



FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORTS

YEAR ENDED JUNE 30, 2018

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MANAGEMENT'S LETTER

The purpose of this report is to provide readers with fiscal information on the activities and financial condition of the Aims College District (the District) as a whole. It incorporates the financial activities of Aims College (the College), its blended component units, and those of the Aims Community College Foundation (the Foundation), its discretely presented component unit.

The report consists of the District's basic financial statements and notes thereto, actual to budget comparisons, and additional information. We have also included our analysis of the financial results of the District. These statements were prepared in conformity with accounting principles generally accepted in the United States of America, Colorado Higher Education Standards, and other applicable guidelines. Readers are encouraged to read the accompanying notes along with their review of the financial statements.

The management of the District is responsible for the integrity and objectivity of these financial statements, which are presented on the accrual basis of accounting and, accordingly, include some amounts based on judgment. Other financial information in the annual report is consistent with information in the financial statements. A system of internal accounting controls is in place to assure that the financial reports and the books of accounts properly reflect the transactions of the District.

The Board of Trustees of the District monitors the financial and accounting operations of the institution, including the review and discussion of periodic financial statements and the evaluation and adoption of budgets.

The financial statements of the District and notes thereto have been audited by BKD, LLP. Their opinions follow.

A handwritten signature in black ink, appearing to read 'Chuck Jensen', with a stylized flourish at the end.

Chuck Jensen
Vice President for Administrative Services

INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees
Aims College District
Greeley, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Aims College District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Aims Community College Foundation (the Foundation), which represent 100 percent of the assets, net assets, and revenues of the discretely presented component unit. 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 Aims Community College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation, the District's discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

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

Emphasis of a Matter

During fiscal year ended June 30, 2018, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle (see Note 10). As of July 1, 2017, the District's net position was restated to reflect the impact of this adoption. Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Aims College District's basic financial statements. The accompanying supplementary information, including the Actual to Budget Comparison – All Funds and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Overview

We are pleased to present this management's discussion and analysis (MD&A) of the Aims College District (the District). This discussion and analysis is intended to make the District's financial statements easier to understand and to communicate its financial situation in an open and accountable manner. It provides an objective analysis of the District's financial position and results of operations as of and for the fiscal year ended June 30, 2018. District Management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

The presented information relates to the financial activities of the District, and focuses on the financial condition and results of operations as a whole. The financial statements for the Aims Community College Foundation, a legally separate organization whose operations benefit the District, are discretely presented within the District's financial statements. Unless otherwise noted, the information and financial data included in the MD&A relate solely to the District.

Understanding the Financial Statements

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

- The *Independent Auditors' Report* presents an unmodified opinion prepared by the District's auditors, CliftonLarsonAllen, LLP (CLA, LLP), an independent certified public accounting firm, on the fairness, in all material respects, of the District and its discretely presented component units' respective financial position.
- The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District at a point in time (June 30, 2018). Its purpose is to present a financial snapshot of the District. This statement aids readers in determining the assets available to continue the District's operations.
- *Statement of Revenues, Expenses, and Changes in Net Position* presents the total revenues earned and expenses incurred by the District for operating, nonoperating, and other related activities during a period of time (the year ended June 30, 2018). Its purpose is to assess the District's operating results.
- *Statement of Cash Flows* presents the District's cash receipts and payments during a period of time (the year ended June 30, 2018). Its purpose is to assess the District's ability to generate net cash flows and meet its payment obligations as they come due.
- *Notes to Financial Statements* present additional information to support the financial statements and are commonly referred to as Notes. Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found. We suggest that you combine this financial analysis with relevant nonfinancial indicators to assess the overall health of the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Financial Highlights

The following are significant financial highlights for the fiscal year ended June 30, 2018:

- At June 30, 2018, District assets totaled \$231.4 million. These assets included \$79.4 million of cash and investments, \$144.2 million of net capital assets, and \$7.8 million of other assets.
- District liabilities include \$5.3 million of current liabilities estimated to be payable within the 2019 fiscal year. Noncurrent liabilities in the amount of \$197.3 million include:
 - \$1.6 million for employee future compensated absences,
 - \$4.5 million for District's proportionate share of the net Other Postemployment Benefits (OPEB) liability as required by Governmental Accounting Standards Board Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and
 - \$191.2 million for the District's proportionate share of the net Colorado State Public Employees Retirement Association (PERA) pension liability as required by Governmental Accounting Standards Board Statement No. 69 (GASB 68), *Accounting and Financial reporting for Pensions*.
- The District implemented Governmental Accounting Standards Board (GASB) Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This accounting standard addresses accounting and financial reporting of post-employment benefits other than pensions (OPEB) provided by government employers. Implementation of this standard required the District to record a net OPEB liability of \$4.5 million at June 30, 2018. The implementation of GASB 75 resulted in a \$4.3 million restatement of net position as of July 1, 2017 to show the retroactive effect of this statement.
- GASB 68 and GASB 75 also required the District to record deferred outflows of resources and deferred inflows of resources related to pensions and OPEB. These deferred inflows and outflows primarily reflect the changes in actuarial assumptions used to value the overall PERA pension and OPEB liabilities that will be recognized in future periods. Deferred PERA pension outflows of resources were \$41.3 million and \$58.6 million at June 30, 2018 and 2017, respectively. Deferred inflows of resources related to PERA pensions were recorded in the amount of \$7.2 million and \$0.5 million at June 30, 2018 and 2017, respectively. Deferred OPEB outflows of resources were \$0.2 million at June 30, 2018. Deferred inflows of resources related to OPEB were \$0.08 million at June 30, 2018.
- The District's net position at June 30, 2018 was comprised of \$2.0 million restricted by donor, grantor, or other external party intentions; \$143.7 million of net investments in capital assets. Unrestricted net position of negative \$82.7 million is comprised of \$78.7 million of unrestricted net position which may be used to meet the District's ongoing obligations, less the District's negative unrestricted net position for pension and OPEB related items (\$161.4 million). The total net position of the District was \$63.0 million and \$99.5 million at June 30, 2018 and 2017, respectively. This decrease in total net position of \$36.5 million is detailed on the 2018 Statement of Revenues, Expenses, and Changes in Net Position and is primarily the result of the Districts' increased pension and OPEB liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

