which items are treated as cash equivalents, include cash, demand deposits, treasury bills and other short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits are reported at carrying amounts, which reasonably estimate fair value.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

8. Allowance for Doubtful Accounts

The College established an allowance for doubtful accounts based upon factors including historical trends and the length of time that the student receivable balance has been outstanding.

9. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Furniture and fixtures	20 years
Equipment	5-15 years
Vehicles	8 years
Other infrastructure	10-50 years

10. Compensated Absences

Compensated absence liabilities, when applicable, are reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments are due upon the occurrence of employee resignations and retirements.

Accumulated sick leave does not vest with the employee, that is, the employees have no right to be reimbursed for unused sick leave if they terminate. Accordingly, there is no expenditure or liability for accumulated sick leave included in the College's records.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Personnel that accrue vacation may only accrue an amount equal to their annual vacation accrual. The College has no estimates as to the amount of accrued vacation pay and has not made an accrual on the financial statements because the amount is not material.

11. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations, when applicable, are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities are paid in a timely manner and in full from current resources; therefore, they are reported as obligations in the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bond obligations are recognized as a liability on the fund financial statements when due.

12. Fund Balance Reserves

GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grants or bondholders), or is legally or contractually required to be maintained intact.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Delta County School District 50J Board of Education, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Delta County School District 50J Board of Education.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assigned fund balance – The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Delta County School District 50J Board of Education or other individual authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

13. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the College or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The College's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

14. Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. The scholarship allowance is 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 where the College recognizes and records revenue.

Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded 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 allowance on tuition and fees for the year ended June 30, 2018 was \$389,938.

15. Inventories

Inventories in the general fund consist of student supplies and are carried at cost using the first-in, first-out method.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

17. Pensions

The College participates in the School Division Trust Fund (SCHDTF), 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 SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

18. Adoption of GASB 75

For the year ended June 30, 2018, the College adopted the provisions of Statement of Governmental Accounting Standards (GASB Statement) No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

19. Defined Benefit Other Post Employment Benefit Plan (OPEB)

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Material Violations

The College appears to be in compliance with all material, legal and contractual provisions.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

At June 30, 2018, the College's cash and investments consisted of the following:

Cash on hand	\$	830
Deposits		<u>656,811</u>
Total	\$	<u>657,641</u>

As of June 30, 2018, the carrying amount of the College's deposits was \$656,811 and the bank balance was \$760,092. Of that balance \$283,479 was covered by FDIC insurance and \$476,613 was collateralized as noted above.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Investments

State Statutes authorize the College to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools.

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balances June 30, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balances June 30, <u>2018</u>
Governmental Activities				
Land and intangibles	\$ 29,639	\$ 97,233	\$ –	\$ 126,872
Depreciable Capital Assets:				
Buildings and improvements	5,013,095	74,992	–	5,088,087
Furniture, Equipment, Vehicles	<u>891,853</u>	<u>130,099</u>	<u>30,315</u>	<u>991,637</u>
Total capital assets at historical costs	<u>5,934,587</u>	<u>302,324</u>	<u>30,315</u>	<u>6,206,596</u>
Less accumulated depreciation:				
Buildings and improvements	(3,437,347)	(101,629)	–	(3,538,976)
Furniture, Equipment, Vehicles	<u>(611,419)</u>	<u>(60,427)</u>	<u>30,315</u>	<u>(641,531)</u>
Total accumulated depreciation	<u>(4,048,766)</u>	<u>(162,056)</u>	<u>30,315</u>	<u>(4,180,507)</u>
Governmental activities				
Capital assets, net	<u>\$ 1,885,821</u>	<u>\$ 140,268</u>	<u>\$ –</u>	<u>\$ 2,026,089</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 160,069
Support: General administration	649
Unallocated depreciation	<u>1,338</u>
Current year depreciation expense	<u>\$ 162,056</u>

NOTE E – LONG-TERM OBLIGATIONS

Changes in the College's long-term obligations were as follows:

	Balance at <u>6/30/17</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/18</u>	Due Within <u>One Year</u>
Early retirement benefit	<u>42,338</u>	–	<u>21,169</u>	<u>21,169</u>	<u>21,169</u>
Total long term obligations	<u>\$ 42,338</u>	<u>\$ –</u>	<u>\$ 21,169</u>	<u>\$ 21,169</u>	<u>\$ 21,169</u>

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the College, are provided with pensions through the School Division Trust Fund (SCHDTF)—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.

