

**Colorado Community College System**  
Financial Statements and Independent Auditor's Reports  
Financial Audit and Compliance Audit  
Year Ended June 30, 2022



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

We have completed the financial statement audit of the Colorado Community College System as of and for the year ended June 30, 2022. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

FORVIS, LLP

Denver, Colorado  
December 15, 2022

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# Colorado Community College System

June 30, 2022

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# Colorado Community College System

## Report Summary

Year Ended June 30, 2022

### Purpose and Scope of Audit

The Office of the State Auditor of the State of Colorado engaged FORVIS, LLP (FORVIS) to conduct a financial and compliance audit of the Colorado Community College System (CCCS or the System) for the year ended June 30, 2022. FORVIS performed the audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. FORVIS was not engaged to audit the System's aggregate discretely presented component units which includes the Colorado Community College System Office Foundation and 14 college foundations (the Foundations). Except for Friends of TSC, the Foundations were audited by other auditors, as disclosed in the Independent Auditor's Report. The audits of the Foundations were not performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

The purposes and scope of the audit were to:

- Express opinions on the financial statements of the System as of and for the year ended June 30, 2022.
- Issue a report on the System's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2022.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal funds for the year ended June 30, 2022.
- Evaluate progress in implementing prior year audit recommendations.
- Express an opinion on the Statement of Allocations, Expenditures, Transfers and Reversions of the State-Funded Student Financial Assistance Programs of CCCS for the year ended June 30, 2022.

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

### Audit Opinions and Reports

The independent auditor's reports included herein expressed unmodified opinions on the System's financial statements as of and for the year ended June 30, 2022. Our report included a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, except for Friends of TSC, as described in our report on the System's financial statements.

One material weakness and one significant deficiency in internal control over financial reporting were identified.

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

# Colorado Community College System

## Report Summary

### Year Ended June 30, 2022

#### **Significant Audit Adjustments**

There were no proposed audit adjustments recorded as a result of the audit.

#### **Summary of Audit Findings and Recommendations**

##### ***Pueblo Community College (PCC) Internal Controls Over Financial Reporting***

Several of PCC's internal controls were not being performed as designed for Fiscal Year 2022. Specifically, PCC did not perform required reconciliations or effective secondary reviews as required by System Policies. PCC should enforce the implementation of the System's required internal controls over financial and reporting activities by following the existing policies and procedures relating to the performance of internal control activities. This includes ensuring that staff perform all required reconciliations and secondary reviews on a timely basis and ensuring appropriate segregation of duties is maintained.

##### ***Banner and Cognos – Access Management and Logging***

Problems were identified related to CCCS's access management and logging controls over Banner and Cognos. The System should improve information security IT internal controls related to access management and logging by implementing the recommendations noted in the confidential IT finding.

##### ***Higher Education Emergency Relief Fund (HEERF) Compliance***

There were two findings identified in our testing of the Higher Education Emergency Relief Funds (HEERF) program under Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The findings are as follows:

##### ***Procurement, Suspension and Debarment***

Otero College (OC) and Pueblo Community College (PCC) did not have adequate internal controls in place to ensure they complied with HEERF procurement requirements. OC did not complete the required Sole Source justification for four transactions which resulted in questioned costs of \$1.5 million. PCC did not perform required request for proposals for two transactions and did not obtain documented quotes for seven transactions which resulted in questioned costs of \$1.7 million. In addition, Community College of Aurora (CCA) and PCC did not have adequate internal controls in place to ensure they complied with HEERF suspension and debarment requirements. CCA and PCC could not provide documentation to support that suspension and debarment verification procedures were performed. CCA, OC and PCC should strengthen their internal controls over procurement, suspension and debarment and ensure they comply with the HEERF requirements and State procurement policies by ensuring the secondary reviewers enforce compliance with procurement and/or suspension and debarment procedures and that staff maintain appropriate supporting documentation for procurements. In addition, training and cross training should be provided to existing employees over procurement and/or suspension and debarment requirements.

# Colorado Community College System

## Report Summary

Year Ended June 30, 2022

### *Reporting*

Front Range Community College (FRCC), Lamar Community College (LCC), and Pueblo Community College (PCC) could not provide appropriate supporting documentation for one or more of the data elements in the Student Aid Quarterly Reports. FRCC, LCC and PCC should strengthen their internal controls over federal reporting and ensure they comply with the HEERF reporting requirements by reviewing reports for accuracy and developing procedures for ensuring the required maintenance of all related supporting documentation.

### *Recommendations and Responses*

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

### **Summary of Progress in Implementing Prior Audit Recommendations**

For the fiscal year 2022 audit, we performed test work to determine the disposition of the prior year recommendation relating to fiscal year 2021. We found that the recommendation for the fiscal year ended June 30, 2021, was fully implemented. See the Disposition of Prior Audit Findings and Recommendations section of this report for further information.

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# Colorado Community College System

## Recommendation Locator

### Year Ended June 30, 2022

Recommendation Number	Page Number	Recommendation Summary	Agency Addressed	Response	Implementation Date
2022-01	12	Pueblo Community College should enforce the implementation of Colorado Community College System's required internal controls over financial and reporting activities by following the existing policies and procedures relating to the performance of internal control activities. This includes ensuring that staff perform all required reconciliations and secondary reviews on a timely basis and ensuring appropriate segregation of duties is maintained.	PCC	Agree	September 2023
2022-02	14	The Colorado Community College System (CCCS) should improve information security IT internal controls related to access management and logging by: a. Implementing recommendation Part A as noted in the confidential finding. b. Implementing recommendation Part B as noted in the confidential finding. c. Implementing recommendation Part C as noted in the confidential finding.	CCCS	Agree	December 2023
2022-03	19	(1) Community College of Aurora should strengthen their internal controls over suspension and debarment and ensure they comply with the HEERF requirements by: a. Ensuring staff maintain supporting documentation of suspension and debarment checks. b. Providing training and cross-training to existing employees over suspension and debarment requirements.  (2) Otero College should strengthen their internal controls over procurement and ensure they comply with the HEERF requirements and State procurement policies by: a. Ensuring the secondary reviewer enforces compliance with the Colorado Community College System's (System) procurement procedures. b. Ensuring staff maintain supporting documentation for procurements. c. Providing training and cross-training to existing employees over procurement requirements.  (3) Pueblo Community College should strengthen their internal controls over procurement, suspension and debarment and ensure they comply with the HEERF requirements and State procurement policies by: a. Ensuring the secondary reviewer enforces compliance with the Colorado Community College System's (System) procurement procedures and that staff perform procedures to verify contracted entities are not excluded or disqualified from receiving federal funds. b. Ensuring staff maintain supporting documentation for procurements and suspension and debarment checks. c. Providing training and cross-training to existing employees over procurement, suspension and debarment requirements.	CCA, OC, PCC	Agree	CCA - October 2022 OC - August 2022 PCC - September 2022
2022-04	23	Front Range Community College, Lamar Community College, and Pueblo Community College campuses should strengthen their internal controls over federal reporting and ensure they comply with the HEERF reporting requirements by reviewing reports for accuracy and developing procedures for ensuring the required maintenance of all related supporting documentation.	FRCC, LCC and PCC	Agree	FRCC - September 2022 LCC - July 2022 PCC - October 2022

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**Colorado Community College System**  
**Financial and Compliance Audit**  
**Description of the Colorado Community College System**  
**Year Ended June 30, 2022**

**Organization**

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

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

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

Colorado Community College System’s (CCCS or the System) operations and activities are funded primarily through tuition and fees; federal, state, and local grants (including Coronavirus State and Local Fiscal Recovery Funds (SLFRF) and HEERF funding); the College Opportunity Fund stipends; a fee-for-service contract with the Department of Higher Education; and Amendment 50 funding (extended limited game proceeds). In addition, the SBCCOE receives and distributes state appropriations for LDCs, AVSs, and school districts offering vocational programs.

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

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

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Enrollment, and faculty and staff information are presented below. Enrollment information was obtained from the Colorado Commission on Higher Education (CCHE), Final Student Full-Time Equivalent (FTE) Enrollment Report. Staff information was obtained from Format 10 and 40 within the Budget Data Book for fiscal years 2022 and 2021 that is prepared by higher education institutions for CCHE.

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

***FTE Student Enrollment***

	<b>Resident</b>	<b>Nonresident</b>	<b>Total</b>
Fiscal year:			
2021-2022	41,895	1,819	43,714
2020-2021	43,183	1,965	45,148

***FTE Faculty and Staff***

	<b>Faculty</b>	<b>Staff</b>	<b>Total</b>
Fiscal year:			
2021-2022	3,361	2,023	5,384
2020-2021	3,555	2,117	5,672



# Colorado Community College System

## Financial and Compliance Audit

### Findings and Recommendations

#### Year Ended June 30, 2022

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements of the System as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the System's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness and a deficiency in internal control that we consider to be a significant deficiency.

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 material misstatements of the System's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matters that we consider to be a significant deficiency or material weakness.

#### **PCC Internal Controls Over Financial Reporting**

Internal controls are the mechanisms, rules, and procedures implemented by an entity to ensure the integrity of financial and accounting information, promote accountability and prevent fraud. Internal controls are typically comprised of control activities such as authorization, documentation, reconciliation, security, and the separation of duties.

Each individual college Controller's Office is responsible for the implementation and operation of internal controls over the College's financial accounting and reporting to ensure the accurate and timely entry, reconciliation, and approval of financial transactions in the System's accounting system, Banner. The System's Controller's Office is responsible for oversight of the colleges and for compiling the information from each college to prepare the System's financial statements.

The Colorado Operations Resource Engine (CORE) is a financial management system that is the single source of data for the majority of the State's financial operations, with the exception of institutions of higher education. The System, including all campuses, uses Banner as their enterprise resource planning system for accounts receivable, accounts payable, capital assets, finance, financial aid, human resources, payroll, and student records. On a daily basis, the System and all campuses feed the financial activity

# Colorado Community College System

## Financial and Compliance Audit

### Findings and Recommendations

#### Year Ended June 30, 2022

from Banner to CORE. As the System does not operate directly in CORE, the System and each of its campuses are required to complete quarterly reconciliations between Banner and CORE for all reportable data elements as prescribed by the Office of the State Controller (OSC).

For Fiscal Year 2022, PCC accounted for approximately five percent of the System's total financial activity. Total assets for PCC were \$77.1 million as of June 30, 2022, which includes \$18.3 million of cash and cash equivalents and \$46.9 million of capital assets which are comprised of Land, Building, Equipment and Construction in Progress. In addition, for the year ended June 30, 2022, PCC reported operating revenue of \$39.0 million, of which \$17.9 million (46%) was from student tuition and fees; and operating expenses of \$56.5 million, of which \$28.5 million (50%) was for payments to employees. PCC had approximately 500 employees during the fiscal year.

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

The purpose of the audit work was to determine whether PCC had adequate internal controls in place over, and complied with, the System's policies and procedures related to its financial accounting and reporting processes during Fiscal Year 2022.

To assess PCC's controls, we reviewed the System's policies and procedures and PCC's documented internal controls. We gained an understanding of PCC's key internal controls over the cash receipts, cash disbursements, tuition and grant revenue, payroll, and investing and financing processes. We made inquiries on key internal controls, and we performed physical walkthroughs over various transactions in order to determine whether the internal controls were being performed as designed and in accordance with the System's policies and procedures.

#### **How were the results of the audit work measured?**

We measured our results against the following:

- State Fiscal Rule 1-2, Rule 3.5, requires that institutions of higher education shall "implement internal accounting and administrative controls that reasonably ensure that financial transactions are accurate, reliable, conform to the Fiscal Rules, and reflect the underlying realities of the accounting transaction (substance rather than form)."
- The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book), which has been established by the OSC as the internal control framework to be used by state agencies and institutions of higher education, notes that management demonstrates the importance of integrity and ethical values through their directives, attitudes, and behavior (the "tone at the top"). Management sets the tone at the top and throughout the organization by their example, which is fundamental to an effective internal control system (paragraph 1.03). Management should hold individuals accountable for their internal control responsibilities, and that accountability is driven by the tone at the top (paragraph 5.02).
- System Board Policies, Board Policy 8-61 (the Board Policy) states "The State Board for Community Colleges and Occupational Education has an obligation to implement internal accounting and administrative controls in order to reasonably ensure that financial transactions are accurate, reliable, and conform to the State of Colorado, Office of the State Controller Fiscal

# Colorado Community College System

## Financial and Compliance Audit

### Findings and Recommendations

#### Year Ended June 30, 2022

Rules, and reflect the underlying realities of the accounting transaction.” The policy applies to all 13 colleges within the System and the System office.

- As a result of the Board Policy, the System has adopted the System Accounting Procedures (SAP) to establish consistent policies and procedures and internal controls at all colleges for accounting and financial reporting. The internal controls that the colleges must establish include maintaining appropriate supporting documentation for financial transactions, performing account reconciliations over all key transaction cycles, performing effective secondary reviews and maintaining evidence that the review occurred (*i.e.*, signoff and date on the item reviewed), and maintaining proper segregation of duties. Examples of account reconciliations required to be performed include:
  - On a weekly basis, campuses must reconcile a listing of payments to vendors and submit these payments centrally to the System office for processing. The reconciliation ensures proper invoice, approvals, and payment amounts.
  - Each month, an employee from each campus’ Payroll Department must reconcile the monthly payroll and run control reports to ensure accuracy and existence of employees being paid. An employee in the campus’ Human Resources Department then must review the payroll reports to ensure that the information agrees with employment details and finally, the campus Controller must review the payroll before submitting it to the System Payroll Office for processing.
  - On a quarterly basis, the campus is required to perform a reconciliation between the general ledger and the fixed asset subsidiary ledger. The fixed asset subsidiary ledger records the transactions for all capital assets, including the campus’ land, buildings, equipment, and construction in progress.
- The System Office has adopted a separate “Monitoring Policy” which requires the colleges to provide certain reconciliations and analysis to the System Office for monitoring throughout the fiscal year, including:
  - Monthly reconciliations over accounts receivables, bank reconciliations, procurement card activity, and reconciliations between Banner and CORE;
  - Quarterly reconciliations of the financial statements, cash flow activity, and variance analysis of account balances meeting specified thresholds;
  - At the completion of each semester, tuition analytics that compare student tuition to the number of student credit hours for the term.

#### **What problem did the audit work identify?**

We determined that several of PCC’s internal controls were not being performed as designed for Fiscal Year 2022. Specifically, PCC did not perform required reconciliations or effective secondary reviews as noted below:

- PCC did not prepare monthly bank reconciliations for any months of Fiscal Year 2022.

# Colorado Community College System

## Financial and Compliance Audit

### Findings and Recommendations

#### Year Ended June 30, 2022

- The PCC Controller did not formally review the weekly cash disbursements to vendors detail for all 52 weeks of Fiscal Year 2022, prior to sending them to the System Office for the final processing.
- PCC did not perform monthly reconciliations between Banner and CORE for any months of Fiscal Year 2022.
- The monthly capital asset reconciliation was completed by the Controller but was not reviewed by a secondary individual. This occurred for all months of Fiscal Year 2022.
- The monthly payroll reconciliation included signatures for the preparer and approver; however, there were no dates indicating when the monthly payroll reconciliation was actually prepared and reviewed.
- PCC did not complete a tuition analytic for any semester in Fiscal Year 2022.

#### **Why did this problem occur?**

PCC's tone at the top did not require and enforce that PCC should follow established policies and procedures and internal controls as they were designed to ensure that financial transactions are accurate, reliable, and conform to the State's Fiscal Rules, the Board Policy, and the System's Accounting Procedures. This included PCC not performing all required reconciliations and effective secondary reviews on a timely basis and ensuring appropriate segregation of duties is maintained. The System Office notified PCC on several different occasions about PCC's noncompliance with System policies and procedures; however, PCC's management did not resolve the problems identified.

#### **Why does this problem matter?**

Without controls operating over financial and reporting activities, PCC cannot ensure the accuracy and completeness of its financial records, which may result in a material misstatement of the System's and the State's financial statements and fraudulent activity may go undetected. Ultimately, PCC's failure to perform the internal controls on a timely basis resulted in the System Office having to intervene and assist PCC in fiscal year-end close to ensure that all transactions were properly recorded and supported for Fiscal Year 2022. As a result, no material misstatements were identified as part of the Fiscal Year 2022 audit.

**Classification of Finding:** Material Weakness

#### **Recommendation No. 1:**

Pueblo Community College should enforce the implementation of Colorado Community College System's required internal controls over financial and reporting activities by following the existing policies and procedures relating to the performance of internal control activities. This includes ensuring that staff perform all required reconciliations and secondary reviews on a timely basis and ensuring appropriate segregation of duties is maintained.

# Colorado Community College System

## Financial and Compliance Audit

### Findings and Recommendations

#### Year Ended June 30, 2022

#### ***Pueblo Community College Response:***

Agree. Implementation Date: September 2023

PCC will prioritize completing the monthly and quarterly monitoring activities in fiscal and procurement. The PCC Controller, Director of Purchasing, Grant Compliance Manager and the Vice President for Finance and Administration (VPFA) will utilize Office 365 and the accompanying tools to create daily, weekly, monthly, and quarterly task lists which will be maintained and updated in real time on the network. The entire team will meet monthly with the PCC President to go over the monitoring items documentation of their completion and appropriate reviews. The reviews will be at sufficient level of detail to detect and correct any errors and conducted by an individual at least one level over the preparer. The preparer, reviewer, dates of completion and review of all reconciliations will be documented.

PCC is currently recruiting for an Assistant Controller to assist in workload management and directly involved in the day-to-day entries, activities, and staff/campus training, freeing up more time for the Controller to focus on implementing and maintaining the college's internal controls.

At least two external trainings will be made available for each team member in their areas of responsibility: fiscal controls and reporting, restricted program management and uniform guidance, and State fiscal rules, procurement code and processes.

PCC commits to be caught up on monitoring items by July 30, 2023 and will be validated by review by internal audit or third-party evaluation by October 2023.

#### **Banner and Cognos - Access Management and Logging**

*Government Auditing Standards* allow for information that is considered sensitive in nature, such as detailed information related to information technology system security, to be issued through a separate "classified or limited use" report because of the potential damage that could be caused by the misuse of this information. We consider the specific technical details of this finding, along with the response, to be sensitive in nature and not appropriate for public disclosure. Therefore, the details of the following finding and responses have been provided to the System in a separate, confidential memorandum.

Colorado Community College System's IT Division (CCCS IT) is responsible for provisioning and monitoring user access and their activity. CCCS uses Banner as its enterprise resource planning system for accounts receivable, accounts payable, capital asset, finance, financial aid, human resources, payroll, and student records. CCCS uses Cognos as its financial reporting tool.

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

The purpose of our audit work was to determine whether CCCS IT's access management and logging controls, individually or in combination with other controls, were properly designed, implemented, and operating effectively during Fiscal Year 2022, to ensure that access was provisioned and monitored appropriately.

As part of our audit work, we reviewed and tested access management and logging controls for Banner and Cognos by reviewing the CCCS IT's procedures and interviewing management.

**Colorado Community College System**  
**Financial and Compliance Audit**  
**Findings and Recommendations**  
**Year Ended June 30, 2022**

**How were the results of the audit work measured?**

We measured the results of our audit work against requirements contained in CCCS' IT System Procedure, and with leading industry logging standards.

**What problems did the audit work identify and how were the results of the audit work measured?**

We identified problems related to CCCS's access management and logging controls over Banner and Cognos.

**Why did these problems occur?**

CCCS did not enforce and hold staff accountable for following the System Procedure, as it relates to new user provisioning, and has not developed certain internal controls related to log management.

**Why do these problems matter?**

By not following established IT procedures, staff are not performing their IT internal control responsibilities in accordance with management's expectations. In addition, weaknesses in access management controls can result in access management problems, including segregation of duties issue.

Without performing certain log management processes, the risks of unauthorized access to programs and data without authorization and the reliability of data stored and processed in the systems, as well as the potential impact to the financial statements, increases.

**Classification of Finding:** Significant Deficiency

**Recommendation No. 1:**

The Colorado Community College System (CCCS) should improve information security IT internal controls related to access management and logging by:

- a. Implementing recommendation Part A as noted in the confidential finding.
- b. Implementing recommendation Part B as noted in the confidential finding.
- c. Implementing recommendation Part C as noted in the confidential finding.

***CCCS Response:***

Agree for part A, B and C. Implementation date: December 2023.

We provided a detailed response contained within the confidential finding.

# Colorado Community College System

## Financial and Compliance Audit

### Findings and Recommendations

#### Year Ended June 30, 2022

#### INTERNAL CONTROL OVER COMPLIANCE

In planning and performing our audit, we considered the System's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

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

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

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

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

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

#### **HEERF Procurement Compliance**

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was signed into law on March 27, 2020 and appropriated federal funds to provide economic aid to the American people negatively impacted by the COVID-19 pandemic. As part of the CARES Act, funds were given to the System under the HEERF Program. The *Coronavirus Response and Relief Supplemental Appropriations Act, 2021* (CRRSAA), was signed into law on December 27, 2020, and authorized additional funding under the HEERF program (HEERF II). Finally, the *American Rescue Plan Act of 2021* (ARP), enacted on March 11, 2021, authorized a third round of funding (HEERF III) in order for higher education institutions to serve students and ensure learning continues during the COVID-19 pandemic. The HEERF Program is one of the subprograms of the federal Education Stabilization Fund (Assistance Listing No. 84.425). The HEERF program contains two portions: the Student Aid portion (Assistance Listing No. 84.425E) and the Institutional portion, which is made up of the following:

- HEERF Institutional Aid Portion (Assistance Listing No. 84.425F);

# Colorado Community College System

## Financial and Compliance Audit

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#### Year Ended June 30, 2022

- HEERF Minority Serving Institutions (Assistance Listing No. 84.425L);
- HEERF Strengthening Institutions Program (Assistance Listing No. 84.425M);
- Institutional Resilience and Expanded Postsecondary Opportunity (Assistance Listing No. 84.425P);
- HEERF Supplemental Assistance to Institutions of Higher Education program (Assistance Listing No. 84.425S).