- Operating revenues from student tuition, restricted grants and other operating revenues decreased by 0.5%, and were \$15.1 million and \$15.2 million in fiscal years 2018 and 2017, respectively.
- Nonoperating revenues increased 7.2% and were \$71.5 and \$66.7 million in fiscal years 2018 and 2017, respectively. This increase was the result of increases from property tax revenues (\$2.7 million increase), oil and gas royalty revenues (\$1.1 million increase), state appropriations (\$0.4 million increase), and Federal Pell grant funding (\$0.4 million increase).
- Total operating expenses increased 12.3% and were \$118.9 million and \$105.8 million in fiscal years 2018 and 2017, respectively. The District's pension and OPEB expenses increased by \$7.7 million, and total expense increased by \$13.1 million.
- During fiscal year 2018, the District purchased land in Windsor (\$3.7 million), plus land and an airplane hanger in Loveland (\$2.7 million) with the intent of expanding academic and aviation programs at these locations.
- The District completed \$30.9 million and \$2.2 million of building and land improvement projects during fiscal years 2018 and 2017, respectively. As a result of the completion of major capital projects, depreciation expense for the District increased 18.6% during fiscal year 2018. Depreciation expense was \$7.9 million and \$6.7 million for fiscal year 2018 and 2017, respectively. The District had \$1.1 million and \$21.6 million in building and land improvement construction projects in progress as of June 30, 2018 and 2017, respectively.

Enrollment Highlights

The tables below summarize student enrollment data over the past five years. The District's unduplicated student headcount has steadily increased since 2016. Full time equivalent enrollment (FTE, Students enrolled in 30 or more credit hours per year) has steadily increased since 2016.

Student Headcount Enrollment		
Fiscal Year	Unduplicated headcount	Percent Change
2018	8,436	5.9%
2017	7,966	5.8%
2016	7,530	6.0%
2015	7,107	-2.0%
2014	7,253	-0.3%

Student FTE Enrollment								
Fiscal Year	Resident FTE				Nonresident FTE		Combined FTE	
	In-District	Out-of-District	Total	Percent Change	Out-of-State	Percent Change	Total	Percent Change
2018	2,782	761	3,543	5.6%	122	8.0%	3,665	5.7%
2017	2,701	655	3,356	2.9%	113	17.7%	3,469	3.4%
2016	2,607	653	3,260	3.2%	96	35.2%	3,356	3.9%
2015	2,517	642	3,159	-4.3%	71	-7.8%	3,230	-4.4%
2014	2,640	662	3,302	-3.1%	77	-26.7%	3,379	-3.8%

The growth in headcount is from three main areas of growth:

1. Concurrent high school students taking college classes while still in high school,
2. Students completing coursework for personal or professional development, and
3. Students seeking a college degree.

High school students enrolled in a concurrent high school/college program, as well as students taking courses for personal or professional development, tend to take less than four courses during a year. As a result, student FTE generated by these populations of students is less than the headcount for these students. While headcounts have grown by 5.9%, student FTE has grown by 5.7%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Net Position

The Statement of Net Position is a snapshot of the District's financial resources at June 30, 2018. This statement presents:

- The fiscal resources of the District identified as assets;
- the use of net position that applies to future periods identified as deferred outflows of resources;
- the claims against those resources identified as liabilities;
- the acquisition of net position that applies to future periods identified as deferred inflows of resources;
- and the residual net resources available for future operations identified as net position.

The Statement of Net Position is prepared using the accrual basis of accounting and an accounting methodology similar to that used by private sector companies. Assets and liabilities are classified by liquidity as either current or noncurrent. Net Position is classified in three basic categories: net investment in capital assets, restricted, and unrestricted. The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between these financial statement elements is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the strength of the financial position of the District. Consideration of other nonfinancial factors may be relied upon to assess the overall health of the District.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
ASSETS		
Current assets	\$ 50,526,569	\$ 58,964,938
Noncurrent assets-Long term investments	36,676,556	33,929,486
Capital assets	144,181,987	131,208,638
TOTAL ASSETS	231,385,112	224,103,062
DEFERRED OUTFLOWS OF RESOURCES	41,517,659	58,560,104
LIABILITIES		
Current liabilities	5,273,383	8,333,869
Noncurrent liability-Employee compensated absences	1,597,386	1,563,994
Noncurrent liability-Net pension liability	191,230,653	172,723,035
Noncurrent liability-OPEB liability	4,486,921	-
TOTAL LIABILITIES	202,588,343	182,620,898
DEFERRED INFLOWS OF RESOURCES	7,277,488	531,650
NET POSITION		
Net investment in capital assets	143,717,953	127,360,440
Restricted for expendable purposes	2,046,155	2,308,393
Unrestricted	(82,727,168)	(30,158,215)
TOTAL NET POSITION	\$ 63,036,940	\$ 99,510,618

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Assets

Current Assets

Current assets were \$50.5 million and \$59.0 million for the fiscal years ended June 30, 2018 and 2017, respectively. This \$8.5 million decrease was primarily due to a \$10.2 million decrease in total cash and cash equivalents, offset by \$0.2 million increase in short-term investments held by the District and \$1.5 million increase in property tax receivable and other current assets. The decrease in cash and cash equivalents was due to cash purchases of land in Windsor (\$3.7 million) and Loveland (\$2.7 million), as well as cash payments for completion of capital projects. All property taxes receivable at June 30, 2018 were received by the District by August 31, 2018. Other current assets include accounts receivable, inventories and prepaid expenses, which remained relatively stable.

Other Noncurrent Assets

Long-term investments are investments held by the District with a maturity date extending beyond twelve months. The majority of these investments are held to finance future campus capital construction and repair projects. Long-term investments were \$36.7 million and \$33.9 million at June 30, 2018 and 2017, respectively. Additional information regarding the District's investments and investment policies is provided in Note 3 of the accompanying notes to the District's financial statements.

Capital Assets

The District's single largest financial resource is its campus facilities and capital assets. Capital assets consist of District property and improvements that have a unit cost of \$5,000 or more and an initial useful life extending beyond one year.

Net capital assets increased \$13.0 million (9.0%) during fiscal year 2018. Capital assets of \$207.4 million, net of \$63.2 million accumulated depreciation, totaled \$144.2 million at June 30, 2018. Capital assets of \$192.4 million, net of \$61.2 million accumulated depreciation, totaled \$131.2 million at June 30, 2017.

This increase in net capital assets is primarily attributable to capital acquisitions and ongoing capital construction projects. Twenty-two building and land improvement projects, totaling \$30.9 million, were completed during fiscal year 2018. The largest of these projects was the complete renovation of the Applied Technology and Trade Center (ATTC - \$24.6 million). At June 30, 2018, the District had invested \$1.1 million in capital construction projects in progress at year-end. Significant capital construction projects in progress at year-end included the 50th Avenue Entrance land improvement project and the North Campus building renovation project. Total expenditures for capital construction projects were \$11.8 million and \$20.6 million for fiscal years 2018 and 2017, respectively.