Benefits provided as of December 31, 2017. 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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 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 2 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 SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions provisions as of June 30, 2018: Eligible employees and the College are required to contribute to the SCHDTF 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 are summarized in the table below:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
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 SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.00%	5.50%
Total employer contribution rate to the SCHDTF¹	18.63%	19.13%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the College is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the College were \$253,426 for the year ended June 30, 2018.

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

At June 30, 2018, the College reported a liability of \$9,743,004 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017.

The College's proportion of the net pension liability was based on the College contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the College proportion was .0301 percent, which was a decrease of .0026 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the College recognized pension expense of \$1,748,201. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$179,133	\$–
Changes of assumptions or other inputs	2,487,752	15,787
Net difference between projected and actual earnings on pension plan investments	–	382,617
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,476	480,239
Contributions subsequent to the measurement date	130,605	N/A
Total	\$2,799,966	\$878,643

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

\$130,605 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2018:	
2019	\$ 1,302,213
2020	683,901
2021	(51,455)
2022	(143,941)
2023	–
Thereafter	–

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

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

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 4.78 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 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of the College. proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$12,307,071	\$9,743,004	\$7,653,582

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

Changes between the measurement date of the net pension liability and June 30, 2018

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

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

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the College reported a liability of \$9,743,004 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the College proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 4,401,805

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$4,548,095 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

Plan description. Eligible employees of the College. are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient’s eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

Technical College of the Rockies
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the College is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the College were \$13,688 for the year ended June 30, 2018.

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

At June 30, 2018, the College reported a liability of \$222,489 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The College proportion of the net OPEB liability was based on the College contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the College proportion was .017 percent, which was a decrease of .0015 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the College recognized OPEB expense of \$14,180. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$1,052	\$–
Net difference between projected and actual earnings on OPEB plan investments	–	3,722
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	16,201
Contributions subsequent to the measurement date	6,964	N/A
Total	\$8,016	\$19,923

\$6,964 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018:	
2019	\$ (3,907)
2020	(3,907)
2021	(3,907)
2022	(3,906)
2023	(2,976)
Thereafter	(268)

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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

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

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

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

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$216,368	\$222,489	\$229,862

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 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:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Sensitivity of the College proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$250,148	\$222,489	\$198,882

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

NOTE H – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the College retroactively changed its method of accounting for OPEB contributions and related obligations to conform to GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under the new accounting method, the College accrues a net OPEB liability related to its participation in a multiple employer cost sharing OPEB plan. The effect of the change decreased beginning net position for 2018 by \$233,905, from (\$3,649,433) to (\$3,883,338).

NOTE I – CONTINGENT LIABILITIES

Under the terms of federal and state grants, costs may be questioned as not being appropriate expenditures under the terms of the grants, which could lead to reimbursement to the grantor agencies. College management is not aware of any such expenditure that would not be allowed.

NOTE J – RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors and omissions; injuries to employees; or acts of God. The College maintains commercial insurance for all risks of loss. There have been no significant reductions in coverage from prior year and settled claims have not exceeded coverage in any of the past three years.

Technical College of the Rockies

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE K – TAX, SPENDING AND DEBT LIMITATION

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all Colorado local governments. TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service and expenditures of Federal Awards). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. The total emergency reserve was \$44,947 as of June 30, 2018.

In November 1999 the College’s electorate passed a ballot issue allowing the College to collect, retain and expend revenues notwithstanding any of TABOR’S revenue limitations.

The College’s management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits (and qualification of a fund as an Enterprise Fund) will require judicial interpretation.

NOTE L – FIDUCIARY FUND APPROPRIATIONS

The schedule below is presented to demonstrate compliance with School District Budget Law.