Since April 2020, the System has been awarded a total of approximately \$255.6 million in HEERF funding. From inception through June 30, 2022, the System spent a total of approximately \$97.8 million for the HEERF program Student Aid portion and \$113.9 million for the HEERF Institutional Portion. During Fiscal Year 2022, the System spent \$71.9 million for the Student Aid portion and \$45.1 million for the Institutional Portion; of this amount, \$28.7 million represented the System's procurement for goods and services. The System reports that it will spend the remaining amount of funding during Fiscal Year 2023 and beyond.

Each of the System's 13 campuses separately signed an agreement titled the "Certification and Agreement" with the U.S. Department of Education (ED) to indicate each campus' acceptance of the HEERF funding and the applicable terms and requirements. Under the requirements, each campus is required to follow the State's procurement policies and procedures. Federal procurement regulations also require that each campus include any clauses required by federal regulations in every HEERF-related purchase order or other contract. In addition, non-federal entities, including the System and its campuses, are prohibited from contracting with or making subawards under "covered transactions" to parties that are suspended or debarred from doing business with the federal government. "Covered transactions" include those procurement contracts for goods and services awarded under a grant or cooperative agreement. In order to comply with federal suspension and debarment requirements, the campuses can perform a search in the federal System of Award Management (SAM) website, which tracks the entities that the federal government has determined are ineligible to receive federal funding; collect a certification from the entity; or add a clause or condition to the contract.

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

The purpose of the audit work was to determine whether the System's campuses had effective internal controls in place over, and complied with, federal procurement and suspension and debarment requirements for the HEERF grant during Fiscal Year 2022. As part of our audit work, we reviewed the campuses' internal controls over the HEERF grant procurement requirements. In addition, we tested a sample of 60 of the campuses' HEERF-related 435 procurement transactions, totaling \$18.8 million, to determine if the campuses were in compliance with federal procurement requirements, and whether the campuses' contractors were suspended, debarred, or otherwise excluded from participating in the contract by the federal government, through verification on the SAM website exclusions listing.

#### ***How were the results of the audit work measured?***

We measured the results of our audit work against the following requirements:

- Federal regulation [2 CFR 180.220] states that a contract for goods or services is a covered transaction if awarded as a grant or payment for specified use and if the amount of the contract is



# Colorado Community College System

## Financial and Compliance Audit

### Findings and Recommendations

#### Year Ended June 30, 2022

expected to equal or exceed \$25,000. Also, federal regulation [2 CFR 180.300] requires that when a non-federal entity enters into a covered transaction with another entity, the non-federal entity must verify that the person or entity they intend to do business with is not excluded or disqualified from receiving federal funds. This can be done by: (1) checking the SAM exclusions, (2) collecting a certification from that entity, or (3) adding a clause or condition to the covered transaction with that entity.

- Federal regulation [2 CFR 200.303] states that the System and its campuses, as recipients of federal funds, must establish and maintain effective internal control over their federal awards that provides reasonable assurance that the System's campuses are managing the federal awards in compliance with federal statutes, regulations, and the award terms and conditions.
- Federal regulation [2 CFR 200.318] states that the System must document procurement procedures. The System and its campuses utilize Colorado Revised Statute Section 24, Government - State, Procurement Code; Articles 101- 112, as their procurement policy. Relevant sections of the policy include:
  - R-24-103-201-01 Purchasing Thresholds - (b) Small purchases are goods and services purchases costing less than \$150,000. Goods and services between \$25,000 and \$150,000 may be purchased using a documented quote process, described in rule R-24-103-204-01.
  - R-24-103-201-01 Purchasing Thresholds - (c) Invitation for bids, described in rule R-24-103-202-01, request for proposals, described in rule R-24-103-203, and invitations to negotiate, described in rule R-24-103-208-03, may be used for goods or services estimated to exceed the small purchase threshold of \$150,000.
  - R-24-103-205 Sole Source Procurements -Contracts may be awarded by use of a sole source procurement only if the following conditions are met: (a) A sole source procurement is justified when there is only one good or service that can reasonably meet the need and there is only one vendor who can provide the good or service. A requirement for a particular proprietary item (*i.e.*, a brand name specification) does not justify a sole source procurement if there is more than one potential bidder or offeror for that item; (b) The procurement official or his or her designee shall make a written determination that a procurement is sole source, setting forth the reasons. In cases of reasonable doubt, competition should be solicited. Any request by a using agency that a procurement be restricted to one potential contractor shall be accompanied by an explanation as to why no other contractors will be suitable or acceptable to meet the need.

#### ***What problems did the audit work identify?***

We identified at least one issue with 34 of the 60 transactions tested (57 percent), which resulted in a total of \$3,254,216 in known federal questioned costs. In total, we identified 43 errors within the 34 transactions tested. Specifically, we identified the following:

- Community College of Aurora (CCA) and Pueblo Community College (PCC) could not provide documentation to support that suspension and debarment verification procedures were performed for nine transactions we reviewed for CCA and for 21 transactions we reviewed for PCC. We confirmed through additional audit work that none of the vendors were suspended or debarred; as a result, we determined that these errors did not result in questioned costs.

**Colorado Community College System**  
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**Year Ended June 30, 2022**

- Otero College (OC) did not complete the required Sole Source justification for four transactions. These errors resulted in \$1,535,455 of questioned costs.
- PCC did not perform a request for proposals for two transactions which exceeded \$150,000 and did not obtain documented quotes for seven transactions which were between \$25,000 and \$150,000, as required. These errors resulted in questioned costs of \$1,718,761.

***Why did these problems occur?***

OC and PCC did not have adequate internal controls in place to ensure they complied with HEERF procurement requirements. Specifically, at OC and PCC, the secondary reviewer did not require staff follow procedures in place for procurement. In addition, CCA and PCC did not have adequate internal controls in place to ensure they complied with HEERF suspension and debarment requirements. At PCC the secondary reviewer also did not ensure that staff searched the federal System of Award Management to verify that entities it contracted with were not suspended, debarred, or otherwise excluded from participating in a contract for federal funds. In addition, they did not provide training over grant processes related to state procurement rules, such as training on requirements for staff to maintain appropriate supporting documentation for procurement-related verifications and procurement decisions. Further, CCA and OC experienced staff turnover in key positions, and existing employees could not locate the supporting documentation.

***Why do these problems matter?***

It is important for CCA, OC, and PCC to ensure that they obtain and maintain appropriate documentation to support procurement decisions, especially when they are the basis for determining CCA, OC, and PCC’s compliance with specific HEERF program requirements. In addition, CCA and PCC’s failure to perform procedures to ensure an entity is not suspended or debarred could result in the System paying funds to an entity that is disallowed from receiving such funds, thereby exposing the State to increased business risk and potential federal disallowances.

FEDERAL AGENCY	US DEPARTMENT OF EDUCATION
FEDERAL AWARD NUMBER	CCA – P425E202708, P425F202122 OC – 425E202795, P425F202416 PCC – P425E202750, P425F202125
FEDERAL AWARD YEARS	2020 AND 2021
PASS THROUGH ENTITY	NONE
ASSISTANCE LISTING NO.	84.425E & F, EDUCATION STABILIZATION FUND
COVID-19 FUNDING	YES
COMPLIANCE REQUIREMENT	PROCUREMENT (I)
CLASSIFICATION OF FINDING	MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE
TOTAL KNOWN QUESTIONED COSTS	\$3,254,216
KNOWN QUESTIONED COSTS RELATED TO COVID-19 FUNDING	\$3,254,216
THIS FINDING DOES NOT APPLY TO A PRIOR YEAR RECOMMENDATION	

**Colorado Community College System**  
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**Findings and Recommendations**  
**Year Ended June 30, 2022**

***Recommendation No. 1 -CCA:***

Community College of Aurora should strengthen their internal controls over suspension and debarment and ensure they comply with the HEERF requirements by:

- A. Ensuring staff maintain supporting documentation of suspension and debarment checks.
- B. Providing training and cross-training to existing employees over suspension and debarment requirements.

***Recommendation No. 2 -OC:***

Otero College should strengthen their internal controls over procurement and ensure they comply with the HEERF requirements and State procurement policies by:

- A. Ensuring the secondary reviewer enforces compliance with the Colorado Community College System's (System) procurement procedures.
- B. Ensuring staff maintain supporting documentation for procurements.
- C. Providing training and cross-training to existing employees over procurement requirements.

***Recommendation No. 3 -PCC:***

Pueblo Community College should strengthen their internal controls over procurement, suspension and debarment and ensure they comply with the HEERF requirements and State procurement policies by:

- A. Ensuring the secondary reviewer enforces compliance with the Colorado Community College System's (System) procurement procedures and that staff perform procedures to verify contracted entities are not excluded or disqualified from receiving federal funds.
- B. Ensuring staff maintain supporting documentation for procurements and suspension and debarment checks.
- C. Providing training and cross-training to existing employees over procurement, suspension and debarment requirements.

***Community College of Aurora Response:***

Agree. Implementation Date: October 2022

- A. Beginning in October 2022, the duty was moved from the Principal Investigator or instructional staff previously responsible for this step to the Director of Purchasing to ensure compliance for all grant transactions.
- B. Training will be provided for identifying when suspension and debarment must be checked for vendors of federal programs, processes and websites to access, and methodology for documenting with the purchase, to fiscal and grant staff.

**Colorado Community College System**  
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**Findings and Recommendations**  
**Year Ended June 30, 2022**

***Otero College Response:***

Agree. Implementation Date: August 2022

- A. Otero College has adopted the system offices Sole Source justification form that will be posted to the State procurement site, requires supervisory approval, and has put that into place as of August 2022.
- B. Otero College will ensure they maintain supporting documentation for procurements.
- C. Otero College has a new procurement official that has attended various trainings regarding procurement rules.

***Pueblo Community College Response:***

Agree. Implementation Date: September 2022

- A. Going forward, the Director of Purchasing will perform all Sam.gov searches. The secondary reviews to ensure compliance for the System's procurement and suspension and debarment procedures will be conducted by the Vice President of Administration and Finance.
- B. The corresponding documents supporting procurement transactions and suspension and debarment checks will be scanned and filed along with the Purchase order.
- C. Training will be provided to fiscal and grant staff for identifying when suspension and debarment must be checked for vendors of federal programs, processes and websites to access, and methodology for documenting with the purchase documentation.

**HEERF Reporting Compliance**

The federal *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was signed into law on March 27, 2020 and appropriated federal funds to provide economic aid to the American people negatively impacted by the COVID-19 pandemic. As part of the CARES Act, funds were given to the System under the HEERF Program. The *Coronavirus Response and Relief Supplemental Appropriations Act, 2021* (CRRSAA), was signed into law on December 27, 2020, and authorized additional funding under the HEERF program (HEERF II). Finally, the *American Rescue Plan Act of 2021* (ARP), enacted on March 11, 2021, authorized a third round of funding (HEERF III) in order for higher education institutions to serve students and ensure learning continues during the COVID-19 pandemic.

The HEERF Program is one of the subprograms of the federal Education Stabilization Fund (Assistance Listing No. 84.425). The HEERF program contains two portions: the Student Aid portion (Assistance Listing No. 84.425E) and the Institutional portion, which is made up of the following: HEERF Institutional Aid Portion (Assistance Listing No. 84.425F), HEERF Minority Serving Institutions (Assistance Listing No. 84.425L), HEERF Strengthening Institutions Program (Assistance Listing No. 84.425M), Institutional Resilience and Expanded Postsecondary Opportunity (Assistance Listing No. 84.425P), and HEERF Supplemental Assistance to Institutions of Higher Education program (Assistance Listing No. 84.425S). Amounts provided to students through HEERF are considered to be "Emergency Financial Aid Grants to Students" under the Program.

# Colorado Community College System

## Financial and Compliance Audit

### Findings and Recommendations

#### Year Ended June 30, 2022

Since April 2020, the System has been awarded a total of approximately \$255.6 million in HEERF funding. From inception through June 30, 2022, the System spent approximately \$97.8 million for the HEERF program Student Aid portion which is used to award Emergency Financial Aid Grants to students and \$113.9 million for the HEERF Institutional Portion, which is used to support the colleges. \$117.3 of this amount was expended by the System during Fiscal Year 2022. The System reports that it will spend the remaining amount of funding during Fiscal Year 2023 and beyond.

Each of the System's 13 campuses separately signed an agreement titled the "Certification and Agreement" with the U.S. Department of Education (ED) to indicate each campus' acceptance of the HEERF funding and the applicable terms and requirements. Under the HEERF program requirements, there are three components to reporting: (1) public reporting on the Student Aid Portion; (2) public reporting on the Institutional Portion, and (3) the annual report, which includes summarized information on the Student Aid and Institutional Portions for the reporting period. The annual report is to be submitted directly to the ED. The ED has specified certain criteria that must be included in each report.

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

The purpose of the audit work was to determine whether the System had adequate internal controls in place over, and complied with, the HEERF Institutional and Student Aid grant reporting requirements for Fiscal Year 2022.

As part of our audit work, we reviewed the System's internal controls over the HEERF grant reporting requirements. In addition, we tested a sample of 25 of the 117 HEERF reports submitted by the System's campuses during Fiscal Year 2022 to determine whether the reports were posted on each campus' primary website (quarterly reports) or submitted to ED (annual reports) by the federal due dates. Furthermore, for the Student Aid Quarterly Report we requested from each Campus the underlying support for the reports, which consisted of student data detailing how much aid was awarded and the methods the campuses used to determine which students would receive Emergency Financial Aid Grants.

#### ***How were the results of the audit work measured?***

We measured the results of our audit work against the following requirements:

- On May 13, 2021, the ED published in the Federal Register a notice for student aid public reporting under CRRSAA and ARP, which requires that institutions publicly post certain information on their website. The following information must appear in a format and location that is easily accessible to the public:
  - An acknowledgement that the institution signed and returned to the ED the Certification and Agreement and the assurance that the institution has used the applicable amount of funds designated under the CRRSAA and ARP programs to provide Emergency Financial Aid Grants to Students.
  - The total amount of funds that the institution will receive or has received from the ED pursuant to the institution's Certification and Agreement for Emergency Financial Aid Grants to Students under the CRRSAA and ARP programs.

# Colorado Community College System

## Financial and Compliance Audit

### Findings and Recommendations

#### Year Ended June 30, 2022

- The total amount of Emergency Financial Aid Grants distributed to students under the CRRSAA and ARP programs as of the date of submission (*i.e.*, as of the initial report and every calendar quarter thereafter).
  - The estimated total number of students at the institution that are eligible to receive Emergency Financial Aid Grants to Students under the CRRSAA and ARP programs.
  - The total number of students who have received an Emergency Financial Aid Grant to students under the CRRSAA and ARP programs.
  - The method(s) used by the institution to determine which students receive Emergency Financial Aid Grants and how much they would receive under the CRRSAA and ARP programs.
  - Any instructions, directions, or guidance provided by the institution to students concerning the Emergency Financial Aid Grants.
- Federal Uniform Guidance [2 CFR 200.303] requires that recipients of federal awards have internal controls in place to ensure that federal reports are accurate and report complete information. Appropriate supporting documentation is evidence of such internal controls.

#### ***What problem did the audit work identify?***

We identified issues with 5 of the 25 Fiscal Year 2022 reports we tested (20 percent). Specifically, Front Range Community College (FRCC), Pueblo Community College (PCC), and Lamar Community College (LCC) could not provide appropriate supporting documentation for one or more of the following data elements in five of the Student Aid Quarterly Reports: student data detailing (a) the total amount of Emergency Financial Aid Grants distributed to students, (b) the total number of students eligible to receive Emergency Financial Aid Grants and/or (c) the total number of students at the institution who have received an Emergency Financial Aid Grant. The specific issues we found the following:

- FRCC reported the total number of students eligible to receive Emergency Financial Aid Grants for the quarter ended September 30, 2021 as 20,684; based on our review, we determined the supported number was 20,782.
- FRCC reported the total number of students at the institution who have received an Emergency Financial Aid Grant for the quarter ended June 30, 2022 as 20,385 (student portion) and 3,207 (institutional portion); based on our review, we determined the supported numbers were 20,401 and 3,222, respectively.
- LCC reported the total number of students eligible to receive Emergency Financial Aid Grants for the quarter ended June 30, 2022 as 1,007; based on our review, we determined the supported number was 1,034. In addition, the amount disbursed directly to student emergency financial aid grants to date was reported as 961 and total for all HEERF funds was 1,124; based on our review, we determined the supported numbers were 988 and 1,151, respectively.
- PCC reported the total number of students eligible to receive Emergency Financial Aid Grants for the quarters ending September 30, 2021 and December 31, 2021 as 3,191; based on our review, we determined this amount could not be supported and PCC did not provide a revised count.

**Colorado Community College System**  
**Financial and Compliance Audit**  
**Findings and Recommendations**  
**Year Ended June 30, 2022**

***Why did the problem occur?***

FRCC, PCC, and LCC campuses did not have procedures in place to ensure that supporting documentation was maintained for its Student Aid Quarterly Reporting. Employee turnover in the FRCC Controller position and FRCC, PCC, and LCC Student Financial Aid Director positions further contributed to FRCC, PCC, and LCC’s inability to locate or recreate the supporting documentation.

***Why does this problem matter?***

It is important for FRCC, PCC, and LCC to ensure that they obtain and maintain appropriate documentation to support amounts reported to federal awarding agencies, especially when they are the basis for determining FRCC, PCC, and LCC’s compliance with specific federal program requirements. This issue could lead to inaccurate federal reporting and potential noncompliance, which could result in the federal government requiring FRCC, PCC, and LCC to return funds or a negative impact to the System’s future federal program funding.

FEDERAL AGENCY	US DEPARTMENT OF EDUCATION
FEDERAL AWARD NUMBER	FRCC – P425E202723 LCC – P425E202985 PCC – P425E202750
FEDERAL AWARD YEARS	2020 AND 2021
PASS THROUGH ENTITY	NONE
ASSISTANCE LISTING NO.	84.425E, EDUCATION STABILIZATION FUND
COVID-19 FUNDING	YES
COMPLIANCE REQUIREMENT	REPORTING (L)
CLASSIFICATION OF FINDING	SIGNIFICANT DEFICIENCY AND OTHER INSTANCE OF NON-COMPLIANCE
TOTAL KNOWN QUESTIONED COSTS	\$0
KNOWN QUESTIONED COSTS RELATED TO COVID-19 FUNDING	\$0
THIS FINDING DOES APPLY TO A PRIOR YEAR RECOMMENDATION	

***Recommendation No. 1:***

Front Range Community College, Lamar Community College, and Pueblo Community College campuses should strengthen their internal controls over federal reporting and ensure they comply with the HEERF reporting requirements by reviewing reports for accuracy and developing procedures for ensuring the required maintenance of all related supporting documentation.

***Front Range Community College Response:***

Agree. Implementation Date: September 2022

Moving forward the Director of Financial Aid will engage the Restricted Funds Accountants in a quality assurance review of both dollars spent, type of fund, and student counts before it is submitted for final review and publishing by the Director of Resource Development and Senior Grant Administrator. The most recently submitted information for the quarterly report of September 30, 2022 will be sent to the Restricted Funds Accountants to validate that FRCC has been and will continue to be in compliance for quarterly HEERF reporting.

**Colorado Community College System**  
**Financial and Compliance Audit**  
**Findings and Recommendations**  
**Year Ended June 30, 2022**

***Lamar Community College Response:***

Agree. Implementation Date: July 2022

The Financial Aid Director and the Controller will compile their reporting support on the shared drive they utilize for other routine purposes as well, to ensure clear documentation of the numbers reported. The original report containing errors was corrected, validated, and reposted. All past year's reporting data was made available on the shared drive as of July 2022.

***Pueblo Community College Response:***

Agree. Implementation Date: October 2022

Each quarter Financial aid will obtain and compare Cognos and Banner disbursement reports for accuracy. Once the unduplicated student count is determined it will be sent to the Vice President of Student Success to validate and approve going forward. Financial aid will ensure staff maintain supporting documentation for any institutional expenditures information that was obtained from the fiscal office. Disbursement and expenditure data will be compiled for the Department of Education's Quarterly Report by the submission deadline and will be submitted as PDF to webmaster for posting on PCC's website and a copy emailed to a contact at the Department of Education and will archive the submission for future reference.