Note 6 of this report summarizes the changes in capital assets between June 30, 2017 and June 30, 2018. Current accounts and retainage payable liabilities related to capital construction totaled \$0.5 million and \$3.8 million for June 30, 2018 and 2017, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Liabilities

Current Liabilities

Current liabilities include amounts owed to vendors, personnel commitments, and unearned revenue due to be paid or earned within one year. Current liabilities were \$5.3 million and \$8.3 million at June 30, 2018 and June 30, 2017, respectively. Accounts payable and accrued liabilities are the District's most significant current liabilities, and totaled \$3.0 million and \$6.5 million at June 30, 2018 and 2017, respectively. These liabilities decreased \$3.5 million in fiscal year 2018 primarily as the result of completing major capital construction projects during the fiscal year.

Accounts payable liabilities at June 30, 2018 were \$1.7 million and included amounts payable in July and August 2018 for capital construction and technology services. Accrued liabilities of \$1.3 million were primarily for employee payroll and fringe benefits paid during July 2018.

Unearned revenues of \$0.7 million includes tuition and fees received by June 30, 2018 for services to be provided in fiscal year 2019. It also includes revenues received from grants, contracts, and the Aims Foundation that have not yet been earned. These amounts will be recognized as revenue in future periods after all conditions have been satisfied.

Noncurrent Liabilities

The District's noncurrent liabilities include the District's net pension liability required by GASB 68, its net OPEB liability required by GASB 75, and its commitments to pay employee compensated absences for vacation and sick leave.

GASB 68 requires the District to recognize the District's proportionate share of the collective net pension liability of the State of Colorado as a liability in the District's financial statements. Having employers record their share of the collective net pension liability provides transparency to financial statement users as to the entire net pension liability and pension expense of the cost-sharing plan for the State of Colorado. Details concerning the District's GASB 68 pension liability and expense are provided by Note 8 of these financial statements.

The District's net pension liability required by GASB 68 was \$191.2 million and \$172.7 million at June 30, 2018 and 2017, respectively. This \$18.5 million change was due to the changes in assumptions in the actuarial valuation used to calculate the net pension liability. *The District has no legal obligation to fund this net pension liability; nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA.*

GASB 75 was implemented by the District during fiscal year 2018. GASB 75 requires the District to recognize the District's proportionate share of the collective net OPEB liability for the PERA Health Care Trust Fund as a liability in the District's financial statements. Having employers record their share of the collective net OPEB liability provides transparency to financial statement users as to the entire net OPEB liability and OPEB expense of the cost-sharing plan for the State of Colorado. Details concerning the District's GASB 75 OPEB liability and expense are provided by Note 10 of these financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The District's net OPEB liability required by GASB 75 was \$4.5 million at June 30, 2018. *The District has no legal obligation to fund this net pension liability; nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA.*

The District's noncurrent liability for employee compensated absences remained relatively stable between June 30, 2018 and June 30, 2017.

Net Position

Net position represents the resources available for future operations. The District's total net position equals assets plus deferred outflows of resources, reduced by liabilities and deferred inflows of resources.

Total net position was \$63.0 million and \$99.5 million at June 30, 2018 and 2017, respectively. The District's educational and auxiliary activities contributed \$15.1 million in net position; nonoperating revenues contributed \$71.5 million. The District's GASB 68 pension expense was \$48.0 million, its OPEB expense was \$0.4 million, and a prior period accounting adjustment related to implementing GASB 75 in the amount of \$4.3 million was the largest reduction to net position. GASB 68 and GASB 75 resulted in a decrease of \$214.1 million in total net position. Total net position exclusive of the negative net position for pension and OPEB would be approximately \$277.1 million.

The District's largest class of net position is its capital assets, comprising \$143.7 million and \$127.4 million of the District's net position at June 30, 2018 and 2017, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position present the financial activity of the District over the fiscal year. 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 and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. A key component of this statement is the differentiation between operating and nonoperating activities.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	For the year ended June 30, 2018	For the year ended June 30, 2017
Operating Revenues:		
Net Tuition and Fees	\$ 10,018,762	\$ 9,680,782
Grants and contracts	4,450,651	4,684,138
Auxiliary operating revenue	462,582	470,709
Other operating revenues	136,653	307,583
Total Operating Revenues	15,068,648	15,143,212
Operating Expenses:		
Educational and general	110,472,163	98,651,460
Auxiliary	512,736	509,183
Depreciation and amortization	7,897,762	6,661,749
Total Operating Expenses	118,882,661	105,822,392
Operating Loss	(103,814,013)	(90,679,180)
Nonoperating Revenues (Expenses) and Gains (Losses)		
General property taxes	54,142,130	51,389,215
State appropriations	9,500,830	9,079,460
Federal nonoperating revenue	6,355,449	5,945,797
Investment income	323,371	244,421
Other nonoperating revenues	1,235,784	89,110
Loss on disposal of assets	(13,506)	(1,080)
Net Nonoperating Revenues	71,544,058	66,746,923
Capital contributions	56,800	92,100
Decrease in Net Position	(32,213,155)	(23,840,157)
Net Position, Beginning of Year, 2018 as restated for change in accounting principle	95,250,095	123,350,775
Net Position, End of Year	\$ 63,036,940	\$ 99,510,618

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (continued)