	<u>Appropriation</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Private Purpose Trust	\$ 4,700	\$ 12	\$ 4,688
Student Activity Fund	31,500	5,426	26,074

NOTE M – PRIVATE PURPOSE SCHOLARSHIP TRUST

Earnings on the non-expendable trust principal within the private purpose scholarship trust fund are transferred to the expendable trust balance within the private purpose scholarship trust to support scholarship expenses and expenditures in accordance with the authority established for the fund.

Technical College of the Rockies

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Local sources				
Tuition, fees and services	\$ 1,287,390	\$ 1,126,269	\$ 1,116,504	\$ (9,765)
Other local	265,355	252,201	451,777	199,576
Intergovernmental				
Local school districts	108,800	88,700	67,923	(20,777)
State sources	1,226,165	1,226,165	1,226,165	-
Federal sources	557,592	798,463	486,439	(312,024)
Total revenues	<u>3,445,302</u>	<u>3,491,798</u>	<u>3,348,808</u>	<u>(142,990)</u>
Expenditures				
Current				
Instruction	1,454,618	1,377,213	1,422,406	(45,193)
Supporting services	874,802	1,080,689	880,229	200,460
Business services	543,628	523,458	443,722	79,736
Student aid programs	420,000	420,000	443,070	(23,070)
Capital outlay	152,254	129,593	204,784	(75,191)
Total expenditures	<u>3,445,302</u>	<u>3,530,953</u>	<u>3,394,211</u>	<u>136,742</u>
Excess of Revenues Over (Under) Expenditures	-	(39,155)	(45,403)	(6,248)
Fund balance at beginning of year	<u>833,992</u>	<u>833,992</u>	<u>833,990</u>	<u>(2)</u>
Fund balance at end of year	<u>\$ 833,992</u>	<u>\$ 794,837</u>	<u>\$ 788,587</u>	<u>\$ (6,250)</u>

Technical College of the Rockies

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2018

<u>Measurement date:</u>	<u>Employer proportion of NPL</u>	<u>Employer proportionate share of NPL</u>	<u>Employer covered payroll</u>	<u>Employer proportionate share of NPL as a percentage of covered payroll</u>	<u>Pension plan's fiduciary net position as a percentage of total pension liability</u>
December 31, 2014	0.034849%	\$ 4,723,223	\$ 1,427,466	331%	63%
December 31, 2015	0.034953%	5,345,812	1,496,971	357%	59%
December 31, 2016	0.032749%	9,750,654	1,470,002	663%	43%
December 31, 2017	0.030130%	9,743,004	1,389,083	701%	44%

Technical College of the Rockies

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2018

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 253,083	\$ 253,083	\$ -	\$ 1,497,496	16.90%
June 30, 2016	262,268	262,268	-	1,478,116	17.74%
June 30, 2017	264,005	264,005	-	1,436,049	18.38%
June 30, 2018	253,426	253,426	-	1,341,989	18.88%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

For the measurement period ended December 31, 2016, the discount rate changed from 7.5% to 5.26%. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Technical College of the Rockies

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2018

	Employer proportion of NOPEBL	Employer proportionate share of NOPEBL	Employer covered payroll	Employer proportionate share of NOPEBL as a percentage of covered payroll	OPEB plan's fiduciary net position as a percentage of total OPEB liability
<u>Measurement date:</u>					
December 31, 2017	0.017120%	\$ 222,489	\$ 1,389,083	16%	18%

Technical College of the Rockies

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2018

	<u>Required employer contribution</u>	<u>Employer contributions recognized by the plan</u>	<u>Difference</u>	<u>Employer covered payroll</u>	<u>Contributions as a percentage of employer covered payroll</u>
June 30, 2018	\$ 13,688	\$ 13,688	\$ -	\$ 1,341,989	1.02%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Technical College of the Rockies