**Colorado Community College System**  
**Disposition of Prior Audit Findings and Recommendations**  
**Year Ended June 30, 2022**

<b>Recommendation Number</b>	<b>Recommendation</b>	<b>Disposition</b>
2021-01	Lamar Community College, Northeastern Junior College, Otero Junior College, and Pikes Peak Community College campuses should strengthen their internal controls over reporting and ensure they comply with the HEERF reporting requirements by developing policies and procedures for identifying and researching the specific reporting requirements and ensuring that staff post to the websites the required reports within federally required timeframes. In addition, Lamar Community College should ensure that all the HEERF reports that are required to be posted are currently on the website.	Implemented

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of the Colorado Community College System (a higher education institution of the State of Colorado) (the System), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of the System, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

With the exception of the Friends of TSC discretely presented component unit which represents 0.1% of the assets and revenues of the aggregate discretely presented component units, we did not audit the financial statements of the aggregate discretely presented component units of the System. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*.

#### *Emphasis of Matters*

As discussed in Note 1, the financial statements of the System, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position and where applicable, cash flows of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of the State of Colorado that are attributable to the

transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2022, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2022 the System adopted new accounting guidance, Governmental Accounting Standards Board Statement No.87, *Leases*. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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***

Management is responsible for the other information included in the annual financial and compliance report. The other information comprises the report summary and the description of the Colorado Community College System but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

**FORVIS,LLP**

Denver, Colorado  
December 15, 2022

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# Colorado Community College System

## Management's Discussion and Analysis

### (Not subjected to auditing procedures)

#### June 30, 2022

The following discussion and analysis provides management's view of the financial position and results of operations for the Colorado Community College System (CCCS or the System) as of and for the year ended June 30, 2022 (fiscal year 2022), with comparative information presented for fiscal year 2021, which has not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This analysis should be read in conjunction with CCCS' financial statements and notes to the financial statements. This analysis is intended to make CCCS' financial statements easier to understand and communicate our financial situation in an open and accountable manner.

### Background

CCCS includes 13 public community colleges throughout the State of Colorado (the State), the system office, and a private purpose trust fund – the Benefit Trust. In addition, CCCS has 15 supporting foundations, which are not included in CCCS' primary financial reporting entity, but are included as discretely presented component units. CCCS' financial statements are prepared (Note 1) in accordance with the GASB Statement No. 14, *The Financial Reporting Entity, as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus*; GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*; GASB Statement No. 80, *Blending Requirements for Certain Component Units* and GASB Statement No. 84, *Fiduciary Activities*.

CCCS is Colorado's largest institution of higher education and serves approximately 113,000 students by headcount and approximately 44,000 and 45,000 full-time equivalent students, respectively, during fiscal years ended June 30, 2022 and 2021. The System has approximately 5,400 employees by FTE, of which two-thirds are faculty and adjunct instructors. The colleges offer a wide variety of both academic and career programs leading either to degrees and certificates, or otherwise enhancing personal and professional growth. In addition to the 13 community colleges, CCCS also assists the State Board for Community Colleges and Occupational Education (SBCCOE or the Board) in exercising certain curriculum and funding authority over three Area Vocational Schools (AVSs), two Local District Colleges (LDCs), and secondary career and technical programs in over 150 school districts throughout the State.

Higher education institutions in the State have the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), if the institution meets the stated qualifications. CCCS qualified as an enterprise for fiscal years 2022 and 2021, and the System received 3.9% and 2.6%, respectively, of total revenue in State support (Notes 4 and 20).

CCCS is partially funded through the College Opportunity Fund (COF) stipend program and a fee for service (FFS) contract with the Colorado Department of Higher Education (CDHE), approved by the Colorado Commission on Higher Education (CCHE). COF provides state tax dollars to students through a stipend paid on a per credit hour basis to the institution at which the student is enrolled. COF may support the costs of up to 145 eligible undergraduate credits for each eligible student. For fiscal year 2022, the COF stipend was \$94 per credit hour, and in fiscal year 2021, the COF stipend was \$40, which students could use to pay for a portion of their tuition. The FFS contract is the purchase of educational services, by the State, from CCCS that are not part of the COF stipend program. In fiscal years 2022 and 2021, CDHE's contract with CCCS purchased educational services with an increased emphasis on support services for Pell-eligible, first-generation, and underserved undergraduate students, weighted credit hours for graduate programs, remediation, and additional role and mission factors as determined by the Commission. Institutional performance related to student completion and retention statistics and additional metrics supporting policy goals as determined by the Commissioner will also be considered.

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This includes educational services in rural areas, high cost/student programs, institutional research services, remediation and special skills courses, creation of student career pathways, and for inclusion service compliance (Notes 3 and 4). COF and FFS are not included as state support, but are included in tuition and FFS.

In November 2008, voters passed Amendment 50, which expanded limited stakes gaming in three Colorado mountain towns. A portion of the additional revenues from the increased gaming activity is distributed based on enrollment to Colorado community, junior and district colleges for financial assistance and classroom instruction. CCCS received approximately \$11.5 million in Amendment 50 funding in fiscal year 2022, of which \$11.5 million was used for classroom instruction related expenses. CCCS received approximately \$10.0 million in Amendment 50 funding in fiscal year 2021, of which \$8.5 million was used for classroom instruction related expenses and \$31.1 thousand was awarded to students for scholarships.

**Financial Highlights**

At June 30, 2022, CCCS’ assets and deferred outflows of \$1,023,198,154 were less than its liabilities and deferred inflows of \$1,147,804,389 by \$124,606,235. At June 30, 2021, CCCS’ assets and deferred outflows of \$998,592,909 were less than its liabilities and deferred inflows of \$1,252,061,763 by \$253,468,854. The resulting net position is summarized into the following categories:

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
Net investment in capital and lease assets	\$ 384,494,144	\$ 378,131,636
Restricted, expendable	13,969,785	11,614,768
Unrestricted (deficit)	(523,070,164)	(643,215,258)
Total net position (deficit)	(124,606,235)	(253,468,854)
 GASB 68 - Pension		
Cumulative Years Impact to net position	804,730,722	903,648,291
GASB 75 - OPEB		
Cumulative Years Impact to net position	35,391,891	37,173,025
Net position excluding impact from Pension and OPEB	\$ 715,516,378	\$ 687,352,462

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

During fiscal year 2022, CCCS’ total net position increased by \$128,842,759 due to an increase of \$28,144,057 in operations excluding pension and OPEB, an increase of \$98,917,569 due to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27, (Statement No. 68)*, and an increase of \$1,781,134 due to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (Statement No. 75)* and restatement of \$19,860 for the adoption of GASB Statement No. 87, *Leases*. Statement No. 87, Statement No. 68 and Statement No. 75 are discussed in the overview.



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During fiscal year 2021, CCCS' total net position increased by \$253,647,591 due to an increase of \$10,091,456 in items excluding pensions and OPEB, an increase of \$241,028,874 due to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27, (Statement No. 68)*, and an increase of \$2,527,262 due to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (Statement No. 75)*. Both Statement No. 68 and Statement No. 75 are discussed in the overview.

**Overview of the Financial Statements**

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

The Independent Auditor's Report presents unmodified opinions prepared by our auditors, an independent certified public accounting firm, FORVIS, LLP, on the fairness, in all material respects, of our financial statements.

Statement No. 68 establishes financial reporting requirements for most governments that provide their employees with pension benefits. The System provides certain of its employees with pension benefits through the State's multiple-employer cost-sharing Public Employees' Retirement Association of Colorado (PERA) defined benefit retirement program.

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

Statement No. 75 establishes financial reporting requirements for most governments that provide their employees with other postemployment benefits (OPEB) other than pensions. The System provides certain of its employees with OPEB through the State's multiple-employer cost-sharing Public Employees' Retirement Association of Colorado (PERA) Health Care Trust Fund (HCTF).

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

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

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

For financial reporting purposes, the Benefit Trust is recognized as a fiduciary component unit reported as a private-purpose trust fund, beginning fiscal year 2021, in accordance with GASB Statement 84, *Fiduciary Activities* (Statement No. 84).

Statement No. 87, *Leases*, requires the recognition of certain lease assets and lease payables previously reported as operating or capital leases, along with related inflows and outflows of resources based on the payments agreed upon in the contracts. Lessees must recognize a lease asset and lease payables and a lessor must recognize a lease receivable and a deferred inflow of resources (Note 2).

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

The Statement of Net Position presents information on all of CCCS' assets and deferred outflows of resources and liabilities and deferred inflows of resources at a point in time (June 30, 2022), with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. A reader of the financial statements should be able to determine the assets available to continue CCCS' operations, how much CCCS owes to vendors and lending institutions, and a picture of net position and the relative availability for expenditure by CCCS.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how CCCS' net position changed during the fiscal period (the fiscal year ended June 30, 2022). All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues, deferred outflows of resources, expenses, and deferred inflows of resources are reported in this statement for some items that will only result in cash flows in future fiscal periods (*e.g.*, the payment for accrued compensated absences or the pension liability, or the receipt of amounts due from students and others for services rendered). The purpose is to assess CCCS' operating results. CCCS reports its activity as a special-purpose government engaged only in business-type activities using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Fiduciary Net Position is used to report the assets, liabilities, and fiduciary net position of the private purpose trust fund. The Statement of Changes in Fiduciary Net Position report the inflows and outflows of resources that increased and decreased its net position. A fiduciary fund uses the economic resources measurement focus and the accrual basis of accounting. The major source of additions are receipt of excess premiums and net appreciation in fair value and the major deductions are administrative costs.

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

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

### **Financial Analysis**

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

The assets and deferred outflows of resources reported by CCCS were less than liabilities and deferred inflows of resources at June 30, 2022, resulting in a net position of \$(124,606,235). The assets and deferred outflows of resources reported by CCCS were less than liabilities and deferred inflows of resources at June 30, 2021, resulting in a net position of \$(253,468,854). Assets and deferred outflows of resources were less than liabilities and deferred inflows of resources primarily due to the cumulative

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impact of Statement No. 68 and Statement No. 75 in fiscal years 2022 and 2021. The majority of CCCS' net position is net investment in capital and lease assets (e.g., land, buildings and equipment). These assets are used to provide services to students, faculty and administration. Consequently, these assets are not available to fund future spending. The resulting net position is summarized into the following categories:

**Condensed Statements of Net Position**

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
Current assets	\$ 433,628,367	\$ 398,880,212
Noncurrent assets, including capital assets of \$496,611,357 and \$489,251,659, respectively, and including net lease assets of \$33,498,927 and \$0, respectively	531,187,806	493,704,685
Total assets	964,816,173	892,584,897
Total deferred outflows of resources	58,381,981	106,008,012
Current liabilities	91,634,143	71,792,804
Noncurrent liabilities	811,779,317	977,555,884
Total liabilities	903,413,460	1,049,348,688
Total deferred inflows of resources	244,390,929	202,713,075
Net position		
Net investment in capital and lease assets	384,494,144	378,131,636
Restricted - expendable	13,969,785	11,614,768
Unrestricted (deficit)	(523,070,164)	(643,215,258)
Total net position (deficit)	\$ (124,606,235)	\$ (253,468,854)

Current assets increased as of June 30, 2022 compared with June 30, 2021 by approximately \$34.7 million, or 8.7%, primarily as a result of an increase in cash and cash equivalents of \$35.3 million, in part due to sale of the ACC – Parker Campus for a \$7.6 million gain, remaining unearned revenue of approximately \$9.5 million for State appropriated Federal Stimulus funds for CTE Expansion and an increase of \$1.4 million in prepaid expenses, offset by a decrease in net accounts receivable of \$1.4 million. The decreases in net accounts receivable of approximately \$1.4 million is due primarily to a decrease of Due From Other Governments, net, of \$10.5 million offset by an increase of \$6.3 million in student receivables, net and \$3.1 million other receivables, net.

Current liabilities increased as of June 30, 2022 compared with June 30, 2021 by approximately \$19.8 million, or 27.6%, primarily as a result of a \$2.3 million increase in accounts payable, a \$13.7 million increase in unearned revenue primarily related to SLFRF, and an increase in the lease payable current portion of \$3.2 million due to the adoption of GASB 87.

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Noncurrent assets increased as of June 30, 2022 compared with June 30, 2021 by \$37.5 million, or 7.6%, primarily as a result of the increase of lease assets, net, of \$33.5 million and the increase in net capital assets of \$7.4 million, offset by a decrease in restricted investments of \$4.1 million. The implementation of Statement No. 87 resulted in the recognition of lease assets, net.

Noncurrent liabilities decreased as of June 30, 2022 compared with June 30, 2021 by \$165.8 million, or 17.0%. This change was due, in part, due to a decrease in the net pension liability in 2022 of \$186.3 million attributed to strong investment performance coupled with the reinstatement of the Automatic Adjustment Provision (AAP). This was coupled with a decrease of \$3.4 million in the net OPEB liability. In addition, fiscal year 2022 had a decrease of \$4.7 million in bonds payable, offset by an increase lease payable of \$30.4 million due to the implementation of Statement No. 87.

Deferred outflows of resources decreased as of June 30, 2022 compared to June 30, 2021 by \$47.6 million, or 44.9%, primarily due to the \$47.7 million decrease from changes in assumptions for pension related items. Deferred inflows of resources increased as of June 30, 2022 compared to June 30, 2021 by \$41.7 million, or 20.6%, primarily due to increases in pension and OPEB related items: increase of \$39.7 million from changes in assumptions as well as a \$1.9 million increase from changes in assumptions and reduction in proportional changes for OPEB. Statements No. 68 and 75 require CCCS to record deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, which primarily reflect the changes in assumptions used to value the overall PERA pension liability and OPEB liability that will be recognized in future reporting periods.

Net position may have restrictions imposed by external parties, such as donors, who specify how the assets must be used, or by their nature are invested in capital assets (property, plant and equipment) and lease assets related to Statement No. 87. Restricted net position is primarily restricted for scholarships, community training programs, debt service and Strengthening Photovoltaic and Renewal Careers (SPARC) Workforce Development Program in conjunction with funding under HB 21-1149 for the creation of an energy sector career pathway.

The Statements of Revenues, Expenses and Changes in Net Position report the results of operating and nonoperating revenues and expenses during the year and the resulting increase or decrease in net position at the end of the fiscal year. A key component of this statement is the differentiation between operating and nonoperating activities. Operating revenues are received for providing goods and services to the various constituencies of CCCS. The COF stipend program revenue is included in student tuition and fees and FFS contract revenue is separately presented, both of which are classified as operating revenues. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenue and to carry out the mission of CCCS. Nonoperating revenues are those where goods or services are not provided. Thus, state appropriations are nonoperating because they are provided by the State without the State directly receiving goods and services. In fiscal year 2022, the State of Colorado resumed its direct distribution for the CCCS allocated portion of the \$225 million statutorily required State of Colorado annual direct distribution to the Public Employees' Retirement Association (PERA). In fiscal year 2021, in accordance with House Bill 20-1379, the direct distribution for July 1, 2020 was suspended for one year. Pursuant to C.R.S. 24-51-414; PERA is to receive an annual direct distribution from the State in the amount of \$225 million each July until there are no unfunded actuarial accrued liabilities in the trust fund of any division that receives such distribution. Amendment 50 funding is provided as pass-through funds through the State without the State directly receiving goods and services and is also considered nonoperating. Federal Pell grants, Federal *Higher Education Economic Relief Funds* (HEERF) subsidies, and most gifts and investment income are also nonoperating revenue.

# **Colorado Community College System**

## **Management's Discussion and Analysis**

**(Not subjected to auditing procedures)**

**June 30, 2022**

State appropriations, net of distributions to LDCs and AVSs, represent approximately 5.3%, and 4.4%; student tuition and fees represent approximately 35.1% and 31.8%, and FFS contracts represent approximately 12.9% and 4.2%, of CCCS' total revenue from all sources in fiscal years 2022 and 2021, respectively, as detailed in the charts on the following pages. Like most public institutions of higher education, public support in the form of state appropriations offsets or supplements the operating gain or loss from the cost of operations. CCCS experienced a \$140.3 million loss from operations in fiscal year 2022 compared to a \$76.0 million loss from operations in fiscal year 2021. In fiscal year 2022, this operating loss was offset by Federal HEERF Funds of \$120.6 million, net state appropriations of \$35.4 million, Federal Pell grants of \$71.3 million, State support for pensions of \$6.5 million and Amendment 50 funding of \$11.5 million. In fiscal year 2021, this operating loss was offset by Federal CRF funds passed through the Governor's Office as economic support of \$100.5 million, net state appropriations of \$32.2 million, Federal Pell grants of \$75.0 million, Federal HEERF subsidies of \$83.4 million, and Amendment 50 funding of \$10.0 million.

**Colorado Community College System**  
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**June 30, 2022**

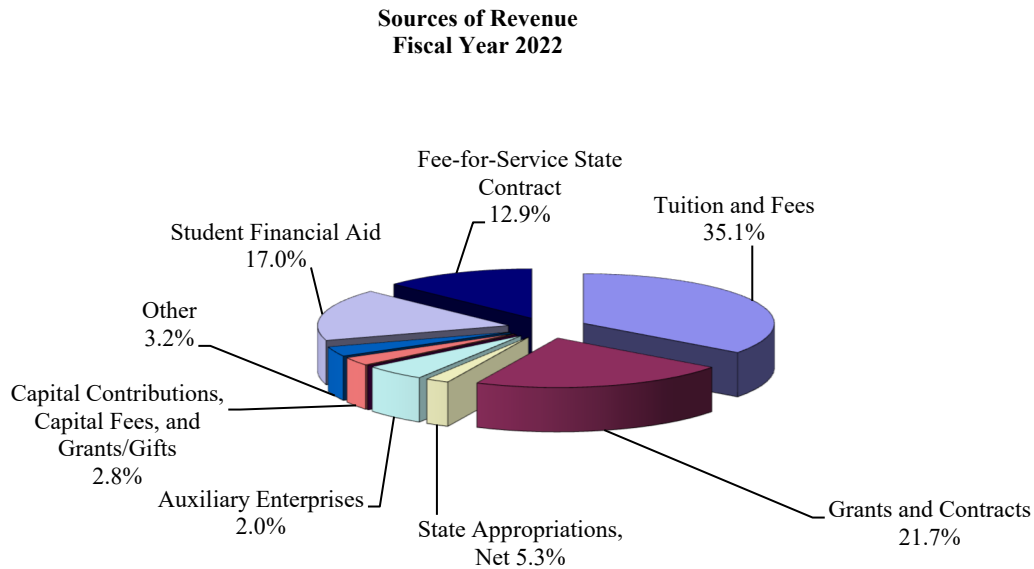
**Condensed Statements of Revenues, Expenses and Changes in Net Position**  
**June 30**

	<b>2022</b>	<b>2021</b>
Operating revenues		
Tuition and fees, net	\$ 279,759,461	\$ 232,800,223
Grants and contracts	117,820,942	108,275,067
Fee-for-service state contract	102,571,316	31,006,361
Sales and services of educational activities	886,963	722,073
Auxiliary enterprises, net	15,837,254	16,220,223
Other	8,094,483	9,411,548
Total operating revenues	<u>524,970,419</u>	<u>398,435,495</u>
Operating expenses		
Instruction	248,208,173	171,151,528
Research	39,571	29,603
Public service	7,045,279	3,904,813
Academic support	42,025,704	26,771,989
Student services	64,258,377	36,487,250
Institutional support	92,352,100	67,072,414
Operation and maintenance of plant	50,426,509	38,514,389
Scholarships and fellowships	93,900,097	67,021,965
Auxiliary enterprises	20,641,066	20,053,661
Depreciation and amortization	46,398,111	43,412,172
Total operating expenses	<u>665,294,987</u>	<u>474,419,784</u>
Operating loss	<u>(140,324,568)</u>	<u>(75,984,289)</u>
Nonoperating revenues (expenses)		
State appropriations	71,572,002	46,341,567
Governor's Economic Support	-	100,478,897
State support for pensions	6,536,930	-
HEERF Funds	120,605,705	83,429,465
Federal Pell grants	71,289,787	74,956,565
Amendment 50 funding	11,474,566	9,969,431
Distributions to Local District Colleges and Area Vocational Schools	(36,140,742)	(14,101,016)
Other nonoperating revenues and expenses, net	1,699,409	6,036,527
Net nonoperating revenues	<u>247,037,657</u>	<u>307,111,436</u>
Income before other revenues, expenses, gains or losses	106,713,089	231,127,147

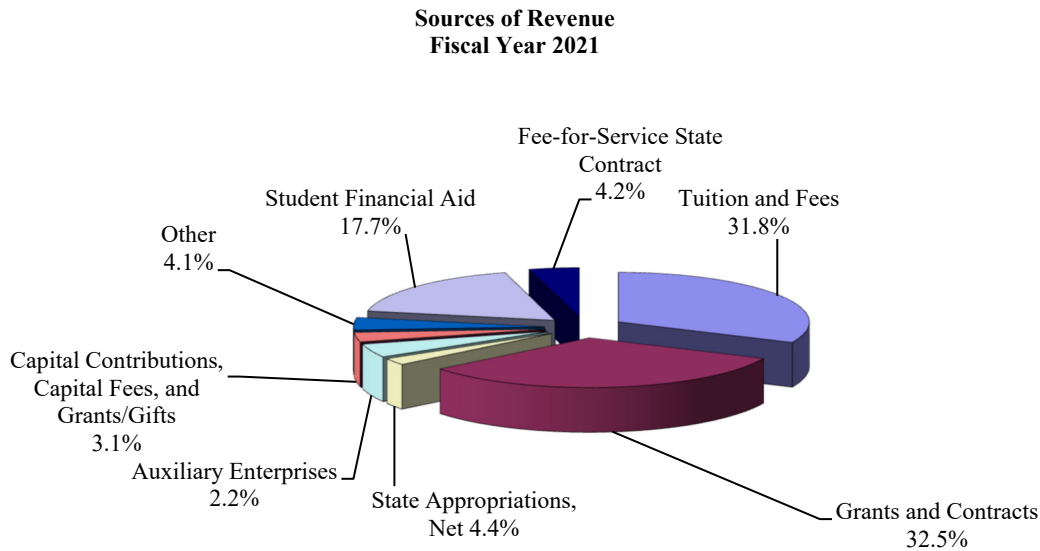
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	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
State capital contributions	16,781,779	17,409,040
Capital fees, net	4,661,617	4,102,343
Capital grants and gifts	686,274	1,009,061
Increase in net position	128,842,759	253,647,591
Net position		
Beginning of year	(253,468,854)	(507,116,445)
Adjustment for GASB 87	19,860	-
End of year	\$ (124,606,235)	\$ (253,468,854)

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



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As the above charts demonstrate, grants and contracts and student tuition and fees comprise the largest revenue source for CCCS in fiscal year 2022, as well as fiscal year 2021, the first full fiscal year impacted by the pandemic. The operating loss of approximately \$(140.3) million and \$(76.0) million, in fiscal years 2022 and 2021, respectively, noted above, is a result of less operating revenues below operating expenses. CCCS supplemented operating revenues with State appropriations, state support for pensions (for fiscal year 2022 only), Federal Pell grants, Federal HEERF subsidies, and Amendment 50 funding, which are classified as nonoperating revenues but are used to fund operations.