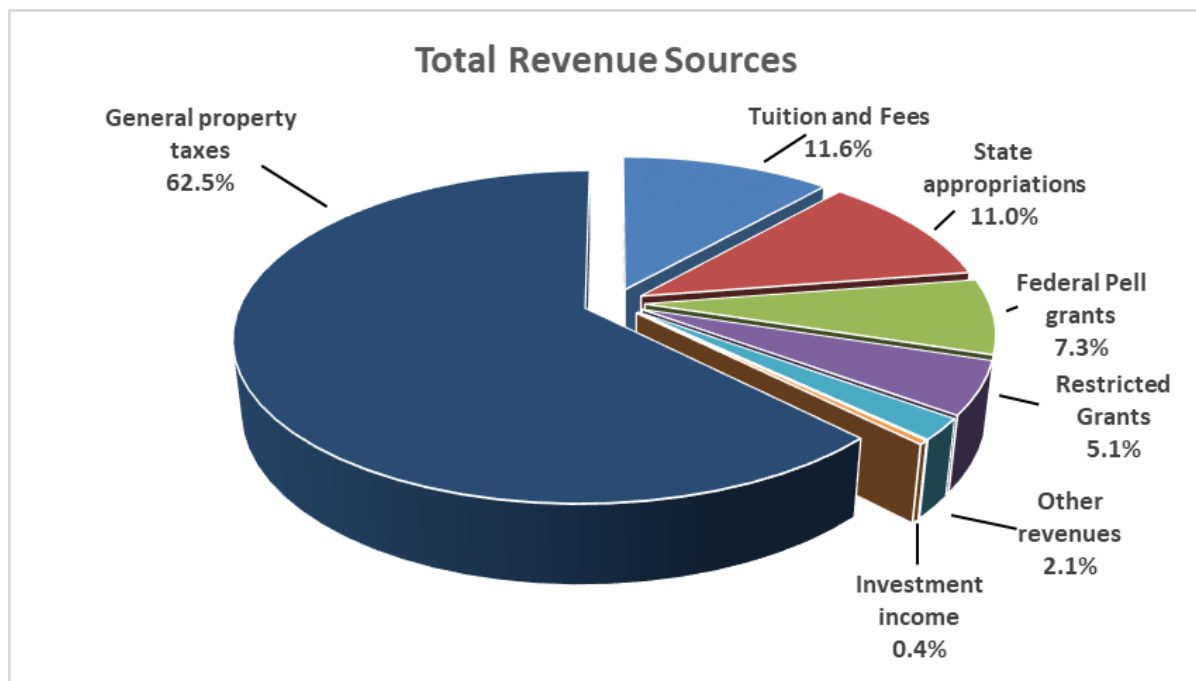
Revenues

Operating revenues are earned by providing goods and services to the various customers of the District. Operating expenses are paid to acquire or produce goods and services necessary to carry out the mission of the District. They are directly related to generating operating revenues.

Nonoperating revenues include investment income, state appropriations, property tax revenues, Pell grant revenue, capital grants and gifts, and gains or losses on the disposal of assets. These revenues are not earned from the sale of goods and services and are considered nonoperating.

Net revenue from all sources, net of scholarship allowances, totaled \$86.6 million and \$81.9 million for fiscal years ending June 30, 2018 and 2017, respectively. This \$4.7 million increase resulted primarily from increases in general property taxes and oil and gas revenues. Of the \$86.6 million in net revenue earned in fiscal year 2018, \$15.1 million was generated from operating revenues, and \$71.5 million was earned in nonoperating revenues.

The following chart shows the percentage breakout of total revenue by funding source for fiscal year 2018.



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (continued)

Revenues (continued)

Operating Revenues

Operating revenues are derived from tuition and fees, auxiliary activity, grants and contracts, and other operating revenues.

- Total operating revenues decreased by \$0.08 million, or negative .5%, between fiscal years 2017 to 2018. Tuition and fees, net of scholarship allowances increased by \$0.3 million, but was offset by a \$0.2 million decrease in federal, state and local grants, and a \$0.2 million decrease in all other operating revenues.
- Tuition and fees revenues, net of scholarship allowances, totaled \$10.0 million, and were 11.6% of total revenues. Fiscal year 2017 net tuition and fee revenues were \$9.7 million and were 11.8% of total revenues. Reporting standards require tuition and fees to be shown net of scholarship allowances, which were \$2.7 million and \$2.6 million fiscal years 2018 and 2017, respectively. Scholarship allowances are those portions of tuition and fees that are paid by other revenues, primarily federal and state grants for financial aid and general institutional scholarships (see Note 1). For the 2017-18 academic year, the District retained the same tuition rates in effect since 2011-12.
- Grant and contract revenues decreased by \$0.2 million in fiscal year 2018. The overall decline is attributable to a \$0.1 million increase in state and local grants, contracts, and gifts, offset by declines in federal grants in the amount of \$0.3 million.

Nonoperating Revenues

The District's nonoperating revenues are comprised of general property taxes, state appropriations, federal nonoperating revenue (Pell grant), investment income, and other nonoperating revenues.

- Total nonoperating revenues were \$71.5 million and \$66.7 million in fiscal years 2018 and 2017, respectively. This \$4.8 million increase was primarily due to increases in both general property tax revenues and oil and gas revenues.
- Property taxes represent the District's largest single largest source of revenue, generating 62.5% of total revenues to the District. General property tax revenues totaled \$54.1 million and \$51.4 million in fiscal years 2018 and 2017, respectively. Property tax revenues increased 5.4% due to an increased assessment of residential property and oil and gas values in Weld County. The base mill levy remained unchanged at 6.299 mills between fiscal years 2018 and 2017.
- Nonoperating Colorado state appropriation revenues increased slightly fiscal year 2018. Revenues were \$9.5 million, or 11.0% of total revenues, compared to \$9.1 million, or 11.1% of total revenues during fiscal years 2018 and 2017, respectively.
- Federal Pell grant revenue is considered a Federal entitlement program rather than a restricted grant program. Therefore, Pell grant revenue is recognized as nonoperating revenue. Federal Pell grant revenue was \$6.4 million and \$6.0 million in fiscal years 2018 and 2017, respectively. This increase is the result of a higher number of students qualifying for Federal Pell grant entitlements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (continued)

Expenses

Operating Expenses

Total operating expenses were \$118.9 million and \$105.8 million for fiscal years 2018 and 2017, respectively, an increase of \$13.1 million, or 12.3%. This increase was the result of the addition of GASB 75 OPEB expenses of \$0.4 million, plus GASB 68 pension expenses, which were \$48.0 million, a total of \$48.4 million in fiscal year 2018. GASB 68 pension expenses were \$40.6 million 2017, resulting in an increase of \$7.7 million in pension expenses. The remaining \$5.4 million increase in operating expenses was the net result of increases in personnel, operating and depreciation expenses, and student aid expense.

Personnel costs are the District's largest operating expense. Personnel expenses were \$84.8 million and \$75.2 million for fiscal years 2018 and 2017, respectively, and increase of \$9.6 million, or 12.7%. While personnel expenses for salary and fringe benefits increased by only \$1.8 million, the non-cash GASB 68 pension and GASB 75 OPEB expense outlined above, increased personnel expenses by \$7.8 million.

The remaining operating expenses of \$34.1 million increased a net amount of \$3.5 million in fiscal year 2018 for supplies (\$1.4 million), operating (\$0.3 million), student aid (\$0.7 million), and depreciation (\$1.2 million).