COMBINING BALANCE SHEET - FIDUCIARY FUNDS

June 30, 2018

	Expendable		Non-expendable		Total
	Trust Funds		Trust Funds		
	Perpetual Scholarship	Perpetual Scholarship	Agency Fund	Student Activity Fund	
ASSETS					
Cash	\$ 2,470	\$ 2,251	\$ 23,704		\$ 28,425
Total assets	<u>\$ 2,470</u>	<u>\$ 2,251</u>	<u>\$ 23,704</u>		<u>\$ 28,425</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Due to student groups	\$ -	\$ -	\$ 23,704		\$ 23,704
Total liabilities	-	-	23,704		23,704
Fund balance					
Committed for scholarships	2,470	-	-		2,470
Nonspendable for perpetuities	-	2,251	-		2,251
Total fund balance	<u>2,470</u>	<u>2,251</u>	<u>-</u>		<u>4,721</u>
Total liabilities and fund balance	<u>\$ 2,470</u>	<u>\$ 2,251</u>	<u>\$ 23,704</u>		<u>\$ 28,425</u>

Technical College of the Rockies

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
EXPENDABLE AND NON-EXPENDABLE PRIVATE PURPOSE SCHOLARSHIP TRUST

Year ended June 30, 2018

	<u>Expendable Trust Funds</u>		<u>Non-expendable Trust Funds</u>	
	<u>Perpetual Scholarship</u>		<u>Perpetual Scholarship</u>	<u>Total</u>
Revenues				
Investment income	\$ 1	\$ -	\$ -	\$ 1
Total revenues	1	-	-	1
Expenditures				
Banking fees	12	-	-	12
Total expenditures	12	-	-	12
Excess of revenues over (under) expenditures	(11)	-	-	(11)
Fund balance beginning of year	2,481	2,251	2,251	4,732
Fund balance end of year	\$ 2,470	\$ 2,251	\$ 2,251	\$ 4,721

SINGLE AUDIT SECTION

Technical College of the Rockies

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>2018 Amount of Award Expended</u>
U.S. DEPARTMENT OF EDUCATION		
Direct		
Federal Pell Grant Program	84.063	\$ 263,862
Federal Supplemental Educational Opportunity Grants	84.007	4,900
Federal Work-Study Program	84.033	7,865
Federal Direct Student Loans	84.268	<u>388,823</u>
Total Student Financial Aid Cluster		665,450
Passed through Colorado Community College and Occupational Education System		
Career and Technical Education – Basic Grants to States	84.048	<u>127,319</u>
Total U.S. Department of Education		792,769
U.S. DEPARTMENT OF COMMERCE		
Direct		
Economic Adjustment Assistance	11.307	<u>82,494</u>
Total federal awards expended		<u>\$ 875,263</u>

Technical College of the Rockies

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

NOTE A – GENERAL

The accompanying schedule of expenditures of federal awards includes the amount of federal grants expended by Technical College of the Rockies, during the year ended June 30, 2018. The information in the 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*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE C – INDIRECT COST RATE

The College did not elect to use the 10 percent de minimus indirect cost rate.



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

November 5, 2018

Board of Education
Technical College of the Rockies
Delta, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Technical College of the Rockies, a component unit of the Delta County Joint School District 50J, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 5, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Education
Technical College of the Rockies
Page Two

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Chadwick, Steinkirchner, Davis & Co., P.C.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 5, 2018

Board of Education
Technical College of the Rockies

Report on Compliance for Each Major Federal Program

We have audited Technical College of the Rockies' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The College's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Technical College of the Rockies' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

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



Board of Education
Technical College of the Rockies
Page Two

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Chadwick, Steinkirchner, Davis & Co., P.C.

Technical College of the Rockies

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		<u>Unmodified Opinion</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	<u>✓</u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<u>✓</u>	none reported
Noncompliance material to financial statements noted?	_____	yes	<u>✓</u>	no

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?	_____	yes	<u>✓</u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<u>✓</u>	none reported

Type of auditor's report issued on compliance for major programs:		<u>Unmodified Opinion</u>		
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____	yes	<u>✓</u>	no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063/84.007/84.033/84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000			
Auditee qualified as low-risk auditee?	<u>✓</u>	yes	_____	no

Technical College of the Rockies

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2018

SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING
STANDARDS

There are no findings required to be reported under Generally Accepted Government Auditing Standards.

SECTION III - FINDINGS AND QUESTIONED COSTS UNDER THE UNIFORM GUIDANCE

There are no findings or questioned costs noted under the Uniform Guidance.

Technical College of the Rockies

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2018

There were no prior audit findings to be resolved.