Revenue activity highlights for fiscal year 2022 include:

- Student Tuition and Fees increased by \$47.0 million, or 20.2%, primarily due to an increase of \$62.7 million, or 127.5%, in the COF stipend. This was offset by an overall decrease of 3.2% in student FTE and increase of scholarship allowance of \$11.4 million.
- Fee for Service increased by \$71.6 million, or 230.8%, including the transfer of \$18.8 million from COF to FFS to adjust appropriately for the student FTE served, within the transfer authority tolerances outlined in C.R.S. 23-18-202 (1) (c).
- State Appropriations increased by \$25.2 million, or 54.4%, due primarily to an increase in State appropriations for Area Vocational Schools and Local District Colleges that flowed through CCCS of \$22.0 million.
- HEERF Funds increased by \$37.2 million or 44.6%. This emergency funding was provided primarily for direct financial assistance to students and to address institutional needs and additional costs as a result of the impact of COVID-19 on campus, in dormitories, and in classrooms.
- Other Nonoperating Revenues (inclusive of netted expenses) increased by \$6.9 million or 294.8% due to a gain for the sale of the ACC - Parker Campus of \$7.6 million



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Revenue activity highlights for fiscal year 2021 include:

- Student Tuition and Fees decreased by \$69.4 million, or 23.0%, primarily due to a 61.3% decrease of \$78.0 million in the COF stipend. In addition, there was an overall decrease of 8.6% in student FTE offset by a decrease of scholarship allowance of \$30.4 million.
- Fee for Service decreased by \$32.3 million, or 51.0%, due to a decrease in state support of \$18.5 million for role and mission, \$18.4 million for meeting performance measures offset by a transfer of \$4.2 million from COF to FFS to adjust appropriately for the student FTE served, within the transfer authority tolerances outlined in C.R.S. 23-18-202 (1) (c).
- Auxiliary Enterprise revenue decreased by \$6.3 million, or 28.0%, primarily due to a decrease in auxiliary services across the system due to the interruption caused by COVID-19 coupled with the continued planned reduction in on-site bookstore offerings transitioning to digital content.
- Governor's Economic Support received at the end of fiscal year 2020 but spent in its' entirety in fiscal year 2021. This \$100.5 million represents one time funding from the State's share of the CRF.
- State Appropriations decreased by \$19.9 million, or 30.1%, due to a decrease in State appropriations for Area Vocational Schools and Local District Colleges that flowed through CCCS of \$19.5 million.
- HEERF Direct Federal Funding increased by \$72.5 million or 663.9%. This emergency funding was provided primarily for direct financial assistance to students and to address institutional needs and additional costs as a result of the impact of COVID-19 on campus, in dormitories, and in classrooms.
- Investment income decreased by \$24.1 million, or 130.0%, to a loss primarily due to CCCS's share of the State's unrealized loss on Treasury investments of \$10.2 million, along with an overall decline in the average daily balance of cash coupled with a decline in interest rates calculated by the State Treasury in the amount of \$3.2 million system wide.
- Other Nonoperating Revenues (exclusive of netted expenses) decreased by \$2.9 million, or 51.4%, due to a decrease of insurance proceeds at OC and PPSC of \$2.6 million received in fiscal year 2020 that were not received in fiscal year 2021.
- State Capital Contributions decreased by \$14.6 million, or 45.5%, due to a decrease in State funding for capital and controlled maintenance projects.

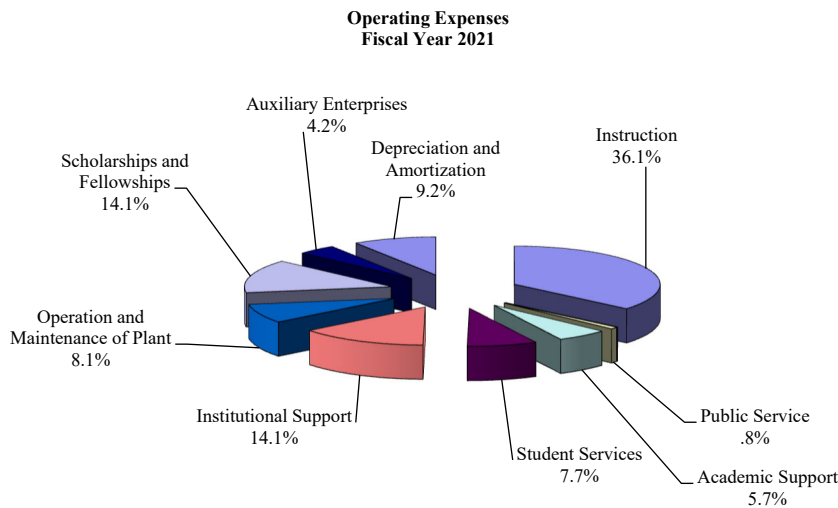
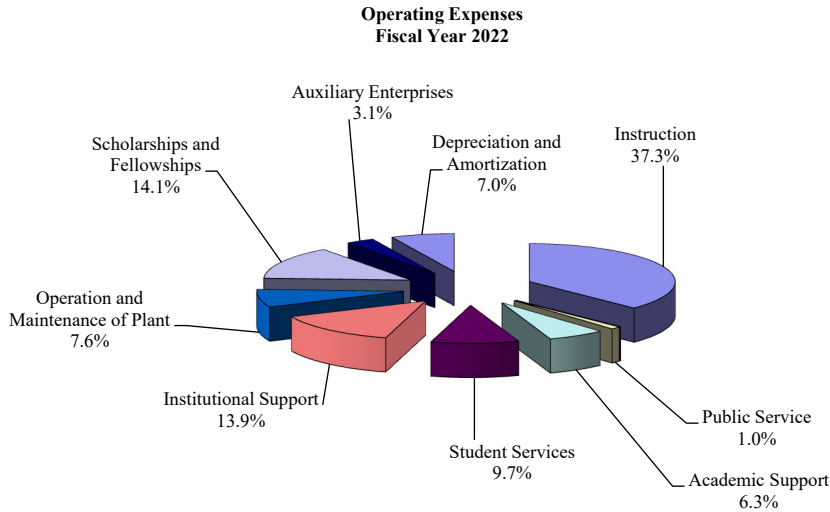
# Colorado Community College System

## Management's Discussion and Analysis

### (Not subjected to auditing procedures)

### June 30, 2022

The charts below give a summary of the total CCCS operating expenses:



Expense activity highlights for fiscal year 2022 include:

Operating expenses across functional categories, including the impacts of Statements No. 68 and Statement No. 75, increased \$190.9 million, or 40.2%. This includes the increases in the Statement No. 68 calculated pension expense of \$148.7 million and Statement No. 75 OPEB expense of \$0.7 million. The impact for each increase of expense due to pension and OPEB is Instruction (\$74.7 million), Public Service (\$1.5 million), Academic Support (\$13.4 million), Student Services (\$23.9 million), Institutional Support (\$23.9 million), Operation and Maintenance of Plant (\$9.0 million), and Auxiliary Enterprises (\$3.0 million). The operating expenses separately had an increase of \$41.5 million, or 5.8%.

**Colorado Community College System**  
**Management's Discussion and Analysis**  
**(Not subjected to auditing procedures)**  
**June 30, 2022**

Additional changes to functional expenses are explained below, after excluding expenses related to the activity immediately preceding for pension and OPEB under Statements No. 68 and 75:

- Public Service increased by \$1.6 million, or 260%, primarily as a result of an increase in public service type grant activity for preschool and childcare at RRCC.
- Student Services increased by \$3.9 million, or 5.1%, primarily as a result of increases in operating expenses due to an increased need for on campus student services following the pandemic, many of which were funded by increases in related grant funding.
- Operation and Maintenance of Plant increased by \$2.9 million, or 5.6%, primarily as a result of increases across the system with the greatest increases for remodels, security, and upgrades for CCA, CCD, FRCC, and PCC.
- Scholarships and Fellowships expense increased by \$26.9 million, or 40.1%, primarily as a result of increased student aid in the form of emergency aid from HEERF programs.
- Auxiliary Enterprise expense decreased by \$2.4 million, or 9.6%, primarily as a result of a \$3.1 million decrease at PPSC bookstore sales for students accessing HEERF funds for textbook materials coupled with many of the colleges continuing to eliminate or reduce their bookstore resale volume.

Expense activity highlights for fiscal year 2021 include:

- Operating expenses across functional categories, including the impacts of Statements No. 68 and Statement No. 75, increased \$19.5 million, or 4.3%. This increase includes the netting of the offsetting decrease in the Statement No. 68 calculated pension expense and Statement No. 75 OPEB expense of \$15.3 million. The expense impact for each reduction of expense due to pension and OPEB is Instruction (\$7.6 million), Public Service (\$0.2 million), Academic Support (\$1.4 million), Student Services (\$3.4 million), Institutional Support (\$2.7 million), Operation and Maintenance of Plant (\$0.9 million), and Auxiliary Enterprises \$0.8 million. The operating expenses separately had an increase of \$34.8 million, or 5.1%.

Additional changes to functional expenses are explained below, after excluding expenses related to the activity immediately preceding for pension and OPEB under Statements No. 68 and 75:

- Public Service increased by \$1.0 million, or 19.4%, primarily as a result of an increase in public service type grant activity for preschool and childcare at OC and RRCC.
- Student Services decreased by \$4.5 million, or 5.6%, primarily as a result of a \$3.6 million decrease in non-salary related operating expenses due to a decreased need for on campus student services during the pandemic.
- Institutional Support expense increased by \$4.7 million, or 4.7%, primarily as a result of a \$1.7 million in software licenses and other non-capital equipment needed to address the impacts of COVID-19 and \$0.6 million increase in marketing activities to address the impacts of COVID-19. Additionally, there was an increase of \$1.9 million in salary and benefits for personnel across the system.

# Colorado Community College System

## Management's Discussion and Analysis

(Not subjected to auditing procedures)

June 30, 2022

- Operation and Maintenance of Plant decreased by \$2.4 million, or 4.4%, primarily as a result of a \$1.3 million decrease in salary and benefits across the system as well as a \$0.9 million decrease in insurance expense.
- Scholarships and Fellowships expense increased by \$46.0 million, or 219.5%, primarily as a result of increased student aid in the form of emergency aid from HEERF programs and a decrease of \$30.4 million in scholarship allowance.
- Auxiliary Enterprise expense decreased by \$7.7 million, or 23.7%, primarily as a result of a \$4.8 million decrease in cost of goods sold as many of the colleges continue to eliminate or reduce their bookstore resale volume. Additionally, there was a decrease of \$2.6 million in salary and benefits as many auxiliary services were reduced due to the pandemic.

### Capital Asset and Debt Management

At June 30, 2022, CCCS had \$496,611,357 of capital assets, net of accumulated depreciation of \$638,544,752 and including current year depreciation of \$43,236,254. At June 30, 2021, CCCS had \$489,251,659 of capital assets, net of accumulated depreciation of \$602,538,491 and including current year depreciation of \$43,412,172. A breakdown of assets by category, net of accumulated depreciation is provided below:

	June 30	
	2022	2021
Nondepreciable land and land improvements	\$ 35,020,695	\$ 34,957,335
Construction in progress	30,992,718	18,172,964
Collections	1,037,771	980,007
Land improvements, net	12,030,138	10,969,753
Buildings and improvements, net	379,144,465	384,543,520
Leasehold improvements, net	13,750,230	15,561,184
Equipment and software, net	23,833,857	23,205,238
Library materials, net	801,483	861,658
Total capital assets, net	<u>\$ 496,611,357</u>	<u>\$ 489,251,659</u>

**Colorado Community College System**  
**Management's Discussion and Analysis**  
**(Not subjected to auditing procedures)**  
**June 30, 2022**

Major capital additions of \$500,000 or more completed during fiscal year 2022 are as follows:

<b>College</b>	<b>Project</b>	<b>Total Project Cost</b>	<b>Source of Funding</b>
		(In millions)	
Community College of Aurora	North Quad Remodel	\$ 0.6	Self Funded
Lamar Community College	Main Street Housing Purchase	0.7	Foundation Note
	Vocation Trades Building	2.4	State Funded
	Bowman Admin Elevator Upgrades	1.8	State Funded
	Student Union Renovation Betz	0.5	Self Funded
Morgan Community College	HVAC Replacement Controls	0.7	State Funded
Northeastern Junior College	Repair Emergency Access	0.5	State Funded
Pueblo Community College	Weld Shop	1.2	State Funded
	Commons Security	1.9	State Funded
	Energy Performance Improvements	5.3	Self Funded
Pikes Peak State College	Generator/Electrical Replacement CC	0.8	State Funded
	Upgrade Restrooms	1.1	State Funded
	Centennial Roof Replacement	4.8	Insurance
	Centennial Walkways	1.6	State Funded
Colorado Community College System	Campus Security System	1.0	State Funded
	Upgrade Boilers Building 753	0.8	State Funded
	HVAC Upgrade Building 697	1.7	State Funded

The System has \$25.6 million and \$12.3 million in commitments for various upcoming capital construction and controlled maintenance projects as of June 30, 2022 and 2021, respectively.

CCCS had \$141,533,519 and \$112,798,573, in debt outstanding at June 30, 2022 and 2021, respectively.

In August 2021, Moody's affirmed the existing Aa3 underlying to CCCS' \$25 million System-wide Revenue Refunding Bonds, Series 2019A issued by the Colorado State Board for Community Colleges and Occupational Education. Moody's also affirmed the Aa3 underlying ratings on approximately \$122 million CCCS' outstanding debt and Aa2 enhanced ratings for approximately \$37 million of that debt. The outlook for both underlying and enhanced ratings for CCCS remains unchanged, as stable.

**Colorado Community College System**  
**Management’s Discussion and Analysis**  
**(Not subjected to auditing procedures)**  
**June 30, 2022**

The breakdown of the debt is as follows:

	June 30	
	2022	2021
Bonds payable	\$ 96,230,861	\$ 100,766,970
Notes and Finance purchase payable	11,630,264	12,031,603
Lease payables	33,672,394	-
Total debt	\$ 141,533,519	\$ 112,798,573

**Colorado Community College System Future**

The budgetary situation for higher education continues to change but is in a more stable state than in the prior fiscal years, which were marked by significant enrollment uncertainty due to the effects of the pandemic. For fiscal year 2022-23 funding, CCCS is authorized to receive approximately \$114.5 million in FFS revenue and \$127.9 million in student stipends. This support totaling \$242.3 million of anticipated fiscal year 2022-23 funding represents a 13% increase in state support from fiscal year 2021-22 levels. CCCS also anticipates receiving \$30.27 million of funding under the Amendment 50/Amendment 77 funding in fiscal year 2022-23, a significant increase over prior year fiscal year revenues due to post-pandemic recovery and the first full-year implementation of Amendment 77, which eliminated bet limits and added new games.

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

**Enrollment:** In fiscal year 2022, CCCS’ resident enrollment decreased by 3.0% from fiscal year 2021, and nonresident enrollment decreased by 7.4%, resulting in a total net enrollment decrease of 3.2%. In fiscal year 2022-23, for the fall term, CCCS anticipates a flattening of enrollment loss compared to the prior two fiscal years as the acute pandemic impacts to enrollment ease. However, recent wage growth and low unemployment levels in the State present a headwind to enrollment gains. Those potential students most impacted by the pandemic economically and who delayed/deferred their enrollment are currently taking advantage of abundant job availability and significant wage growth in entry level service sector jobs.

**Tuition Rates:** For fiscal year 2022, the Board did not increase the resident, non-resident or on-line tuition rates. For fiscal year 2023, the Board raised tuition by 2.0%, with the exception of on-line tuition which was held flat. This modest tuition increase combined with a flattening of enrollment losses are anticipated to stabilize tuition revenue in fiscal year 2023 compared to the past several fiscal years.

Colleges are still being prudent in spending on operating expenses, but are making investments related to retention of existing students and attracting new students to be positioned well when the public health conditions and the labor market are more favorable. In addition, our colleges are investing in their own staff and faculty to retain existing and attract new employees in a challenging labor market.

**Colorado Community College System**  
**Management's Discussion and Analysis**  
**(Not subjected to auditing procedures)**  
**June 30, 2022**

**Requests for Information**

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

Colorado Community College System  
Department of Finance and Administration  
9101 East Lowry Boulevard  
Denver, Colorado 80230-6011

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# Colorado Community College System

## Business-Type Activities

### Statement of Net Position

June 30, 2022

#### Assets

##### Current Assets

Cash and cash equivalents	\$ 345,339,466
Accounts receivable, net	84,528,505
Lease receivable, current	57,580
Inventories	1,140,983
Prepaid expenses	<u>2,561,833</u>

Total current assets 433,628,367

##### Noncurrent Assets

Restricted investments	354,231
Lease receivable, noncurrent	64,852
Other noncurrent assets	658,439
Capital assets, net	496,611,357
Lease assets, net	<u>33,498,927</u>

Total noncurrent assets 531,187,806

Total assets \$ 964,816,173

#### Deferred Outflows of Resources

##### Deferred Outflows

Loss on Refunding	\$ 1,123,546
Pensions	55,265,317
OPEB	1,957,442
Other	<u>35,676</u>

Total deferred outflows of resources \$ 58,381,981

**Colorado Community College System**  
**Business-Type Activities**  
**Statement of Net Position (continued)**  
**June 30, 2022**

**Liabilities**

**Current Liabilities**

Accounts payable	\$ 22,392,085
Accrued liabilities	16,621,016
Unearned revenue	39,587,540
Security deposits	1,306,942
Bonds payable, current portion	3,885,000
Notes and finance purchase payable, current portion	1,236,051
Lease payable, current portion	3,229,889
Other long-term liabilities, current portion	165,908
Compensated absences liability, current portion	<u>3,209,712</u>
Total current liabilities	<u>91,634,143</u>

**Noncurrent Liabilities**

Bonds payable	92,345,861
Notes and finance purchase payable, noncurrent	10,394,213
Lease payable, noncurrent	30,442,505
Other long-term liabilities	603,280
Compensated absences liability	24,919,013
Net pension liability	628,507,713
Net OPEB liability	<u>24,566,732</u>
Total noncurrent liabilities	<u>811,779,317</u>

Total liabilities	<u><u>\$ 903,413,460</u></u>
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**Deferred Inflows of Resources**

**Deferred Inflows**

Pensions	\$ 231,488,326
OPEB	12,782,601
Leases	<u>120,002</u>
Total deferred inflows of resources	<u><u>\$ 244,390,929</u></u>

**Net Position**

**Net Position**

Net investment in capital assets and lease assets, net	\$ 384,494,144
Restricted for expendable purposes	
Scholarships/fellowships	1,031,829
Loans	33,561
Capital projects	132,894
Training programs	9,289,345
Debt service	1,856,507
New Energy Pathways	<u>1,625,649</u>
Total restricted for expendable purposes	<u>13,969,785</u>
Unrestricted (deficit)	<u>(523,070,164)</u>
Total net position	<u><u>\$ (124,606,235)</u></u>

**Colorado Community College System**  
**Discretely Presented Component Units**  
**Statement of Financial Position**  
**June 30, 2022**

**Assets**

Cash and cash equivalents	\$ 19,884,807
Accounts and pledges receivable	8,560,714
Investments	66,809,016
Beneficial interest in charitable remainder trust	216,266
Other assets	69,538
Capital assets, net	<u>4,765,069</u>
Total assets	<u><u>\$ 100,305,410</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 1,949,164
Due to primary government	729,873
Accrued liabilities	945,781
Deferred revenue	1,032,173
Bonds payable	218,637
Other liabilities	<u>1,977,733</u>
Total liabilities	<u>6,853,361</u>