Management's Analysis of Functional Classifications

Operating expenses are reported by functional classification, which identifies the costs of programs and services provided by the District. The classifications tell why an expense was incurred, rather than what was purchased. Functional classifications are defined by the National Association of College and University Business Officers (NACUBO) and are utilized by public colleges and universities in the United States to allow for comparability between higher education institutions.

Each functional area in the following tables was adjusted by the portion of the non-cash benefits expense for GASB 68 and GASB 75 based on its proportion of PERA payroll (see Notes 8 and 9). The following two tables provide information regarding the District's expenditures by functional classifications excluding and including the pension and OPEB expenses for the fiscal years 2018 and 2017, respectively. The GASB 68 pension expense was \$48.0 million in fiscal year 2018, and \$40.6 million in fiscal year 2017. The GASB 75 OPEB expense was \$0.4 million in fiscal year 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (continued)

Management's Analysis of Functional Classifications

Functional Classification Operating Expenses by Function With Pension Expense Separately Identified

	Fiscal Year Ended June 30, 2018		
	Expenses before Pension & OPEB	Pension & OPEB	Total Expenses
	Expense	Expense	
Instruction	23,637,838	21,690,777	45,328,615
Public service	52,297	13,588	65,885
Academic support	8,481,926	8,750,448	17,232,374
Student services	6,449,253	6,399,080	12,848,333
Institutional support	9,636,045	8,849,487	18,485,532
Operation of plant	6,282,362	2,413,983	8,696,345
Student aid	7,815,079	-	7,815,079
Auxiliary	289,144	223,592	512,736
Depreciation and amortization	7,897,762		7,897,762
Total Operating Expenses	70,541,706	48,340,955	118,882,661

	Fiscal Year Ended June 30, 2017		
	Expenses before Pension Expense	Pension Expense	Total Expenses
Instruction	23,218,981	20,178,411	43,397,392
Public service	17,111	4,187	21,298
Academic support	7,550,009	6,399,943	13,949,952
Student services	5,800,602	5,008,801	10,809,403
Institutional support	9,224,901	6,853,520	16,078,421
Operation of plant	5,268,343	1,986,307	7,254,650
Student aid	7,140,344	-	7,140,344
Auxiliary	299,381	209,802	509,183
Depreciation and amortization	6,661,749	-	6,661,749
Total Operating Expenses	65,181,421	40,640,971	105,822,392

Variance Fiscal Year 2018 and 2017	5,360,285	7,699,984	13,060,269
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	Variance before Pension Expense	Pension Variance	Total Variances
Instruction	418,857	1,512,366	1,931,223
Public service	35,186	9,401	44,587
Academic support	931,917	2,350,505	3,282,422
Student services	648,651	1,390,279	2,038,930
Institutional support	411,144	1,995,967	2,407,111
Operation of plant	1,014,019	427,676	1,441,695
Student aid	674,735	-	674,735
Auxiliary	(10,237)	-	1,236,013
Depreciation and amortization	1,236,013	13,790	3,553
Total Operating Expenses variances	5,360,285	7,699,984	13,060,269

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (continued)

Management's Analysis of Functional Classifications (continued)

Instruction expenses increased in 2018 by \$1.9 million (4.5%) and were \$45.3 million and \$43.4 million for fiscal years 2018 and 2017, respectively. This increase is the result of the \$1.5 million increase in GASB 68 and GASB 75 pension and OPEB expenses, supplies (\$0.05 million) and other instructional operating expenses (\$0.5 million), and a decrease in instructional personal services (\$0.2 million).

Academic support expenses increased by \$3.3 million (23.5%). These expenses were \$17.2 million and \$13.9 million for fiscal years 2018 and 2017, respectively. This increase is attributable to the recognition of an additional \$2.4 million of GASB 68 and GASB 75 pension and OPEB expenses, increases for personnel services (\$1.0 million) and other academic support operating expenses (\$0.2 million), and a decrease in supplies (\$0.3 million).

Student services expenses increased \$2.0 million (18.9%) during fiscal year 2018. This increase is the result of an increase of \$1.4 million in GASB 68 and GASB 75 pension and OPEB expenses, salary and benefit expense (\$0.3 million), and supplies and operating (\$0.3 million).

Institutional support expenses increased \$2.4 million (15.0%) during fiscal year 2018. This increase included increases of \$2.0 million for GASB 68 and GASB 75 pension and OPEB expenses and personnel expenses (\$0.7 million), and a decrease in supplies and operating expenses (\$0.3 million).

Operation of plant expenses increased \$1.4 million (19.9%) during fiscal year 2018. The increase to its allocated of GASB 68 and GASB 75 pension and OPEB expenses was \$0.4 million. Other operation of plant expenses increased \$1.0 million as a result of increased square footage of new buildings. Operation of plant expenses totaled \$8.7 million and \$7.3 million in fiscal years 2018 and 2017, respectively.

Student aid expenses increased \$0.7 million (9.4%). This increase is the result of increased enrollment. Student aid expenses are not affected by GASB 68 or GASB 75 expenses.

Auxiliary expenses remained stable at \$0.5 million for fiscal years 2018 and 2017. Increases in allocated GASB 68 and GASB 75 pension and OPEB expenses (\$0.01) were offset by decreases in personnel expenses.

Depreciation expenses increased \$1.2 million (18.6%), and were \$7.9 million and \$6.7 million in fiscal years 2018 and 2017, respectively. During fiscal year 2018, \$30.9 million of capital projects were completed and placed into service, and \$1.4 million in equipment was purchased. These capital assets were depreciated during 2018 using the "half-year" accounting convention (6 months). Depreciation expense is not affected by GASB 68 or GASB 75 expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (continued)

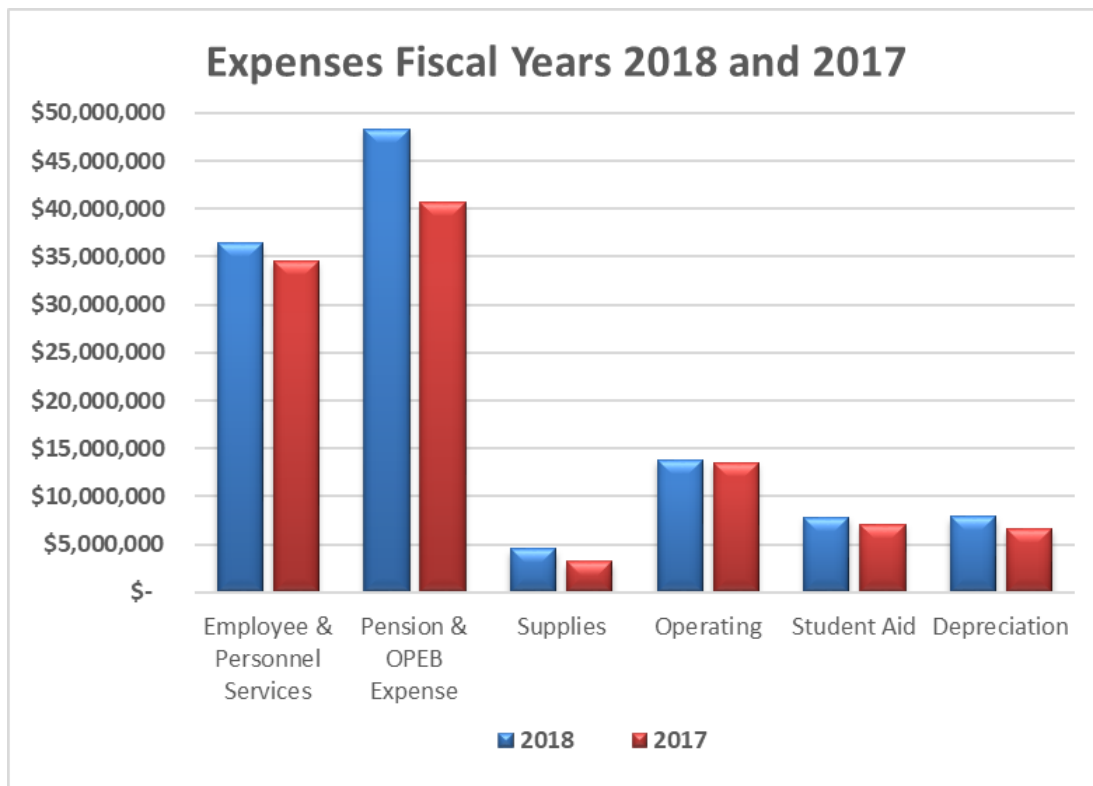
Management's Analysis of Natural Classifications

The District also summarized its expenses by their natural classification, which represents expenses by type, regardless of the program or service. The table below illustrates expenses by natural classifications. Primary expenditure increases and decreases were the result of salary and benefit increases, depreciation, and student aid changes as explained above.

Natural classifications

Operating Expenses by Natural Classification

	Year Ended		Variance
	June 30, 2018	June 30, 2017	
Employee & Personnel Services	\$ 36,419,398	\$ 34,597,263	\$ 1,822,135
Pension & OPEB Expense	48,340,955	40,640,971	7,699,984
Subtotal Personnel Services	84,760,353	75,238,234	9,522,119
Supplies	4,582,988	3,210,567	1,372,421
Operating	13,826,480	13,571,498	254,982
Student Aid	7,815,079	7,140,344	674,735
Depreciation	7,897,762	6,661,749	1,236,013
Total Operating expenses	\$ 118,882,661	\$ 105,822,392	\$ 13,060,269



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the past fiscal year.

The primary cash received from operating activities includes tuition and fees, grant and gift revenues, and auxiliary revenue. Cash outlays for operations include payments for salaries, wages, benefits, supplies, and services. Just as the general property taxes and state appropriations are not reported as operating revenue, cash flows from both are considered noncapital financing rather than as operating sources.

Significant changes in this statement are noted below:

- Operating activities of the District required \$53.2 million and \$48.3 million of cash in fiscal years 2018 and 2017, respectively. This \$4.9 million increase in cash used is primarily due to decreased cash payments received of \$0.7 million from grants, gifts, and sales of services, and increased payments in the amount of \$5.4 million to and for employee compensation (\$2.4 million), suppliers (\$2.1 million), and scholarships (\$0.9 million). Cash paid to and for employees was \$42.2 million and \$39.7 million for fiscal years 2018 and 2017, respectively.
- Cash flows provided by non-capital financing activities increased 5.9% (\$3.9 million), and were \$70.0 million and \$66.1 million in fiscal years 2018 and 2017, respectively. This increase is primarily the result of the District receiving increased general property tax revenues (\$1.7 million), and royalties (\$1.1 million). Property taxes received during fiscal year 2018 were the result of property taxes assessed in calendar year 2016. The District expects that General Property Tax revenues received will continue to remain steady in fiscal year 2019.
- Cash used for capital and related financing activities increased 30.4%, and were \$24.2 million and \$18.6 million in fiscal years 2018 and 2017, respectively. This is the result of the District's completion of major capital construction projects in fiscal year 2018.
- In fiscal year 2018, cash used for investing activities was \$2.7 million. The District purchased \$14.9 million in new investments, sold \$11.2 million of investments, and received \$1.0 million in realized investment earnings.
- Overall, the District's cash position decreased 26.2%. Cash and cash equivalents were \$28.5 million and \$38.7 million at June 30, 2018 and 2017, respectively. This decrease is primarily due to the increase in payments to employees, suppliers, scholarship recipients, and for capital acquisitions as discussed above.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Statement of Cash Flows (continued)

Condensed Statement of Cash Flows

	For the year ended June 30, 2018	For the year ended June 30, 2017
Cash Flows from Operating Activities:		
Tuition and fees	\$ 10,197,428	\$ 9,025,606
Grants and gifts	4,465,116	4,985,286
Other cash receipts	658,430	835,588
Payments to or for employees	(42,176,619)	(39,741,020)
Payments to suppliers	(18,422,506)	(16,330,241)
Scholarships disbursed	(7,960,505)	(7,098,860)
Net cash used in operating activities	(53,238,657)	(48,323,641)
Cash Flows from Nonoperating, Capital and Investing Activities:		
State appropriations, noncapital	9,288,093	9,015,258
Federal revenues, noncapital	6,346,784	5,945,797
General property taxes, noncapital	52,722,811	51,067,556
Other noncapital financing activities	1,610,032	66,854
Acquisition or construction of capital assets (net)	(24,211,981)	(18,571,660)
Purchases of investments	(14,933,362)	(21,038,670)
Proceeds from sales of investments	11,243,232	12,687,347
Investment earnings	1,019,494	441,082
Net cash provided by Nonoperating, Capital and Investing Activities	43,085,103	39,613,564
Increase (Decrease) in Cash and Cash Equivalents	(10,153,554)	(8,710,077)
Cash and Cash Equivalents, Beginning Year	38,691,223	47,401,300
Cash and Cash Equivalents, End of year	\$ 28,537,669	\$ 38,691,223

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Economic Outlook

Factors affecting the future of the District include the risk of changing student enrollment, and the possibility of decreased funding from District property taxes and state appropriations. Each of these factors is sensitive to the condition of the local and statewide economies. Other factors include the ability of the District to meet the educational needs of the community, including underprepared students, and attracting and retaining qualified faculty and staff.