**Net Assets**

Without donor restrictions	
Undesignated	9,453,352
Designated by the Board for operating reserve	476,760
Invested in property and equipment, net of related debt	3,195,231
Total Without donor restrictions	<u>13,125,343</u>
With donor restrictions	
Perpetual in nature	33,211,657
Purpose restrictions	43,874,098
Time-restricted for future periods	<u>3,240,951</u>
Total With donor restrictions	<u>80,326,706</u>
Total net assets	<u>93,452,049</u>
Total liabilities and net assets	<u><u>\$ 100,305,410</u></u>

**Colorado Community College System**  
**Fiduciary Fund**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**

	<b>Private Purpose Trust Fund</b>
<b>Assets</b>	
Accounts receivable	\$ 75,000
Investments	
Money market funds	2,382,270
Mutual funds	357,853
Fixed income securities	4,967,680
Common stocks	6,490,429
Total investments	14,198,232
Total assets	\$ 14,273,232
<b>Net Position Restricted for health and welfare benefits - individuals</b>	<b>\$ 14,273,232</b>

**Colorado Community College System**  
**Business-Type Activities**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2022**

**Operating Revenues**

Student tuition and fees, net of scholarship allowances of \$117,845,765; including revenues pledged for bonds of \$27,975,946	\$ 279,759,461
Grants and contracts	117,820,942
Fee-for-service state contract	102,571,316
Sales and services of educational activities	886,963
Auxiliary enterprises, net of scholarship allowances of \$2,750,403	15,837,254
Other operating revenues and gifts	<u>8,094,483</u>
Total operating revenues	<u>524,970,419</u>

**Operating Expenses**

Instruction	248,208,173
Research	39,571
Public service	7,045,279
Academic support	42,025,704
Student services	64,258,377
Institutional support	92,352,100
Operation and maintenance of plant	50,426,509
Scholarships and fellowships	93,900,097
Auxiliary enterprises	20,641,066
Depreciation and amortization	<u>46,398,111</u>
Total operating expenses	<u>665,294,987</u>
Operating loss	<u>(140,324,568)</u>

**Colorado Community College System**  
**Business-Type Activities**  
**Statement of Revenues, Expenses and Changes in Net Position (continued)**  
**Year Ended June 30, 2022**

<b>Nonoperating Revenues (Expenses)</b>	
State appropriations	71,572,002
State support for pensions	6,536,930
HEERF Federal Funds	120,605,705
Federal Pell grants	71,289,787
Amendment 50 funding	11,474,566
Distributions to local district college and area vocational schools	(36,140,742)
Gifts	11,712,865
Investment loss	(15,747,894)
Interest expense	(3,495,638)
Other nonoperating revenues	<u>9,230,076</u>
Net nonoperating revenues	<u>247,037,657</u>
Income before other revenues, expenses, gains or losses	<u>106,713,089</u>
<b>Other Revenues, Expenses, Gains or Losses</b>	
State capital contributions	16,781,779
Capital fees, net of scholarship allowances of \$1,150,047; including revenues pledged for bonds of \$466,162	4,661,617
Capital grants and gifts	<u>686,274</u>
Increase in net position	<u>128,842,759</u>
<b>Net Position, Beginning of Year, as Previously Reported (deficit)</b>	<u>(253,468,854)</u>
<b>Adjustment for Change in Accounting Principle</b>	19,860
<b>Net Position, Beginning of Year, as Restated (deficit)</b>	<u>(253,448,994)</u>
<b>Net Position, End of Year (deficit)</b>	<u><u>\$ (124,606,235)</u></u>

**Colorado Community College System**  
**Discretely Presented Component Units**  
**Statement of Activities**  
**Year Ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 1,920,976	\$ 21,867,180	\$ 23,788,156
Grants	340,638	4,114,193	4,454,831
Investment income, net	(2,746,848)	455,919	(2,290,929)
Rental income	185,274	360,081	545,355
Special events	383,785	38,410	422,195
Other income	1,021,799	306,778	1,328,577
Net assets released from restrictions	16,524,565	(16,524,565)	-
Reclassification of net assets	89,887	(89,887)	-
Total revenues, gains and other support	<u>17,720,076</u>	<u>10,528,109</u>	<u>28,248,185</u>
<b>Expenses and Losses</b>			
Program services	<u>18,176,509</u>	<u>-</u>	<u>18,176,509</u>
Total program services	18,176,509	-	18,176,509
Transfer to Primary Government	501,597	-	501,597
Fundraising	1,065,851	-	1,065,851
Management and general	<u>1,959,629</u>	<u>-</u>	<u>1,959,629</u>
Total support services	<u>3,527,077</u>	<u>-</u>	<u>3,527,077</u>
Total expenses and losses	<u>21,703,586</u>	<u>-</u>	<u>21,703,586</u>
<b>Change in Net Assets</b>	(3,983,510)	10,528,109	6,544,599
<b>Net Assets, Beginning of Year</b>	<u>17,108,853</u>	<u>69,798,597</u>	<u>86,907,450</u>
<b>Net Assets, End of Year</b>	<u>\$ 13,125,343</u>	<u>\$ 80,326,706</u>	<u>\$ 93,452,049</u>



**Colorado Community College System**  
**Fiduciary Fund**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2022**

	<b>Private Purpose Trust Fund</b>
<b>Additions</b>	
Receipt of excess premiums	\$ 2,771,882
Total contributions	2,771,882
Investment loss	
Net depreciation in fair value	(2,120,535)
Interest and dividends	87,877
Total investment loss	(2,032,658)
Total additions	739,224
<b>Deductions</b>	
Administrative expense	185,711
Total deductions	185,711
Net increase in fiduciary net position	553,513
<b>Net Position</b>	
Beginning of year	13,719,719
End of year	\$ 14,273,232

**Colorado Community College System**  
**Business-Type Activities**  
**Statement of Cash Flows**  
**Year Ended June 30, 2022**

**Cash Flows from Operating Activities**

Cash received	
Tuition and fees	\$ 275,133,497
Student loans collected	478,017
Sales of products and services	16,723,003
Grants, contracts and gifts	239,963,608
Other operating receipts	6,411,138
Custodial inflows	97,383,306
Cash payments	
Scholarships disbursed	(93,900,097)
Student loans disbursed	(475,769)
Payments for employees	(409,998,880)
Payments to suppliers	(210,404,421)
Custodial outflows	(97,242,827)
	<u>(175,929,425)</u>
Net cash used in operating activities	<u>(175,929,425)</u>

**Cash Flows from Noncapital Financing Activities**

State appropriations – noncapital	71,572,002
HEERF Direct Federal Funding	120,605,298
Federal Pell grants	72,597,103
Amendment 50 funding	11,474,566
Distributions to local district colleges and area vocational schools	(36,140,742)
Gifts and grants for other than capital purposes	11,675,650
Other noncapital financing activities	2,158,405
	<u>253,942,282</u>
Net cash provided by noncapital financing activities	<u>253,942,282</u>

**Cash Flows from Capital and Related Financing Activities**

Capital grants, contracts and gifts	655,672
Capital fees	4,661,617
State contribution for capital assets	15,713,018
Proceeds from sale of capital assets	8,055,848
Acquisition and construction of capital assets	(47,916,133)
Principal and interest received on lease receivable	50,372
Principal paid on capital debt	(5,042,447)
Interest on lease payable	(441,391)
Principal paid on lease payable	(2,988,391)
Interest on capital debt	(3,830,954)
	<u>(31,082,789)</u>
Net cash used in capital and related financing activities	<u>(31,082,789)</u>

**Colorado Community College System**  
**Business-Type Activities**  
**Statement of Cash Flows (continued)**  
**Year Ended June 30, 2022**

<b>Cash Flows from Investing Activities</b>	
Investment loss	(15,747,917)
Proceeds from sale of investments	4,099,979
Purchase of investments	<u>(1,184)</u>
Net cash used in investing activities	<u>(11,649,122)</u>
Net increase in cash and cash equivalents	35,280,946
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>310,058,520</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 345,339,466</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating loss	\$ (140,324,568)
Adjustments to reconcile operating loss to net cash used in operating activities	
Noncash pension expense and pension offset	6,536,930
Depreciation and amortization	46,398,111
Increase in other nonoperating assets/noncash expenses	687,996
Decrease (increase) in assets and deferred outflows of resources	
Receivables, net	(783,589)
Inventory and prepaids	(786,839)
Other noncurrent assets	(658,439)
Deferred outflows of resources related to pensions	47,729,061
Deferred outflows of resources related to OPEB	(308,527)
Increase (decrease) in liabilities and deferred inflows of resources	
Accounts payable	1,040,009
Accrued liabilities	(36,898)
Unearned revenues	13,729,286
Security deposits	(54,063)
Compensated absences liability	(629,877)
Other liabilities	(348,782)
Pension liability	(186,301,606)
OPEB liability	(3,375,482)
Deferred inflows of resources related to pensions	39,654,976
Deferred inflows of resources related to OPEB	<u>1,902,876</u>
Net cash used in operating activities	<u><u>\$ (175,929,425)</u></u>
<b>Noncash Investing, Capital and Noncapital Financing Activities</b>	
State funding for acquisitions of capital assets	\$ 417,982
State funding for acquisitions of noncapital assets	653,030
Liabilities for capital assets	4,750,380
Liabilities for lease assets	3,963,258
Liabilities for assets acquired through notes and finance purchase agreements	1,342,613
Equipment donations and capital gifts	30,602
Loss on disposal of capital assets	(1,293,849)
Amortization of bond/premium discount and refunding loss	605,612

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# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

### Note 1: Governance and Reporting Entity

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

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

The financial statements of CCCS, which is an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of CCCS. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The fiduciary statement of net position of the private purpose trust fund and the fiduciary statement of changes in the net position of the private purpose trust fund show the fiduciary activities that are related to the Benefit Trust.

Financial results for the State are presented in separate statewide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State is available in the statewide financial statements in the Annual Comprehensive Financial Report.

Accordingly, the accompanying CCCS business-type activity financial statements contain the operations of the system office and the following 13 colleges but do not include activities of the fiduciary fund and component units. All significant intercampus balances and transactions have been eliminated.

- Arapahoe Community College (ACC)
- Colorado Northwestern Community College (CNCC)
- Community College of Aurora (CCA)
- Community College of Denver (CCD)
- Front Range Community College (FRCC)
- Lamar Community College (LCC)

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

- Morgan Community College (MCC)
- Northeastern Junior College (NJC)
- Otero College (OC)
- Pikes Peak State College (PPSC)
- Pueblo Community College (PCC)
- Red Rocks Community College (RRCC)
- Trinidad State College (TSC)

As an institution of higher education in the State of Colorado, the income of CCCS is generally exempt from income taxes under Section 115(a) of the Internal Revenue Code. Income generated from activities unrelated to the exempt purpose of CCCS would be subject to tax under Section 511(a)(2)(B). There was no material tax liability related to income generated from activities unrelated to CCCS' exempt purpose as of June 30, 2022.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 84, *Fiduciary Activities*, CCCS has one fiduciary private purpose trust fund, 15 discretely presented component units, and participates in one joint venture as described below.

### ***Fiduciary Private Purpose Trust Fund***

The SBCCOE Employee Benefit Trust Fund (the Benefit Trust), a fiduciary private purpose trust fund, is included in the accompanying financial statements as a fiduciary private purpose trust fund, in accordance with Statement No. 84. Further, in accordance with Statement No. 84, CCCS reports assets with a corresponding liability that otherwise should be reported in a custodial fund in the statement of net position, upon receipt, as they are normally expected to be held for three months or less.

The Benefit Trust was established on February 1, 1983, as a legally and financially independent entity whose governing committee is appointed by the SBCCOE. The Benefit Trust was established to provide benefits under the Health and Welfare Program. Benefits are determined by the Chancellor based upon recommendation of the Benefit Trust committee, and primarily include support for employee health fairs, provide payment to an administrator to negotiate group insurance contracts on behalf of employees and SBCCOE in the name of the colleges and/or Trust. Other benefits, as-well, may be provided for employees and their dependent families through self-funded or insured programs, or a combination of the two, provided that such other benefits are permissible under Section 501(c)(9) of the Internal Revenue Code. The major source of additions are receipt of excess premiums and net appreciation (depreciation) in fair value and the major deductions are administrative costs.

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

### ***Discretely Presented Component Units***

A legally separate, tax-exempt foundation exists for the System office and one for each of 12 colleges and two for the remaining college. While not all of the foundations are materially significant, they have all been included as discretely presented component units of CCCS. The foundations were created to promote the welfare and future development of the colleges by providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities. Their major sources of revenue include donations, interest, and dividends earned on bank accounts, investments, leases, grants and fund-raising events. The foundations act primarily as fundraising organizations to supplement the resources that are available to CCCS in support of its programs. Although CCCS does not control the timing or amount of receipts from the foundations, the majority of resources or income thereon that the foundations hold and invest is restricted to the activities of CCCS by the donors. Because these restricted resources held by the foundations can only be used by or for the benefit of the colleges, the foundations are considered component units of CCCS and are discretely presented in CCCS' financial statements. The discretely presented component unit financial statements are presented in accordance with Financial Accounting Standards Board (FASB) pronouncements, which is a different reporting model than CCCS.

The listing of foundations are as follows: Arapahoe Community College Foundation, Inc.; Community College of Aurora Foundation; Community College of Denver Foundation; Colorado Northwestern Community College Foundation; Front Range Community College Foundation; Lamar Community College Foundation; Morgan Community College Foundation; Northeastern Junior College Foundation, Inc.; Otero Junior College Foundation; Pikes Peak Community College Foundation, Inc.; Pueblo Community College Foundation; Red Rocks Community College Foundation; Trinidad State Foundation, Inc.; Friends of TSC; and Colorado Community College System Foundation. All of the foundations with the exception of Friends of TSJC were audited by other auditors. Morgan Community College Foundation and Trinidad State College Foundation, Inc.'s audits are for the year ended December 31, all others are for the year ended June 30.

Complete financial statements for the foundations can be obtained from the Finance and Administration Department at the Colorado Community College System at 303.595.1575 or by writing to:

Colorado Community College System  
Department of Finance and Administration  
9101 East Lowry Boulevard  
Denver, Colorado 80230-6011

### ***Joint Venture***

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

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

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

Complete financial statements for AHEC can be obtained from the Administrative and Business Services Department at 303.556.2232 or by writing to:

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

### **Note 2: Implementation of New Accounting Standard**

In fiscal year 2022, CCCS implemented GASB Statement 87, *Leases* (Statement No. 87). Statement No. 87 was originally effective for reporting periods beginning after December 15, 2019, but was postponed one year per GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (Statement No. 95), to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. Statement No. 87 established criteria for the recognition of certain lease assets and lease payables previously reported as operating leases, along with related inflows and outflows of resources based on the payments agreed upon in the contracts. Lessees must recognize a lease asset and lease payable and a lessor must recognize a lease receivable and a deferred inflow of resources. Statement No. 87 was adopted on July 1, 2021 resulting in recognition of lease assets and lease payable of \$32,697,527 for lessee contracts. No lessor agreements existed as of July 1, 2021. The impact of the adoption was an increase in beginning net position of \$19,860.

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

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

#### ***Cash and Cash Equivalents***

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

#### ***Accounts Receivable***

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



# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

### ***Lease Receivable***

A lease is a contract that conveys control of the right to use another entity's nonfinancial asset in the contract for a period of time in an exchange or exchange-like transaction. Nonfinancial assets include, but are not limited to buildings, land, vehicles, and equipment.

Lease receivables result from lessor contracts measured at the present value of the lease payments expected to be received during the lease term.

### ***Restricted Investments***

Restricted investments primarily represent monies from unspent bonds or notes payable. Investments are reported at fair value, which is determined based on quoted market prices as of June 30, 2022.

### ***Inventories***

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

### ***Other Noncurrent Assets***

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

### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. CCCS uses a capitalization threshold of \$50,000 for buildings and improvements (land, buildings and leasehold) and internally developed software and \$5,000 for all other capital assets. Library collections are capitalized, regardless of cost, as a collection. Estimated useful lives are determined in accordance with the State Fiscal Procedures Manual. CCCS' estimated useful lives are as follows: 27 years for buildings, the greater of 5 years or term of lease for improvements other than buildings (prior to fiscal year 2022), 3–10 years for equipment, 7 years for library collections, 15 years of internally developed software, and 3–5 years for all other software. Depreciation expense is not allocated among functional categories.

As of June 30, 2022, the construction in progress includes capital construction projects in process, but not substantially complete.

### ***Lease Assets***

Lease assets are initially recorded at the initial measurement of the lease payable, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. CCCS uses a capitalization threshold of \$100,000 per lease. Amortization expense is not allocated among functional categories.

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

### ***Capital and Lease Asset Impairment***

CCCS evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital and lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital or lease asset historical cost and related accumulated depreciation or amortization are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the current fiscal year.

### ***Security Deposits***

Security deposits include balances representing funds held as security deposits from individuals or organizations for short-term rental activity.

### ***Accrued Liabilities***

Accrued liabilities primarily represent accrued payroll, benefits payable, and other payroll related liabilities.

### ***Compensated Absences Liability***

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

### ***Unearned Revenue***

Unearned revenue consists of amounts received from the provision of educational goods and services or grant awards that have not yet been earned. CCCS prorates the summer session revenues and direct instructional expenses based on the percentage of total calendar days before June 30 to total calendar days in the selected primary summer term. To the extent revenues are earned after June 30, such amounts are recorded in unearned revenue, including significant funds from the State and Local Fiscal Recovery Funds (SLFRF) Federal funds.

### ***Notes and Finance Purchase Liability***

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

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

### ***Deferred Outflows and Inflows of Resources***

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

Changes in the net pension liability and OPEB liability not included in the related expense are required to be reported as deferred outflows and deferred inflows of resources related to pensions and OPEB. These deferred outflows and deferred inflows of resources related to pensions and OPEB are required to be recognized by an employer which primarily results from changes in the components of the net pension liability and net OPEB liability, including the changes in the total pension liability and OPEB liability and in each of the pension and OPEB plans' fiduciary net position, respectively. Changes include differences between expected and actual experience in the measurement of the liability, changes to assumptions or other inputs, net differences between projected and actual earning on the plan's investments, changes in proportional share of CCCS, and contributions made by CCCS subsequent to the measurement date of the collected net pension liability and net OPEB liability. Differences in plan experience, changes in assumptions, and changes in proportion will be amortized over the remaining service lives of current and former employees and retirees. The differences between expected and actual investment earning will be amortized over a five year period.

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

For leases, deferred inflow of resources are recognized at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods and are amortized as a component of revenue over the term of the lease.

### ***Net Pension Liability***

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

### ***Net Other Postemployment Benefits (OPEB) Liability***

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

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

### ***Net Position***

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

- Net investment in capital assets and lease assets represent the total investment, net of outstanding debt obligations related to those capital assets and lease assets. To the extent debt has been incurred but not yet expended for capital or lease assets, such amounts are not included as a component of net investment in capital and lease assets.
- Restricted for expendable purposes represents net resources in which CCCS is legally or contractually obligated to spend resources in accordance with restrictions imposed by enabling legislation or external third parties.
- Unrestricted net position represents net resources derived from student tuition and fees, FFS contracts, COF stipends, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of CCCS to meet current expenses for any purpose. These resources also include those from auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Unrestricted net position includes assets designated by the SBCCOE for certain purposes. Unrestricted net position has been reduced for the impact of Statement No. 68 and Statement No. 75 during fiscal year 2022.

### ***Classification of Revenues and Expenses***

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

- Operating revenues and expenses are derived from activities associated with providing goods and services for instruction, public service, or related support services to an individual or entity separate from CCCS to carry out the mission of CCCS. Operating revenues include stipends paid for eligible undergraduate students under COF, created and funded by the Colorado Legislature. The stipend can be used to pay a portion of in state tuition for both new and continuing students and is paid on a per credit hour basis to the institution at which the student is enrolled. The credit hour amount is set annually by the General Assembly. In addition, operating revenues include payment for the FFS contract from the State of Colorado for delivery of educational services by CCCS that are not part of the COF stipend program. In fiscal year 2022, CDHE's contract with CCCS purchased educational services with an increased emphasis on support services for Pell-eligible, first-generation, and underserved undergraduate students as well as institutional performance related to student completion and retention statistics and additional metrics supporting state policy goals. This includes educational services in rural areas, high-cost student programs, institutional research services, remediation and special skills courses, creation of student career pathways, and for inclusion service compliance.
- Nonoperating revenues and expenses are those that do not meet the definition of operating revenues or capital revenues. In fiscal year 2022, nonoperating revenues include Career and Technical Act (CTA) state appropriations, state support for pensions in accordance with Senate Bill 18-200, Federal Pell grants, Amendment 50 funding, state training program grants, occupational education funds, gifts, investment income, and insurance recoveries from prior years. CCCS also received nonoperating revenues in the form of

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

subsidies from the Federal HEERF Acts. Nonoperating expenses include interest expense and distributions to AVSs and LDCs.

- Other revenues, expenses, gains, and losses include state capital construction contributions and controlled maintenance appropriations, capital fees, and gifts and grants restricted for capital purposes.

### **Application of Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available to pay an expense, CCCS' general policy is to first utilize restricted resources. Only when restricted resources are unavailable or eligibility requirements have not been met are unrestricted resources used to pay expenses, with the exception of Amendment 50 and federal HEERF and SLFRF funding received, which may be expensed in future periods.