To manage student enrollment, the District has developed several programs to improve student success and retention. In fiscal year 2018, the District purchased additional land adjacent to the Public Safety Institute and Automotive and Technology Center at the existing Windsor Campus. The District also purchased land and an airplane hanger in Loveland to meet the expanding growth of the aviation program.

The state's economic situation is a concern to the District and the higher education community as a whole. On a positive note, the State is experiencing positive economic conditions and low unemployment rates. State funding is expected to continue to be stable throughout fiscal year 2019. This should be helpful for students who are working to learn the skills they need to meet the growing employment demands of Colorado.

The growth and the assessed valuation of property within the taxing district play a critical role. Six counties contribute to the assessed value of the taxing district, with the largest contribution coming from Weld County. For fiscal year 2018, property tax revenue was derived primarily from oil and gas production in Weld County. The unstable funding swings in oil and gas property tax revenues require careful monitoring by the District when planning for the future.

Additionally, the District analyzes tuition rates annually and adjusts tuition based on funding mix and projected costs. The District's tuition rates are less than all thirteen of the Colorado State System community colleges and are competitive with Colorado Mountain College, a similarly funded Colorado community college. The District has maintained the same tuition rates since fiscal year 2011-12.

The District will continue to explore revenue growth and cost containment solutions that will support its educational mission and strengthen its presence in the community.

Requests for Information

This financial report is designed to provide a general overview of the Aims College District's finances. If you have questions regarding any of the information provided in this report, or if you have a request for additional financial information regarding the District, please contact the Vice President for Administrative Services, Aims College District, P.O. Box 69, 5401 W. 20th Street, Greeley, Colorado, 80634.

Requests for copies of the 2018 financial statements for Aims Community College Foundation should be also addressed to the Vice President for Administrative Services at the address provided above.



BASIC FINANCIAL STATEMENTS

AIMS COLLEGE DISTRICT
STATEMENT OF NET POSITION
As of June 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 28,537,669
Short-term investments	14,185,378
Student accounts receivable, net of allowance of \$271,626	553,733
Accounts receivable	1,547,387
Property tax receivable	4,926,477
Inventories	100,018
Prepaid expenses and other current assets	675,907
Total Current Assets	<u>50,526,569</u>

Noncurrent Assets:

Long-term investments	<u>36,676,556</u>
Total Long-Term Investments	<u>36,676,556</u>

Nondepreciable Capital Assets:

Land	14,773,512
Land improvements	2,931,537
Art/historical figures	42,132
Construction-in-progress	1,083,795

Depreciable Capital Assets (Net):

Land improvements	7,736,473
Buildings and improvements	109,351,605
Vehicles	511,614
Equipment and furniture	7,751,319
Total Capital Assets (Net)	<u>144,181,987</u>

Total Noncurrent Assets	<u>180,858,543</u>
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TOTAL ASSETS	<u>231,385,112</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources-Pension	41,287,614
Deferred outflows of resources-OPEB	230,045
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>41,517,659</u>

AIMS COLLEGE DISTRICT
STATEMENT OF NET POSITION
As of June 30, 2018
(Continued)

LIABILITIES

Current Liabilities:	
Accounts payable	1,734,180
Accrued liabilities	1,284,451
Unearned revenue	682,393
Compensated absence liabilities, current portion	399,346
Deposits held in custody for others	1,173,013
Total Current Liabilities	<u>5,273,383</u>
Noncurrent Liabilities:	
Compensated absence liabilities	1,597,386
Net pension liability	191,230,653
Net OPEB liability	4,486,921
Total Noncurrent Liabilities	<u>197,314,960</u>
TOTAL LIABILITIES	<u>202,588,343</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources-Pension	7,202,423
Deferred inflows of resources-OPEB	75,065
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,277,488</u>

NET POSITION

Net investment in capital assets	143,717,953
Restricted for expendable purposes	
TABOR reserves	2,026,038
Nongovernmental grants and gifts	20,117
Unrestricted	(82,727,168)
TOTAL NET POSITION	<u><u>\$ 63,036,940</u></u>

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
As of June 30, 2018

Assets	
Cash and cash equivalents	\$ 1,121,381
Operating investments	2,592,050
Contributions receivable, net	2,751
Other receivables	6,654
Endowment	
Investments	1,869,209
Beneficial interest in perpetual trust	2,008,342
Total assets	<u>\$ 7,600,387</u>
Liabilities and Net Assets	
Accounts payable	<u>\$ 288</u>
Total liabilities	<u>288</u>
Net Assets	
Without donor restrictions	1,055,326
With donor restrictions	
Restricted by time or purpose	3,958,605
Restricted in perpetuity	<u>2,586,168</u>
Total net assets	<u>7,600,099</u>
Total liabilities and net assets	<u>\$ 7,600,387</u>

AIMS COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

REVENUES

Operating Revenues:

Student tuition and fees, net of scholarship allowances of \$2,743,036	\$ 10,018,762
Federal grants and contracts	1,093,411
State and local grants, contracts and gifts	3,357,240
Sales and services of educational activities	77,433
Auxiliary operating revenue	462,582
Other operating revenue	59,220
Total Operating Revenues	<u>15,068,648</u>

EXPENSES

Operating Expenses:

Educational and general	
Instruction	45,328,615
Public service	65,885
Academic support	17,232,374
Student services	12,848,333
Institutional support	18,485,532
Operation of plant	8,696,345
Student aid	7,815,079
Depreciation and amortization	7,897,762
Auxiliary	512,736
Total Operating Expenses	<u>118,882,661</u>
Operating Loss	<u>(103,814,013)</u>

NONOPERATING REVENUES (EXPENSES)

General property taxes	54,142,130
State appropriations	9,500,830
Federal nonoperating revenue	6,355,449
Investment income	323,371
Other nonoperating revenues	1,235,784
Loss on disposal of assets	(13,506)
Net Nonoperating Revenues	<u>71,544,058</u>

Income Before Other Revenues **(32,269,955)**

Capital contributions 56,800

Decrease in Net Position **(32,213,155)**

Net Position, beginning of year, as previously reported **99,510,618**

Adjustment for change in accounting principle (4,260,523)