### **Higher Education Emergency Relief Funds (HEERF)**

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) created HEERF to provide financial relief to students and institutions impacted by the COVID-19 pandemic. The *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSAA) and the *American Rescue Plan Act of 2021* (ARP) provided additional rounds of HEERF (II and III) funds to schools. The HEERF funds contained two components, an institutional award and a student aid award. The student aid portion is distributed to students in the form of emergency financial aid grants to generally cover any component of the cost of attendance for the distribution of education or emergency costs that arose due to the COVID-19 pandemic. The institutional portion can be used to cover lost revenues and defray expenses related to COVID-19.

### **Scholarship Allowances**

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

### **Amendment 50 Funds**

In November 2008, the passage of Amendment 50 recognized the importance of community colleges and LDCs to the State's economic development through the development of a highly skilled workforce. This legislation approved the expansion for limited gaming with new rules, hours, and games beginning July 2, 2009. Gaming tax revenue is collected by the State in the fiscal year that the gaming play takes place and a portion is allocated out to the recipients the following fiscal year, per the provisions of H.B. 09-1272 Title 44, Article 30.

Effective fiscal year 2021, H.B. 20-1400 enacted temporary changes to the reallocation of revenue between the limited gaming fund and the extended limited gaming fund until funding goes back to

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

prior-year levels. In November 2020, Amendment 77 was passed by the voters statewide, which allowed local voters within gaming jurisdictions to eliminate betting limits and introduce new games. Local jurisdictions subsequently approved these changes in local elections that followed and these changes had their first full fiscal year of being in effect in fiscal year 2021-22. Amendment 77 also allowed community colleges to use Amendment 50/Amendment 77 funds to “improve student retention and increase credential completion” in addition to using the funds for classroom instruction related activities and scholarships for students.

In the most recent legislative session, S.B. 22-216 was enacted to set an equitable split in revenue growth post-pandemic in fiscal year 2021-22 due to the loosening of pandemic restrictions and the implementation of Amendment 77. S.B. 22-216 reestablished the formula allocations temporarily changed through H.B. 20-1400 and built in a temporary revenue allocation mechanism in the event of any future significant drops in overall gaming revenue as was seen during the pandemic.

### ***Use of Estimates***

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

### **Note 4: Appropriations**

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

For the year ended June 30, 2022, appropriated expenditures were within the authorized spending authority. CCCS received a total nonoperating general fund appropriation of \$71,572,002 for 2022. Included in the State appropriations are general fund appropriations specified to be passed through to two LDCs and three AVSs for 2022 of \$36,140,742. This amount consists of \$21,151,019 for LDCs and \$14,989,723 for AVSs for 2022. Also, included in capital general fund appropriations were capital contributions of \$16,781,779 for 2022. During 2022, CCCS received FFS contract revenue in the amount of \$102,571,316 and COF stipends in the amount of \$111,903,289, recognized in operations.

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

### Note 5: Tuition, Fees and Auxiliary Revenue

Tuition, fees and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2022 were as follows:

	Tuition and Fees	Auxiliary Revenue	Capital Fees	Total
Gross revenue	\$ 397,605,226	\$ 18,587,657	\$ 5,811,664	\$ 422,004,547
Scholarship allowances				
Federal	70,201,921	1,485,175	653,831	72,340,927
State	35,843,930	600,792	322,069	36,766,791
Private	4,557,347	93,829	30,993	4,682,169
Institutional	7,242,567	570,607	143,154	7,956,328
Total scholarship allowance	117,845,765	2,750,403	1,150,047	121,746,215
Net revenue	\$ 279,759,461	\$ 15,837,254	\$ 4,661,617	\$ 300,258,332

### Note 6: Cash and Cash Equivalents and Investments

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

	June 30, 2022
Cash on hand and change funds	\$ 5,003,785
Deposits with financial institutions	1,187,624
Total	\$ 6,191,409

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

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

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

	<b>Carrying Amount June 30, 2022</b>
Footnote amounts	
Deposits	\$ 6,191,409
Deposits held with State Treasurer	339,148,057
Restricted investments	354,231
	<hr/>
Total	\$ 345,693,697
	<hr/>
Financial statement amounts	
Cash and cash equivalents	\$ 345,339,466
Restricted investments	354,231
	<hr/>
	\$ 345,693,697
	<hr/>

CCCS deposits its cash with the Treasurer as required by C.R.S. The Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1. The Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2022, CCCS had cash on deposit with the Treasurer of \$339,148,057, which represented approximately 1.6% of the total of \$21,060.9 million, in deposits in the Treasurer's Pool (Pool). The total \$21,060.9 million fair value of deposits, including unrealized gains, in the State Treasurer's Pool, as of June 30, 2022, included Pool resources of \$47.2 million of cash on hand and \$21,013.7 million of investments.

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

Additional information on investments of the Pool may be obtained in the State's Annual Comprehensive Financial Report for the year ended June 30, 2022.

CCCS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of CCCS' restricted investments are categorized as Level 1.

### **Custodial Credit Risk**

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



# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

### ***Credit Quality Risks***

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

### ***Interest Rate Risk***

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

### ***Fiduciary Funds Allowable Investments***

The Trust's investment portfolio is managed in accordance with investment guidelines as stated in the Trust's investment policy, which was revised and became effective January 1, 2020. These guidelines indicate the monies will be conservatively allocated in a combination of cash, fixed income, and equity investments.

### ***Investment Risk Review***

Investments are subject to many different types of risk including, but not limited to, credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. Concentration of credit risk is the risk of loss attributable to the magnitude of the Trust's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment or deposit. The Trust has no custodial credit or foreign currency risk. The policy gives guidance for investment activity to limit risks.

### ***Investment Valuation – Fair Value Recurring Measurements***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Level 3 prices utilize significant unobservable inputs, such as option-adjusted discounted cash flow valuation models.

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

- Common Stocks of \$6,490,429 and Fixed Income Securities of \$4,967,680 are valued using quoted price in active markets for identical assets (Level 1 inputs)
- Mutual Funds of \$357,853 are valued using quoted market price or other observable inputs (Level 1 and 2 inputs)

### Note 7: Accounts Receivable, Accounts Payable and Accrued Liabilities

Accounts receivable at June 30, 2022 were as follows:

	<b>Gross Receivables</b>	<b>Allowance for Uncollectible Accounts</b>	<b>Net Receivables</b>
Student accounts receivable	\$ 58,398,025	\$ (24,296,015)	\$ 34,102,010
Due from other governments	44,864,644	-	44,864,644
Other receivables	5,716,056	(154,205)	5,561,851
	<u>\$ 108,978,725</u>	<u>\$ (24,450,220)</u>	<u>\$ 84,528,505</u>

Accounts payable and accrued liabilities at June 30, 2022 were as follows:

Amounts owed to vendors	\$ 16,508,105
Salaries and benefits payable	16,621,016
Accrued interest payable	692,958
Other payables	<u>5,191,022</u>
Total accounts payable and accrued liabilities	<u>\$ 39,013,101</u>

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

### Note 8: Capital and Lease Assets

The following tables present changes in capital and lease assets and accumulated depreciation and amortization for the year ended June 30, 2022. Adjustments reflect one-time adjustments to properly classify buildings and improvements, leasehold improvements and equipment. Adjustments to construction in progress reflect project costs not deemed capitalizable.

	Balance, June 30, 2021 *	Additions	Deletions	Transfers	Adjustments	Balance June 30, 2022
Nondepreciable capital assets						
Land and land improvements	\$ 34,957,335	\$ 63,360	\$ -	\$ -	\$ -	\$ 35,020,695
Construction in progress	18,172,964	41,225,646	-	(28,405,892)	-	30,992,718
Collections	980,007	42,834	-	14,930	-	1,037,771
	<u>54,110,306</u>	<u>41,331,840</u>	<u>-</u>	<u>(28,390,962)</u>	<u>-</u>	<u>67,051,184</u>
Depreciable capital assets						
Land improvements	29,109,990	-	(471,076)	2,180,490	-	30,819,404
Buildings and improvements	852,396,774	1,036,773	(3,818,593)	25,785,199	-	875,400,153
Leasehold improvements	35,525,772	-	(561,986)	277,501	-	35,241,287
Equipment and software	118,573,976	8,957,049	(2,869,222)	147,772	16,977	124,826,552
Library materials	1,923,957	207,916	(314,344)	-	-	1,817,529
	<u>1,037,530,469</u>	<u>10,201,738</u>	<u>(8,035,221)</u>	<u>28,390,962</u>	<u>16,977</u>	<u>1,068,104,925</u>
Less accumulated depreciation						
Land improvements	18,140,237	1,120,105	(471,076)	-	-	18,789,266
Buildings and improvements	467,853,254	31,409,107	(3,006,673)	-	-	496,255,688
Leasehold improvements	19,964,588	2,080,723	(554,254)	-	-	21,491,057
Equipment and software	95,493,217	8,358,227	(2,853,163)	-	(5,586)	100,992,695
Library materials	1,062,299	268,091	(314,344)	-	-	1,016,046
	<u>602,513,595</u>	<u>43,236,253</u>	<u>(7,199,510)</u>	<u>-</u>	<u>(5,586)</u>	<u>638,544,752</u>
Net depreciable capital assets	<u>435,016,874</u>	<u>(33,034,515)</u>	<u>(835,711)</u>	<u>28,390,962</u>	<u>22,563</u>	<u>429,560,173</u>
Total capital assets, net	<u>\$ 489,127,180</u>	<u>\$ 8,297,325</u>	<u>\$ (835,711)</u>	<u>\$ -</u>	<u>\$ 22,563</u>	<u>\$ 496,611,357</u>

\*As restated for GASB 87

# Colorado Community College System

## Notes to Financial Statements

### June 30, 2022

Lease activity for the year ended June 30, 2022 was:

	Balance, June 30, 2021*	Additions	Deletions	Transfers	Adjustments	Balance June 30, 2022
Lease assets						
Buildings and improvements	\$ 32,552,992	\$ 55,543	\$ -	\$ -	\$ -	\$ 32,608,535
Equipment and software	144,535	3,907,715	-	-	-	4,052,250
Total lease assets	32,697,527	3,963,258	-	-	-	36,660,785
Less accumulated amortization						
Buildings and improvements	-	2,405,016	-	-	-	2,405,016
Equipment and software	-	756,842	-	-	-	756,842
Total accumulated amortization	-	3,161,858	-	-	-	3,161,858
Total lease assets, net	\$ 32,697,527	\$ 801,400	\$ -	\$ -	\$ -	\$ 33,498,927

\*As restated for GASB 87

## Note 9: Long-term Liabilities

The following tables present changes in long-term liabilities at June 30, 2022:

	Balance June 30, 2021*	Additions	Reductions	Balance June 30, 2022	Current Portion
Bonds payable	\$ 100,766,970	\$ -	\$ (4,536,109)	\$ 96,230,861	\$ 3,885,000
Notes and finance purchase payables	11,880,946	1,342,613	(1,593,295)	11,630,264	1,236,051
Lease payable	32,697,527	3,963,258	(2,988,391)	33,672,394	3,229,889
Other long-term liabilities	1,117,970	187,766	(536,548)	769,188	165,908
Compensated absences liability	28,758,603	20,066,313	(20,696,191)	28,128,725	3,209,712

\*As restated for GASB 87

## Note 10: Bonds Payable

### Systemwide Revenue Bonds

The State's Department of Higher Education, through the SBCCOE, issued revenue bonds in 2012, 2013, 2016, 2017 and 2019 known as Systemwide Revenue Bonds. Bond proceeds were used to benefit facilities at the individual colleges, as noted below:

#### Series 2012 Bonds

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

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

(the Series 2001A bonds) and advance refund the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Arapahoe Community College Project), Series 2002 (the Series 2002 bonds), and together with the Series 2001 bonds and Series 2001A bonds (the Refunded Bonds) held by the Colorado Community College System Foundation (the Foundation) which replaced capital leases between the Foundation and the System Office, Pikes Peak State College, and Arapahoe Community College, respectively, as follows:

Series 2001 bonds for Colorado Community College System	\$ 5,865,000
Series 2001A bonds for Pikes Peak State College	3,615,000
Series 2002 bonds for Arapahoe Community College	<u>2,065,000</u>
	<u>\$ 11,545,000</u>

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

Arapahoe Community College	\$ 2,135,000
Community College System	5,825,000
Pikes Peak State College	<u>3,535,000</u>
	<u>\$ 11,495,000</u>

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

### Series 2013 Bonds

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

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

### Series 2016 Bonds

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

**Colorado Community College System**  
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The principal of the Series 2016 issue was distributed between the colleges as follows:

Red Rocks Community College	\$	15,415,000
Pikes Peak State College		<u>2,925,000</u>
		<u><u>\$ 18,340,000</u></u>

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

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

Series 2017 Bonds

The Series 2017A Systemwide Revenue Refunding and Improvement Bonds for \$34,850,000 were issued on December 28, 2017. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2047. A portion of the 2017A principal was used to advance refund a portion of the Series 2013 bonds for Front Range Community College. The funds were placed into an irrevocable escrow fund for the future debt service payments on the previous series bonds. The principal of the 2017A issue was distributed between the colleges as follows:

Arapahoe Community College	\$	21,065,000
Front Range Community College		<u>13,785,000</u>
		<u><u>\$ 34,850,000</u></u>

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

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

The 2017B Systemwide Revenue Refunding Bonds were issued on December 28, 2017. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2041. The proceeds were placed into revocable escrows which advance refunded on a crossover basis the remaining portion of the 2010B-2 Taxable Systemwide Revenue Bonds on November 1, 2020. The principal of the 2017B issue was distributed to the colleges as follows:

Colorado Northwestern Community College	\$	3,870,000
Northeastern Junior College		<u>4,325,000</u>
		<u><u>\$ 8,195,000</u></u>

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

# Colorado Community College System

## Notes to Financial Statements

### June 30, 2022

Series 2019 Bonds

The Series 2019A Systemwide Revenue Refunding Bonds for \$25,150,000 were issued on October 10, 2019. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2039. The principal of the Series 2019A issue was used to advance refund a portion of the State of Colorado, Department of Education, by the State Board for Community Colleges and Occupational Education Taxable Systemwide Revenue Bonds (Community College of Denver Project and Pueblo Community College Projects) (Build America Bonds – Direct Payment to the Board), Series 2010D and pay costs of issuance, as follows:

Community College of Denver	\$ 18,100,000
Pueblo Community College	<u>10,725,000</u>
	<u>\$ 28,825,000</u>

The principal of the 2019A issue was distributed between the Community College of Denver and Pueblo Community College, respectively, as follows:

Community College of Denver	\$ 15,555,000
Pueblo Community College	<u>9,595,000</u>
	<u>\$ 25,150,000</u>

The Board has adopted a resolution stating that it will not participate in the State Intercept Program for the 2019A bonds.

The System advanced refunded a portion of the System’s Series 2013 bonds and a portion of the Series 2010D bonds. The defeased bonds are not considered a liability of the System. As of June 30, 2022 \$39,530,000 of refunded Series 2013 and Series 2010D are considered legally defeased.

**Security**

The bonds are special obligations of CCCS payable from certain net pledged revenues as defined in the bond indentures. The Series 2019, 2017, 2016, 2013, and 2012 bonds are payable solely out of and secured by an irrevocable pledge of 10.0% of tuition and fee revenues, net of scholarship allowances. The debt was used to refund debt, finance the construction, improvement, equipping, renovation, expansion, and upgrade of various campus facilities for the ACC, CCD, CNCC, FRCC, NJC, PCC, PPSC and RRCC colleges and System Office. Principal and interest paid was \$7,393,513 for fiscal year 2022. The pledge expires upon the extinguishment of the debt with the final debt payment on November 1, 2047.

Total net pledged revenue for bonds was \$28,442,108 for fiscal year 2022. These amounts primarily consisted of \$27,975,946 student tuition and fees, net of scholarship allowance for fiscal years 2022. The remaining pledged revenue represents the capital fees.

# Colorado Community College System

## Notes to Financial Statements

### June 30, 2022

#### **Minimum Bond Reserve Requirement**

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

#### **Mandatory Sinking Fund Redemption**

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

#### **Bond Accounting**

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

#### **Long-term Bond Principal Maturities**

Bond principal payments to be made during fiscal years 2023 through 2027 are enumerated in the following table:

Bond Issue	Principal Maturing in Next Five Years by Year				
	FY23	FY24	FY25	FY26	FY27
Series 2012A					
Arapahoe Community College	\$ 100,000	\$ 105,000	\$ 105,000	\$ 110,000	\$ 110,000
Colorado Community College System	285,000	295,000	305,000	315,000	325,000
Pikes Peak State College	235,000	235,000	245,000	255,000	260,000
Series 2013					
Front Range Community College	915,000	955,000	-	-	-
Series 2016					
Pikes Peak State College	210,000	215,000	225,000	235,000	240,000
Red Rocks Community College	355,000	365,000	375,000	390,000	400,000
Series 2017A					
Arapahoe Community College	315,000	335,000	345,000	365,000	380,000
Front Range Community College	40,000	40,000	1,045,000	1,080,000	1,115,000
Series 2017B					
Colorado Northwestern Community College	135,000	135,000	140,000	145,000	150,000
Northeastern Junior College	135,000	140,000	150,000	150,000	160,000
Series 2019A					
Community College of Denver	815,000	860,000	895,000	915,000	960,000
Pueblo Community College	345,000	360,000	390,000	395,000	415,000
Total revenue bonds payable	3,885,000	4,040,000	4,220,000	4,355,000	4,515,000
Interest	3,517,688	3,354,250	3,212,100	3,073,800	2,892,650
Total annual debt service	<u>\$ 7,402,688</u>	<u>\$ 7,394,250</u>	<u>\$ 7,432,100</u>	<u>\$ 7,428,800</u>	<u>\$ 7,407,650</u>



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Bond debt service payments after fiscal year 2027 to maturity are as follows:

Fiscal Years	Principal	Interest	Total
2028-2032	\$ 24,070,000	\$ 11,258,794	\$ 35,328,794
2033-2037	19,130,000	6,232,191	25,362,191
2038-2042	12,040,000	3,516,072	15,556,072
2043-2047	9,510,000	1,488,142	10,998,142
2048	<u>1,390,000</u>	<u>36,488</u>	<u>1,426,488</u>
	<u>\$ 66,140,000</u>	<u>\$ 22,531,687</u>	<u>\$ 88,671,687</u>

Remaining debt service by bond issuance is as follows:

	Revenue Bonds Outstanding*, June 30, 2022	Interest Rate	Maximum Annual Principal	Callable	Call Premium	Final Payment
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds						
Series 2012A						
Arapahoe Community College Colorado Community College System	\$ 1,324,869	2.50% to 3.375%	140,000	Yes (after 11/2022)	None	11/1/2032
Pikes Peak State College	3,399,278	2.50% to 3.375%	375,000	Yes (after 11/2022)	None	6/30/2032
Series 2013	1,559,604	2.50% to 3.375%	270,000	Yes (after 11/2022)	None	6/30/2028
Front Range Community College	1,964,382	3.00% to 5.00%	1,500,000	Yes (after 11/01/2023)	None	11/1/2034
Series 2016						
Pikes Peak State College	1,863,014	3.375% to 4.125%	285,000	Yes (after 11/2026)	None	11/1/2030
Red Rocks Community College	13,740,055	1.50% to 4.00%	760,000	Yes (after 11/2026)	None	11/1/2046
Series 2017A						
Arapahoe Community College	21,717,927	2.00% to 5.00%	1,490,000	Yes (after 11/2027)	None	11/1/2034
Front Range Community College	15,111,158	2.00% to 5.25%	1,390,000	Yes (after 11/2027)	None	11/1/2047
Series 2017B						
Colorado Northwestern Community College	3,933,315	3.00% to 5.00%	275,000	Yes (after 11/2027)	None	11/1/2040
Northeastern Junior College	4,388,629	3.00% to 5.00%	290,000	Yes (after 11/2027)	None	11/1/2041
Series 2019A						
Community College of Denver	16,825,420	2.00% to 5.00%	1,415,000	Yes (after 11/2030)	None	11/1/2034
Pueblo Community College	<u>10,403,210</u>	2.00% to 5.00%	625,000	Yes (after 11/2030)	None	11/1/2039
	<u>\$ 96,230,861</u>					

\* Bonds have related unamortized bond premium and discount of \$9,075,861

# Colorado Community College System

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### Note 11: Notes, Finance Purchase, Lease payable, and State of Colorado Certificates of Participation

CCA, CCCS, CNCC, FRCC, LCC, PCC, and TSC have recorded notes and finance purchase payables in conjunction with building improvements and equipment related to energy performance contracts and other direct financing leases. The interest rate on the notes payable range from 1.9% to 4.0%.

The outstanding notes and finance purchase payables from direct borrowings primarily related to energy performance contracts contain provisions regarding the event of a default or unavailability of funds by CCCS. In the event of a default, the lender may accelerate and recover from CCCS any and all amounts currently due and becoming due at the end of the then current fiscal period of CCCS and take possession of equipment. This financial consequence is limited to the amount of payments still due within the current fiscal period and the value of the equipment at the time of default.

Future minimum payments under notes and finance purchase payables are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,236,051	\$ 266,167	\$ 1,502,218
2024	1,280,952	230,875	1,511,827
2025	1,212,674	195,588	1,408,262
2026	1,140,356	166,210	1,306,566
2027	1,097,849	139,589	1,237,438
2028-2032	3,496,554	390,253	3,886,807
2033-2037	2,165,828	101,131	2,266,959
	<u>\$ 11,630,264</u>	<u>\$ 1,489,813</u>	<u>\$ 13,120,077</u>

# Colorado Community College System

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CCCS leases equipment and classroom space, the terms of which expire in various years through 2052. Future minimum payments under lease payable are as follows for the year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,229,889	\$ 426,406	\$ 3,656,295
2024	3,046,004	397,361	3,443,365
2025	1,914,548	370,075	2,284,623
2026	1,976,934	344,753	2,321,687
2027	1,979,508	318,728	2,298,236
2028-2032	10,213,540	1,175,048	11,388,588
2033-2037	8,848,457	523,441	9,371,898
2038-2042	2,221,483	46,512	2,267,995
2043-2047	199,927	12,572	212,499
2048-2052	42,104	396	42,500
	<u>\$ 33,672,394</u>	<u>\$ 3,615,292</u>	<u>\$ 37,287,686</u>

On October 23, 2008, the State issued State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008, with an approximate par value of \$230,845,000 and a premium of \$1,883,800 and a discount of \$1,702,900. The certificates have interest rates ranging from 3.0% to 5.5% and mature in November 2027. Annual lease payments are made by the State and are subject to annual appropriation by the Legislature. As a result, this liability is recognized by the State and not included in CCCS' financial statements.

On September 26, 2018, the State issued State of Colorado Rural Colorado Certificates of Participation, Series 2018A with a par value of \$500,000,000 and a premium of \$47,368,567 and a discount of \$526,047. The certificates have interest rates ranging from 1.84% to 5.00% and mature in December 2037. Annual lease payments are made by the State and are subject to annual appropriation by the Legislature. As a result, this liability is recognized by the State and not included in CCCS' financial statements.

On February 17, 2021, the State issued State of Colorado Rural Colorado Certificates of Participation, Series 2020 with a par value of \$64,250,000 and a premium of \$16,799,543. The certificates have interest rates ranging from 4.00% to 5.00% and mature in September 2041. Annual lease payments are made by the State and are subject to annual appropriation by the Legislature. As a result, this liability is recognized by the State and not included in CCCS' financial statements.

The certificates are secured by the buildings or equipment acquired with the proceeds and any unexpended proceeds. The 2008 proceeds were used to finance various capital projects for the benefit of certain State supported institutions of higher education in Colorado including CNCC, FRCC, and MCC. The projects included CNCC's construction of a new 53,000 square foot academic building that houses classrooms, laboratories, offices, a learning resource center, and academic support functions, as well as expanded surface parking on the new site; FRCC's construction of a new laboratory wing and renovate existing space in the primary science building on the Larimer campus; and MCC's provided additional space and building improvements for the college's nursing, health technology, and science programs, as well as additional parking and reconfiguration of the main entrance loop. The 2018 COP proceeds were used to finance various higher education controlled maintenance and capital construction projects, including 18 controlled

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maintenance projects at 10 CCCS college campuses and capital construction projects at Lamar Community College, Otero Junior College, and Pueblo Community College. The CCCS portion of the proceeds totals \$17.99 million. The Series 2020 COP proceeds were used to finance various higher education controlled maintenance projects at 8 CCCS college campuses and the Lowry campus. The underlying capitalized assets are contributed to CCCS from the State and are reflected in the accompanying financial statements. The CCCS portion of the proceeds total \$8.26 million.

### Note 12: Other Long-term Liabilities

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

2023	\$	165,908
2024		125,128
2025		178,220
2026		71,060
2027		69,168
2028-2032		<u>159,704</u>
	\$	<u><u>769,188</u></u>

### Note 13: Compensated Absences for Annual and Sick Leave

Employees of CCCS may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The estimated total liability for compensated absences at June 30, 2022 is \$28,128,725.

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

At June 30, 2022, the Public Employees' Retirement Association of Colorado (PERA) estimated that 56.8% of the State's employees would remain until retirement. This percentage is used to calculate the amount of compensated absence liability related to sick leave each year.

### Note 14: Retirement Plan

#### ***Defined Benefit Pension Plan***

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

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financial report (ACFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

Virtually all CCCS' employees participate in the SDTF. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP), and additions to/deductions from the FNP of the SDTF have been determined on the same basis as they are reported by the SDTF, using the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Benefits provided as of December 31, 2021.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's

# Colorado Community College System

## Notes to Financial Statements

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Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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, 2022:* Eligible employees of CCCS and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of July 1, 2021 through June 30, 2022 are summarized in the table below:

	<b>Fiscal Year 2022</b>	
	<b>CY21</b>	<b>CY22</b>
	<b>7/1/2021 to 12/31/2021</b>	<b>1/1/2022 to 6/30/2022</b>
Employee contribution rate	10.50%	10.50%

The employer contribution requirements for all employees are summarized in the table below:

	<b>Fiscal Year 2022</b>	
	<b>CY21</b>	<b>CY22</b>
	<b>7/1/2021 to 12/31/2021</b>	<b>1/1/2022 to 6/30/2022</b>
Employer contribution rate	10.90%	10.90%
Amount of Employer Contribution		
Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SDTF	9.88%	9.88%
Amortization Equalization		
Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%
Supplemental Amortization		
Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S Section 24-51-415	0.05%	0.10%
Total employer contribution rate to the SDTF	<u>19.38%</u>	<u>19.88%</u>

# Colorado Community College System

## Notes to Financial Statements

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and CCCS is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from CCCS were \$63,919,083 for the year ended June 30, 2022.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225.0 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. As a result, the State of Colorado contributed to PERA \$6,536,930 on behalf of CCCS on July 1, 2021. This contribution is considered an employer contribution for Statement No. 68 reporting. In addition to the \$225.0 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380.0 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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

The net pension liability for the SDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. CCCS's proportion of the net pension liability was based on CCCS's contributions to the SDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2022, CCCS reported a liability of \$628,507,713 for its proportionate share of the net pension liability.

At December 31, 2021, CCCS's proportion was 8.52%, which was a decrease of 0.07% from its proportion measured as of December 31, 2020.

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For the year ended June 30, 2022, CCCS recognized a reduction of pension expense of \$34,998,487. At June 30, 2022, CCCS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2022</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 4,276,557	\$ 874,367
Changes of assumptions or other inputs	22,408,674	-
Net difference between projected and actual earnings on pension plan investments	-	216,286,299
Changes in proportion	-	14,092,564
Differences between contributions recognized and proportionate share of contributions	-	235,096
Contributions subsequent to the measurement date	28,580,086	N/A
Total	\$ 55,265,317	\$ 231,488,326

\$28,580,086 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2023	\$ (41,924,916)
2024	(84,606,866)
2025	(52,099,051)
2026	(26,172,262)
	\$ (204,803,095)



# Colorado Community College System

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*Actuarial assumptions.* The TPL in the December 31, 2020, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.3 percent
Real wage growth	0.7 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.30 - 10.90 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases	
PERA benefit structure hired prior to 1/1/07	1.00 percent
PERA benefit structure hired after 12/31/06 <sup>1</sup> (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

<sup>1</sup> Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

# Colorado Community College System

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The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
Total	100.00%	

Note: 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 nominal rate of return assumption of 7.25%.

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

- 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 3.00%.

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- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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 for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include 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 reflect 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.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225.0 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, 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. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

# Colorado Community College System

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

	June 30, 2022		
	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
	Proportionate share of the net pension liability	\$ 886,487,587	\$ 628,507,713

*Pension plan fiduciary net position.* Detailed information about the SDTF's FNP is available in PERA's ACFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### Note 15: Other Retirement Plans

#### ***Defined Contribution Retirement Plan (DC Plan)***

*Plan Description* – Employees of the State of Colorado hired on or after January 1, 2006, employees of certain community colleges hired on or after January 1, 2008, and certain classified employees of State Colleges and Universities hired on or after January 1, 2019, have the option to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, or the Defined Contribution Retirement Plan (PERA DC Plan).

The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's ACFR as referred to above.

*Funding Policy* – All participating employees in the PERA DC Plan and CCCS are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2021, through June 30, 2022 are summarized in the tables below:

	Fiscal Year 2022	
	CY21	CY22
	7/1/2021 to 12/31/2021	1/1/2022 to 6/30/2022
Employee Contribution Rate	10.50%	10.50%
Employer Contribution Rate	10.15%	10.15%

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Additionally, the employers are required to contribute AED, SAED, and other statutory amounts, as follows:

	<b>Fiscal Year 2022</b>	
	<b>CY21</b>	<b>CY22</b>
	<b>7/1/2021 to 12/31/2021</b>	<b>1/1/2022 to 6/30/2022</b>
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S Section 24-51-413 <sup>1</sup>	0.50%	0.50%
Defined Contribution Statutory contribution as specified in C.R.S. section 24-51-1505 <sup>1</sup>	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S. section 4-51-415	0.05%	0.10%
Total employer contribution rate to the SDTF	10.80%	10.85%

<sup>1</sup> Contribution rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$1,986,996 and CCCS recognized pension contributions of \$1,920,201 for the PERA DC Plan.

**401(k) Defined Contribution Plan**

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

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The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. CCCS does not match contributions made by employees participating in this plan. Employees are immediately vested in their own contributions and investment earnings. At December 31, 2022, CCCS had 575 participants in the plan.

### **457 Deferred Compensation Plan**

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. Contributions and earnings are tax deferred. CCCS does not match contributions made by employees participating in this plan. At December 31, 2021, CCCS had 340 participants in the plan. In calendar year 2021, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution) to a maximum of \$19,500. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,500 contribution in 2021. Special 457(b) catch-up contributions allow a participant for three years prior to the normal retirement age to contribute the lesser of (1) twice the annual limit (\$39,000), or (2) the basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions).

### **Note 16: Other Postemployment Benefits – CCCS**

CCCS' principal employee pension plan is PERA (Notes 14 and 15). Pursuant to SBCCOE Board Policy BP3 60 (Retirement), employees hired prior to 1989 who take early retirement under PERA regulations "shall be entitled to have the college/system continue to pay the employee's share of the group health and life insurance premium up to the amount paid for active employees until the employee reaches age 65." This is the only postretirement benefit offered to CCCS employees. This actuarially determined liability related to this plan is considered immaterial to CCCS' financial statements with only seven eligible recipients as of June 30, 2022. Consequently, no provision has been made in the accompanying financial statements for this liability.

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

### **Note 17: Other Postemployment Benefits – PERA Health Care Trust Fund**

CCCS participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP 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.

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### **General Information About the OPEB Plan**

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

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

C.R.S. § 24-51-1202 *et seq.* specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare health benefits program 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 maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each

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individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and CCCS is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from CCCS were \$2,829,067 for the year ended June 30, 2022.

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

At June 30, 2022, CCCS reported a liability of \$24,566,732 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The CCCS proportion of the net OPEB liability was based on CCCS contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the CCCS proportion was 2.85%, which was a decrease of 0.09% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, CCCS recognized a reduction of OPEB expense of \$670,693. At June 30, 2022, CCCS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 37,435	\$ 5,825,071
Changes of assumptions or other inputs	508,625	3,045,994
Net difference between projected and actual earnings on OPEB plan investments	-	1,520,690
Changes in proportion	-	2,367,244
Differences between contributions recognized and proportionate share of contributions	4,363	23,602
Contributions subsequent to the measurement date	1,407,019	N/A
Total	<u>\$ 1,957,442</u>	<u>\$ 12,782,601</u>



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\$1,407,019 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,		
2023	\$	(3,288,313)
2024		(3,463,790)
2025		(3,230,901)
2026		(1,689,316)
2027		(484,857)
Thereafter		<u>(75,001)</u>
	<u>\$</u>	<u>(12,232,178)</u>

*Actuarial assumptions.* The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.30-10.90 percent in aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	4.50 percent in 2021 6.00 percent in 2022 gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.75 percent for 2021, gradually increasing to 4.50 percent in 2029

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.

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In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

Medicare Plan	December 31, 2021		
	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Adjusted to Age 65
Medicare Advantage/Self-Insured Prescription	\$633	\$230	\$591
Kaiser Permanente Medicare Advantage HMO	\$596	\$199	\$562

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the table below:

Year Ending June 30,	PERACare Medicare Plans	Medicare Part A Premiums
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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Pre-retirement mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- 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 2021 plan year.
- 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.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

Changes in assumptions from the prior valuation included a decrease in price inflation from 2.4 percent to 2.3 percent, a decrease in the wage inflation from 3.5 percent to 3 percent and the salary scale assumptions, mortality rates, and healthcare cost trends were updated.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

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 percentages and then adding expected inflation.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
Total	100.00%	

Note: 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 nominal rate of return assumption of 7.25%.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability (PERA)	\$ 23,861,244	\$ 24,566,732	\$ 25,383,985

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

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, 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 3.00%.
- 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

	<b>June 30, 2022</b>		
	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
Proportionate share of the net OPEB liability	<u>\$ 28,531,688</u>	<u>\$ 24,566,732</u>	<u>\$ 21,179,973</u>

*OPEB plan fiduciary net position.* Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### Note 18: Risk Financing and Insurance Related Activities

CCCS is subject to risks of loss from liability for accidents, property damage, and personal injury. These risks are managed by the State Office of Risk Management, an agency formed by statute and funded by the State Long Bill. Therefore, CCCS is not required to obtain insurance and, accordingly, neither did reduction occur in coverage nor did any settlements exceed coverage.

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

CCCS does not retain risk of loss except for damage incurred to property belonging to the State limited to a \$5,000 deductible per incident.

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

### **Note 19: Commitments and Contingencies**

The System has \$25.6 million in commitments for various capital construction and controlled maintenance projects as of June 30, 2022.

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

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

Economic uncertainties have arisen which have the potential to negatively impact the future financial position, results of operations and cash flows of the System. The duration of these uncertainties and the ultimate financial effects cannot be reasonably determined at this time.

### **Note 20: Tax and Spending Limitations (TABOR Amendment)**

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

Legislation passed in fiscal year 2004 provided higher education institutions in the State the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), if the institution met the stated qualifications. In fiscal year 2006, the System qualified as an enterprise because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System was required to receive (and is expected to continue to receive) less than 10.0% (in relation to total revenues) in support from the State. In fiscal year 2022 the System received 3.9% in State support. Effective in fiscal year 2008, House Bill 08-1079 specifically excluded moneys transferred from the State Department of Education for career and technical education as state grants for the purpose of this calculation, including funding under the CTA.

# Colorado Community College System

## Notes to Financial Statements

June 30, 2022

### **Note 21: Related-party Transactions**

Approximately \$11.4 million was transferred to the colleges from the foundations for the year ended June 30, 2022, in pursuit of providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities.

### **Note 22: Employee Benefit Trust Fund – Private Purpose Trust Fund**

The Benefit Trust provides health and welfare benefits to all employees participating in the Health and Welfare Program sponsored by the SBCCOE. For fiscal years 2022, CCCS made contributions of excess receipts of insurance premiums to the Benefit Trust of approximately \$2,772,000.

### **Note 23: College Name Change**

In May 2021, Senate Bill 21-008 amended C.R.S. 2-60-203 to remove the word “Junior” from the name Otero Junior College to Otero College, as well as Trinidad State Junior College to Trinidad State College, effective September 11, 2021.

In April 2022, House Bill 22-1280 amended C.R.S. 23-60-205 to remove the word “Community” from the name of Pikes Peak Community College to Pikes Peak State College, effective April 22, 2022.

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## **Required Supplementary Information**

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**Colorado Community College System**  
**Schedule of Proportionate Share of Net Pension Liability (NPL)**  
**(Not subjected to auditing procedures)**  
**Last Ten Fiscal Years \***  
**(Dollars in Thousands)**

<b>June 30,</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the NPL as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2022	8.5220934115%	\$ 628,508	\$ 291,224	215.82%	73.05%
2021	8.5906916333%	\$ 814,809	\$ 290,223	280.75%	65.34%
2020	8.8744972485%	\$ 861,164	\$ 288,997	297.98%	62.24%
2019	8.9060724015%	\$ 1,013,393	\$ 280,192	361.68%	55.11%
2018	8.9068622559%	\$ 1,782,974	\$ 267,807	665.77%	43.20%
2017	8.9674721580%	\$ 1,647,157	\$ 261,925	628.87%	42.60%
2016	8.9937735926%	\$ 947,137	\$ 255,917	370.10%	56.10%
2015	9.1682986069%	\$ 862,417	\$ 253,165	340.65%	59.80%

Information above is presented as of the measurement date for the respective reporting periods.

\* Information is not currently available for prior years, additional years will be displayed as they become available

Unaudited - see accompanying Independent Auditor's Report

**Colorado Community College System**  
**Schedule of Contributions for Net Pension Liability (NPL)**  
**(Not subjected to auditing procedures)**  
**Last Ten Fiscal Years \***  
**(Dollars in Thousands)**

<b>June 30,</b>	<b>Statutorily Required Contributions</b>	<b>Contributions Related to the Statutory Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2022	\$ 64,310	\$ 63,919	\$ 391	\$ 318,290	20.08%
2021	\$ 57,315	\$ 55,280	\$ 2,035	\$ 287,581	19.22%
2020	\$ 58,729	\$ 61,742	\$ (3,013)	\$ 295,045	20.93%
2019	\$ 54,130	\$ 59,598	\$ (5,468)	\$ 282,959	21.06%
2018	\$ 52,087	\$ 50,712	\$ 1,375	\$ 272,277	18.63%
2017	\$ 49,451	\$ 48,196	\$ 1,255	\$ 264,730	18.21%
2016	\$ 46,355	\$ 44,917	\$ 1,438	\$ 260,716	17.23%
2015	\$ 42,872	\$ 41,806	\$ 1,066	\$ 253,980	16.46%

Information above is presented as of the System's fiscal year for the respective reporting periods.

\* Information is not currently available for prior years, additional years will be displayed as they become available

Unaudited - see accompanying Independent Auditor's Report

**Colorado Community College System**  
**Notes to Required Supplementary Information (NPL)**  
**June 30, 2022**

*Changes in Benefit Terms and Actuarial Assumptions*

Changes in assumptions or other inputs effective for the December 31, 2021 measurement period are as follow:

- The assumption used to value the AI cap benefit provision was changed from 1.25% to 1.00%.

Changes in assumptions or other inputs effective for the December 31, 2020 measurement period are as follow:

- The price inflation assumption was lowered from 2.40% to 2.30%.
- The real wage growth assumption was lowered from 1.10% to 0.70%.
- The wage inflation assumption was lowered from 3.50% to 3.00%.
- The salary increases, including wage inflation, assumption range changes from 3.50% - 9.17% to 3.30% - 10.90%.

Changes in assumptions or other inputs effective for the December 31, 2019 measurement period are as follow:

- The discount rate was increased from 4.72% to 7.25%.
- The Post-retirement benefit increase was decreased from 2.00% to 1.25%.

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follow:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.

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

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

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

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

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

**Colorado Community College System**  
**Schedule of Proportionate Share of Other Postemployment Benefits (OPEB)**  
**(Not subjected to auditing procedures)**  
**Last Ten Fiscal Years \***

<b>June 30,</b>	<b>Proportion of OPEB</b>	<b>Proportionate Share of OPEB</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the OPEB as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB</b>
2022	2.8489608810%	\$ 24,567	\$ 291,224	8.44%	39.40%
2021	2.9405892960%	\$ 27,942	\$ 290,223	9.63%	32.78%
2020	3.0221085353%	\$ 33,968	\$ 288,997	11.75%	24.49%
2019	3.0971306087%	\$ 42,138	\$ 264,095	15.96%	17.03%
2018	3.1237367081%	\$ 40,596	\$ 252,942	16.05%	17.53%

Information above is presented as of the measurement date for the respective reporting periods.

\* Information is not currently available for prior years, additional years will be displayed as they become available

Unaudited - see accompanying Independent Auditor's Report

**Colorado Community College System**  
**Schedule of Contributions for Other Postemployment Benefits (OPEB)**  
**(Not subjected to auditing procedures)**  
**Last Ten Fiscal Years \***

June 30,	Statutorily Required Contributions	Contributions Related to the Statutory Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 3,247	\$ 2,829	\$ 418	\$ 318,290	0.89%
2021	\$ 2,933	\$ 2,734	\$ 199	\$ 287,581	0.95%
2020	\$ 3,009	\$ 2,821	\$ 188	\$ 295,045	0.96%
2019	\$ 2,720	\$ 2,720	-	\$ 266,706	1.02%
2018	\$ 2,620	\$ 2,620	-	\$ 256,849	1.02%

Information above is presented as of the System's fiscal year for the respective reporting periods.

\* Information is not currently available for prior years, additional years will be displayed as they become available

Unaudited - see accompanying Independent Auditor's Report

**Colorado Community College System**  
**Notes to Required Supplementary Information (OPEB)**  
**June 30, 2022**

*Changes in Benefit Terms and Actuarial Assumptions*

Changes in assumptions or other inputs effective for December 31, 2021 measurement period for OPEB compared to prior year as follows:

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
  - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
  - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.
- Health care cost trend rates PERA benefit structure for PERACare Medicare plans decreased from 8.10% to 4.5% and for Medicare Part A premiums increased from 3.5% to 3.75.

Changes in assumptions or other inputs effective for December 31, 2020 measurement period for OPEB compared to prior year as follows:

- Health care cost trend rate PERA benefit structure for PERACare Medicare plans increased from 5.60% to 8.10%.

Changes in assumptions or other inputs effective for December 31, 2019 measurement period for OPEB compared to prior year as follows:

- Health care cost trend rate PERA benefit structure for PERACare Medicare plans increased from 5.00% to 5.60% and for Medicare Part A premiums increased from 3.25% to 3.50%.



**Colorado Community College System**  
**Notes to Required Supplementary Information (OPEB)**  
**June 30, 2022**

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

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

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

### **Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of the Colorado Community College System (a higher education institution of the State of Colorado) (the System), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 15, 2022, which contained paragraphs emphasizing matters regarding the financial statements and adoption of new accounting guidance. The financial statements of Friends of TSC, a discretely presented component unit included in the financial statements of the aggregate discretely presented component units of the System, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Friends of TSC. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the System's financial statements. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the aggregate discretely presented component units.

#### ***Report on Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Findings and Recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Findings and Recommendations as item 2022-01 to be a material weakness.

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. We consider the deficiency described in the accompanying Findings and Recommendations as item 2022-02 to be a significant deficiency.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

### ***The System's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the System's response to the findings identified in our audit and described in the accompanying Findings and Recommendations. The System's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

### ***Purpose of this Report***

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

**FORVIS, LLP**

Denver, Colorado  
December 15, 2022

## **State-Funded Student Financial Assistance Programs**

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# **Colorado Community College System**

## **State-Funded Student Financial Assistance Programs**

### **Year Ended June 30, 2022**

#### ***Introduction***

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

The financial and compliance audits of the various state-funded student financial assistance programs at the System for the year ended June 30, 2022, were directed toward the objectives and criteria set forth in the System's financial aid policy, adopted May 2011 and revised on May 14, 2014.

#### ***State-Funded Student Financial Assistance Programs***

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

- Colorado Student Grant
- Colorado Work-study
- Career and Technical Education (CTE) Student Grant
- Colorado Graduate Grant

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

The state-funded student financial assistance awards made by the System were approximately \$55.0 million during the fiscal year ended June 30, 2022.

Authorizations and expenditures for state-funded student financial assistance programs are detailed by program in the accompanying statement of allocations, expenditures, transfers and reversions for the year ended June 30, 2022.

In addition to the state-funded student financial assistance awards made during the year, the System obtained authorizations to award federal student financial aid of \$2,740,815 in the Federal Supplemental Educational Opportunity Grants Program; and \$1,607,110 in the Federal Work-Study Program. The System also received funding through the Pell Grant Program in the amount of \$71,289,787 and through direct lending in the amount of \$58,043,676. Authorizations for the Pell Grant Program and the direct lending program are not applicable as these programs are available to any eligible student.

#### ***Summary of Current Year Comments***

There were no findings or recommendations related to State-Funded Student Financial Assistance Programs for the year ended June 30, 2022.

#### ***Summary of Progress of Implementing Prior Audit Recommendations***

The audit report for the year ended June 30, 2020, included no recommendations.

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

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

### **Report on the Audit of the Statement of Allocations, Expenditures, Transfers and Reversions**

#### ***Opinion***

We have audited the accompanying statement of allocations, expenditures, transfers and reversions of the state-funded student financial assistance programs (the Statement) of Colorado Community College System (the System), as of and for the year ended June 30, 2022, and the related notes to the Statement, in accordance with the requirements of *2021-22 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by the Colorado Department of Higher Education (CDHE).

In our opinion, the accompanying Statement referred to above presents fairly, in all material respects, the allocations, expenditures, transfers and reversions of the state-funded student financial assistance programs of the System, as of June 30, 2022, pursuant to the *2021-22 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education, and in conformity with the provisions of the System's policies.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As described in the notes to the statement of allocations, expenditures, transfers and reversions of the state funded student financial assistance programs (the Statement) of the System, the Statement was prepared in accordance with the format as set forth in the *2021-2022 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE). The Statement is prepared on a cash basis with the exception of the Colorado Work-Study Program and is a basis of accounting other than accounting principles generally accepted in the United States and does not present certain transactions that would be included in the Statement of the state-funded student assistance programs if it was presented on the accrual basis

of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying Statement is not intended to, and does not, present the financial position, changes in financial position or cash flows of the System in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Statement of Allocations, Expenditures, Transfers and Reversions***

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements of *2021-22 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by the Colorado Department of Higher Education (CDHE), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibilities for the Audit of the Statement of Allocations, Expenditures, Transfers and Reversions***

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Statement.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the Statement in accordance with the format set forth by CDHE. The accompanying introduction and schedules of allocations, expenditures, transfers and reversions of each of the colleges (the Schedules) are presented for purposes of additional analysis and are not a required part of the Statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the Statement as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

### **Restriction on Use**

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

**FORVIS,LLP**

Denver, Colorado  
December 15, 2022

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**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Statement of Allocations, Expenditures, Transfers and Reversions**  
**Year Ended June 30, 2022**

	<b>Consolidated</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 56,297,978	\$ 49,095,385	\$ 6,744,121	\$ 386,989	\$ 71,483
Supplementals	(142,793)	381,152	(526,635)	2,690	-
Transfers	-	209,983	(209,101)	(882)	-
Total appropriations	<u>56,155,185</u>	<u>49,686,520</u>	<u>6,008,385</u>	<u>388,797</u>	<u>71,483</u>
Less expenditures	<u>55,031,015</u>	<u>49,560,792</u>	<u>5,058,006</u>	<u>340,734</u>	<u>71,483</u>
Reversions to state general fund	<u>\$ 1,124,170</u>	<u>\$ 125,728</u>	<u>\$ 950,379</u>	<u>\$ 48,063</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Notes to Statement of Allocations, Expenditures, Transfers and Reversions**  
**Year Ended June 30, 2022**

**1) *Basis of Presentation***

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

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

The accompanying statement of allocations, expenditures, transfers and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as prescribed by the *2021-2022 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Education (DHE), and in conformity with the provisions of the State-Funded Student Financial Assistance Programs established by the State Board for Community Colleges and Occupational Education of the Colorado Community College System. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance (SFSFA) activities of CCCS' 13 colleges for the year ended June 30, 2022.

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

**2) *Basis of Accounting***

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

	<b>Arapahoe Community College</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 3,553,519	\$ 3,059,725	\$ 466,199	\$ 27,595	\$ -
Supplementals	(52,672)	8,668	(55,000)	(6,340)	-
Transfers	-	15,888	(15,888)	-	-
Total appropriations	<u>3,500,847</u>	<u>3,084,281</u>	<u>395,311</u>	<u>21,255</u>	<u>-</u>
Less expenditures	<u>3,500,732</u>	<u>3,084,203</u>	<u>395,274</u>	<u>21,255</u>	<u>-</u>
Reversions to state general fund	<u>\$ 115</u>	<u>\$ 78</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

	<b>Community College of Aurora</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 4,504,493	\$ 4,079,642	\$ 411,839	\$ 13,012	\$ -
Supplementals	11,558	11,558	-	-	-
Transfers	-	-	-	-	-
Total appropriations	<u>4,516,051</u>	<u>4,091,200</u>	<u>411,839</u>	<u>13,012</u>	<u>-</u>
Less expenditures	<u>4,369,337</u>	<u>4,091,200</u>	<u>276,297</u>	<u>1,840</u>	<u>-</u>
Reversions to state general fund	<u>\$ 146,714</u>	<u>\$ -</u>	<u>\$ 135,542</u>	<u>\$ 11,172</u>	<u>\$ -</u>

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



**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

Community College of Denver					
	Total Colorado Financial Aid	Colorado Student Grants	Colorado Work- Study	CTE Student Grant	Colorado Graduate Grant
Appropriations:					
Original	\$ 7,118,541	\$ 6,150,896	\$ 953,113	\$ 14,532	\$ -
Supplementals	(102,366)	17,426	(119,792)	-	-
Transfers	-	50,311	(50,311)	-	-
Total appropriations	<u>7,016,175</u>	<u>6,218,633</u>	<u>783,010</u>	<u>14,532</u>	<u>-</u>
Less expenditures	<u>7,016,175</u>	<u>6,218,633</u>	<u>783,010</u>	<u>14,532</u>	<u>-</u>
Reversions to state general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

	<b>Colorado Northwestern Community College</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 636,301	\$ 544,094	\$ 90,027	\$ 2,180	\$ -
Supplementals	42,361	33,393	11,148	(2,180)	-
Transfers	-	-	-	-	-
Total appropriations	<u>678,662</u>	<u>577,487</u>	<u>101,175</u>	<u>-</u>	<u>-</u>
Less expenditures	<u>678,662</u>	<u>577,487</u>	<u>101,175</u>	<u>-</u>	<u>-</u>
Reversions to state general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

<b>Front Range Community College</b>					
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 10,679,302	\$ 9,324,900	\$ 1,228,814	\$ 125,588	\$ -
Supplementals	26,418	149,299	(122,881)	-	-
Transfers	-	-	-	-	-
Total appropriations	<u>10,705,720</u>	<u>9,474,199</u>	<u>1,105,933</u>	<u>125,588</u>	<u>-</u>
Less expenditures	<u>10,296,717</u>	<u>9,474,199</u>	<u>696,930</u>	<u>125,588</u>	<u>-</u>
Reversions to state general fund	<u>\$ 409,003</u>	<u>\$ -</u>	<u>\$ 409,003</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

	<b>Lamar Community College</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 744,820	\$ 611,416	\$ 131,342	\$ 2,062	\$ -
Supplementals	1,732	1,732	-	-	-
Transfers	-	-	-	-	-
Total appropriations	<u>746,552</u>	<u>613,148</u>	<u>131,342</u>	<u>2,062</u>	<u>-</u>
Less expenditures	<u>719,790</u>	<u>613,148</u>	<u>104,580</u>	<u>2,062</u>	<u>-</u>
Reversions to state general fund	<u>\$ 26,762</u>	<u>\$ -</u>	<u>\$ 26,762</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

<b>Morgan Community College</b>					
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 820,551	\$ 669,718	\$ 145,273	\$ 5,560	\$ -
Supplementals	1,897	1,897	-	-	-
Transfers	-	9,527	(9,527)	-	-
Total appropriations	<u>822,448</u>	<u>681,142</u>	<u>135,746</u>	<u>5,560</u>	<u>-</u>
Less expenditures	<u>822,448</u>	<u>681,142</u>	<u>135,746</u>	<u>5,560</u>	<u>-</u>
Reversions to state general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

	<b>Northeastern Junior College</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 1,092,506	\$ 882,177	\$ 202,961	\$ 7,368	\$ -
Supplementals	13,916	6,354	6,745	817	-
Transfers	-	-	-	-	-
Total appropriations	<u>1,106,422</u>	<u>888,531</u>	<u>209,706</u>	<u>8,185</u>	<u>-</u>
Less expenditures	<u>1,106,422</u>	<u>888,531</u>	<u>209,706</u>	<u>8,185</u>	<u>-</u>
Reversions to state general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

	<b>Otero College</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work-Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 1,316,399	\$ 1,076,607	\$ 232,560	\$ 7,232	\$ -
Supplementals	3,050	3,050	-	-	-
Transfers	-	15,725	(15,725)	-	-
Total appropriations	<u>1,319,449</u>	<u>1,095,382</u>	<u>216,835</u>	<u>7,232</u>	<u>-</u>
Less expenditures	<u>1,256,099</u>	<u>1,095,382</u>	<u>156,517</u>	<u>4,200</u>	<u>-</u>
Reversions to state general fund	<u>\$ 63,350</u>	<u>\$ -</u>	<u>\$ 60,318</u>	<u>\$ 3,032</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

	<b>Pueblo Community College</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 5,868,306	\$ 4,978,700	\$ 834,754	\$ 54,852	\$ -
Supplementals	1,031	97,580	(94,942)	(1,607)	-
Transfers	-	-	-	-	-
Total appropriations	<u>5,869,337</u>	<u>5,076,280</u>	<u>739,812</u>	<u>53,245</u>	<u>-</u>
Less expenditures	<u>5,869,337</u>	<u>5,076,280</u>	<u>739,812</u>	<u>53,245</u>	<u>-</u>
Reversions to state general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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



**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

	<b>Pikes Peak State College</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work-Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 13,439,796	\$ 12,196,458	\$ 1,185,326	\$ 58,012	\$ -
Supplementals	34,554	34,554	-	-	-
Transfers	-	118,532	(118,532)	-	-
Total appropriations	<u>13,474,350</u>	<u>12,349,544</u>	<u>1,066,794</u>	<u>58,012</u>	<u>-</u>
Less expenditures	<u>13,135,489</u>	<u>12,349,544</u>	<u>753,853</u>	<u>32,092</u>	<u>-</u>
Reversions to state general fund	<u>\$ 338,861</u>	<u>\$ -</u>	<u>\$ 312,941</u>	<u>\$ 25,920</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

	<b>Red Rocks Community College</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 4,748,976	\$ 4,130,600	\$ 486,718	\$ 60,175	\$ 71,483
Supplementals	23,702	11,702	-	12,000	-
Transfers	-	-	-	-	-
Total appropriations	<u>4,772,678</u>	<u>4,142,302</u>	<u>486,718</u>	<u>72,175</u>	<u>71,483</u>
Less expenditures	<u>4,772,678</u>	<u>4,142,302</u>	<u>486,718</u>	<u>72,175</u>	<u>71,483</u>
Reversions to state general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Colorado Community College System**  
**State-Funded Student Financial Assistance Programs**  
**Schedule of Allocations, Expenditures, Transfers and Reversions for Colleges**  
**Year Ended June 30, 2022**

	<b>Trinidad State College</b>				
	<b>Total Colorado Financial Aid</b>	<b>Colorado Student Grants</b>	<b>Colorado Work- Study</b>	<b>CTE Student Grant</b>	<b>Colorado Graduate Grant</b>
Appropriations:					
Original	\$ 1,774,468	\$ 1,390,452	\$ 375,195	\$ 8,821	\$ -
Supplementals	(147,974)	3,939	(151,913)	-	-
Transfers	-	-	882	(882)	-
Total appropriations	<u>1,626,494</u>	<u>1,394,391</u>	<u>224,164</u>	<u>7,939</u>	<u>-</u>
Less expenditures	<u>1,487,129</u>	<u>1,268,741</u>	<u>218,388</u>	<u>-</u>	<u>-</u>
Reversions to state general fund	<u>\$ 139,365</u>	<u>\$ 125,650</u>	<u>\$ 5,776</u>	<u>\$ 7,939</u>	<u>\$ -</u>

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

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

### **Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs (the Statement) of the Colorado Community College System (the System), an institution of higher education of the state of Colorado, for the year ended June 30, 2022, and the related notes to the Statement, and have issued our report thereon dated December 15, 2022, which contained an emphasis of matter paragraph regarding the basis of accounting used by the System.

#### ***Report on Internal Control Over Financial Reporting***

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

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

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

### ***Report on Compliance and Other Matters***

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

### ***Purpose of this Report***

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

**FORVIS, LLP**

Denver, Colorado  
December 15, 2022



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## **Required Communications to Legislative Audit Committee and State Board for Community Colleges and Occupational Education**

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

As part of our audit of the financial statements of Colorado Community College System (a higher education system of the State of Colorado) (the System) as of and for the year ended June 30, 2022, we wish to communicate the following to you.

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

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

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

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The engagement letter more specifically describes your responsibilities.

### **Qualitative Aspects of Significant Accounting Policies and Practices**

#### ***Significant Accounting Policies***

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

## **GASB 87, Leases**

Effective July 1, 2021, the System adopted GASB 87, *Leases*. GASB 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessees' statement of net position. In the activity statement, lessees no longer report rent expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. Lessors recognize a lease receivable and corresponding deferred inflow of resources. Interest income associated with the receivable are recognized using the effective interest method.

Adoption of GASB 87 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the System's key performance indicators related to the statement of net position (such as the current ratio) are likely not comparable to historical results.

### ***Alternative Accounting Treatments***

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

- No matters are reportable

### ***Management Judgments and Accounting Estimates***

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

- Allowance for doubtful accounts
- Allocation of unearned tuition revenue
- Useful lives of capital assets and related depreciation expense
- Compensated absences
- Net pension liability
- Net OPEB liability
- Scholarship allowance
- Valuation of lease receivables and lease liability

### ***Significant Unusual Transactions***

Significant unusual transactions represent significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual due to their timing, size, or nature. We have identified the following transactions that we consider to be significant and unusual.

- No matters are reportable

### ***Financial Statement Disclosures***

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

- Related-party transaction (Note 21)
- Commitments and contingencies (Note 19)
- Implementation of New Accounting Standard (Note 2)



## **Audit Adjustments**

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

- No matters are reportable

Proposed Audit Adjustments Recorded

- Included on pages 147-148 is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more trivial to the financial statement as a whole
- We would like to call your attention to the fact that although these uncorrected misstatements, individually and in the aggregate, were deemed to be immaterial to the current year financial statements, it is possible that the impact these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated

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

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

- Adoption of GASB 87, *Leases*

## **Consultation with Other Accountants**

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

- Except for Friends of TSC, the Foundations included in the aggregate discretely presented component units are audited by other auditors. We placed reliance on the audit of the financial statements of the Foundations as of June 30, 2022, and for the year then ended. The audits of the Foundations are not audited in accordance with *Government Accounting Standards*.

## **Other Material Communications**

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

- Management representation letter

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

**FORVIS,LLP**

December 15, 2022

## Colorado Community College System - OSA

### ATTACHMENT

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

#### QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	433,628,367	(2,005,050)	431,623,317	-0.46%
Non-Current Assets & Deferred Outflows	589,569,787		589,569,787	
Current Liabilities	(91,634,143)	(923,927)	(92,558,070)	1.01%
Non-Current Liabilities & Deferred Inflows	(1,056,170,246)		(1,056,170,246)	
Current Ratio	4.732		4.663	-1.46%
Total Assets & Deferred Outflows	1,023,198,154	(2,005,050)	1,021,193,104	-0.20%
Total Liabilities & Deferred Inflows	(1,147,804,389)	(923,927)	(1,148,728,316)	0.08%
Total Net Position	124,606,235	2,928,977	127,535,212	2.35%
Operating Revenues	(524,970,419)	2,429,847	(522,540,572)	-0.46%
Operating Expenses	665,294,987	(78,400)	665,216,587	-0.01%
Nonoperating (Revenues) Exp	(247,037,657)	(384,363)	(247,422,020)	0.16%
Change in Net Position	(128,842,759)	1,967,084	(126,875,675)	-1.53%

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows				Liabilities & Deferred Inflows				Operating Revenues		Operating Expenses		Nonoperating (Revenues) Exp		Net Position		Net Effect on Following Year	
			Current		Noncurrent		Current		Noncurrent		DR	CR	DR	CR	DR	CR	DR	CR	Change in Net Position	Net Position
			DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR
To post turnaround effect for prior year entry - To adjust the allowance for uncollectible accounts to account for the correct beginning balance		F	0	0	0	0	(470,153)	0	0	470,153							0	0		
	Net Position									470,153							N/A - Turnaround			
	Student Tuition and Fees, net						(470,153)													
To post turnaround effect for prior year entry - To show effect of entries waived by the campuses for invoices received after year end which should have been accrued and paid (Systemwide)		F	0	0	0	0	0	(491,740)	0	491,740							0	0		
	Net Position									491,740							N/A - Turnaround			
	Expense							(491,740)												
To adjust allowance for CCD to correct for miscalculation at year-end.		J	(2,900,000)	0	0	0	2,900,000	0	0	0							0	0		
	Accounts Receivable, Net		(2,900,000)														N/A - Judgemental			
	Student Tuition and Fees, net						2,900,000													
To record receivable and revenue related to CCA HEERF lost revenue received but not recorded.		F	894,950	0	0	0	0	0	(894,950)	0							894,950	(894,950)		
	Accounts Receivable, Net		894,950															(894,950)		
	COVID Stimulus Direct funding								(894,950)								894,950			
To show effect of entries waived by the campuses for invoices received after year end which should have been accrued and paid (Systemwide)		F	0	0	(2,131,967)	0	0	2,131,967	0	0							(2,131,967)	2,131,967		
	Expense							2,131,967									(2,131,967)			
	Accounts Payable				(2,131,967)													2,131,967		
To adjust OPEB expense and deferred inflows		F	0	0	1,718,627	0	0	(1,718,627)	0	0							1,718,627	(1,718,627)		
	Deferred inflows - OPEB				1,718,627												1,718,627	(1,718,627)		
	Expenses							(1,718,627)												
To adjust for PPSC's over recognition of HEERF Revenue		F	0	0	(510,587)	0	0	0	510,587	0							(510,587)	510,587		
	HEERF Direct Federal Funds								510,587								(510,587)			
	Unearned Revenue				(510,587)													510,587		
<b>Total passed adjustments</b>			(2,005,050)	0	(923,927)	0	2,429,847	(78,400)	(384,363)	961,893							(28,977)	28,977		
																		<b>Impact on Change in Net Position</b>	<b>1,967,084</b>	
																			<b>Impact on Net Position</b>	<b>2,928,977</b>