Net Position, Beginning of year, as restated **95,250,095**

Net Position, End of Year **\$ 63,036,940**

See accompanying notes to financial statements

**AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 260,092	\$ 162,001	\$ 422,093
In-kind contributions	426,738	116,841	543,579
Net investment return	36,457	375,965	412,422
Grants	-	10,979	10,979
Special events revenue	66,424	9,165	75,589
Net assets released from restrictions	329,991	(329,991)	-
Total revenue, support, and gains	<u>1,119,702</u>	<u>344,960</u>	<u>1,464,662</u>
Expenses			
Program services expense			
Student scholarships	133,351		133,351
Support for academic programs	162,308		162,308
Support for student services	13,575		13,575
Other College programs	2,804		2,804
Total program expenses	<u>312,038</u>	<u>-</u>	<u>312,038</u>
Supporting services expense			
Management and general	381,037		381,037
Fundraising and development	109,303		109,303
Total supporting services expenses	<u>490,340</u>	<u>-</u>	<u>490,340</u>
Total expenses	<u>802,378</u>	<u>-</u>	<u>802,378</u>
Refund to donor	<u>-</u>	<u>(10,500)</u>	<u>(10,500)</u>
Change in Net Assets	317,324	334,460	651,784
Net Assets, Beginning of Year (Restated)	<u>738,002</u>	<u>6,210,313</u>	<u>6,948,315</u>
Net Assets, End of Year	<u>\$ 1,055,326</u>	<u>\$ 6,544,773</u>	<u>\$ 7,600,099</u>

**AIMS COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018**

Cash Flows from Operating Activities:

Cash Received	
Tuition and fees	\$ 10,197,428
Grants and gifts	4,465,116
Sales of services	79,478
Sales of products	462,582
Receipts from Foundation	62,390
Other receipts	53,980
Cash Payments	
Payments to or for employees	(42,176,619)
Payments to suppliers	(18,422,506)
Scholarships disbursed	(7,960,505)
Net cash used in operating activities	<u>(53,238,657)</u>

Cash Flows from Noncapital Financing Activities

State appropriations, noncapital	9,288,093
Federal revenues, noncapital	6,346,784
General property taxes, noncapital	52,722,811
Decrease in deposits held in custody for others	374,248
Other noncapital financing activities - royalties	1,235,784
Direct Loans receipts	2,855,963
Direct loans disbursements	(2,855,963)
Net cash provided by noncapital financing activities	<u>69,967,720</u>

Cash Flows From Capital and Related Financing Activities

Acquisition or construction of capital assets	(20,385,127)
Proceeds from sale of capital assets	21,344
Payment of prior year payables for capital assets	(3,848,198)
Net cash used in capital & related financing activities	<u>(24,211,981)</u>

Cash Flows from Investing Activities:

Purchases of investments	(14,933,362)
Proceeds from sales of investments	11,243,232
Investment earnings or (loss)	1,019,494
Net cash used by investing activities	<u>(2,670,636)</u>

Decrease in Cash and Cash Equivalents	(10,153,554)
Cash and Cash Equivalents, Beginning Year	38,691,223
Cash and Cash Equivalents, End of year	<u>\$ 28,537,669</u>

AIMS COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018
(Continued)

Reconciliation of operating loss to net cash used in operating activities:	
Operating Loss	\$ (103,814,013)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	7,897,762
Changes in operating assets, liabilities and deferred outflows and inflows:	
Receivables, net	308,141
Inventory, prepaid expenses and other assets	(187,653)
Deferred outflows of resources	17,042,445
Accounts payable and accrued liabilities	(140,367)
Unearned revenues	115,357
Compensated Absences	41,739
Deposits held in custody for others	18,078
Net Pension and Net OPEB liability	18,734,016
Deferred inflows of resources	6,745,838
Net cash used in operating activities	<u>\$ (53,238,657)</u>
Noncash capital and related financing activities and investing activities:	
Construction accounts payable and retainages	\$ (464,034)
Gain (loss) on disposal of capital assets	(13,506)
Donated Assets	56,800
Unrealized gain(loss) on investment	(554,865)
<i>See accompanying notes to financial statements</i>	



NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Aims College District (the District) is a self-governing college District with direct taxing authority. The District was formed in January 1967 to serve the post-high school educational needs, including vocational and adult education, of Weld County, Colorado and adjacent counties. Aims College District operates under the name of Aims Community College.

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

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

Blended Component Unit

The Aims Leasing Corporation (the Corporation), a Colorado not-for-profit corporation, was established on February 2, 2002, to acquire real and personal property to be used by the District. All assets and liabilities held by the Corporation were transferred to the District in 2017. During the fiscal year ended and as of June 30, 2018, there was no activity related to the Corporation.

The Aims College Campus Planned Community Association (the Association), a not-for-profit corporation under the Colorado Revised Nonprofit Corporation Act, was incorporated August 30, 2006, and was created pursuant to a Declaration (the Declaration) by the District to acquire real and personal property to be used by the District or the Association. The Declaration created separate ownership of a planned community unit, and for the ownership and management by the Association of the common elements appurtenant thereto. During fiscal year ended and as of June 30, 2018 there was no activity related to the Association.

These entities are blended with the District because they provide services entirely to the District. Separate financial statements for the blended component units are not issued.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely Presented Component Unit

The Aims Community College Foundation (the Foundation), a not-for-profit corporation under Article 40, Title 7 of the Colorado Revised Statutes of 1973, was established in 1979 to promote the welfare, development, growth, and well-being of the District, and also to permit the Foundation to engage in such activities as may be beyond the scope of the Trustees of the District. In addition, the Foundation is concerned and involved in the affairs of the community. The Foundation is a separate legal entity with its own Board of Trustees.

Although the District does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the District. Because these restricted resources held by the Foundation can be used only by, or for the benefit of the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

The Foundation contributed \$164,202 for program services to the District and \$133,350 for student scholarships during the year ended June 30, 2018. In addition, the Foundation provided \$543,580 of in-kind contributions to the District. The District has recorded \$991,824 as deposits held in custody for others on behalf of the Foundation as of June 30, 2018.

The financial statements of the Foundation may be obtained at the following address:

Aims College District
Attn: Vice President for Administrative Services
P.O. Box 69, 5401 W. 20th Street
Greeley, CO 80634

Basis of Presentation

The District's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and Colorado Higher Education Accounting Standards.

The Foundation's financial statements have been presented under the reporting format described in FASB Accounting Standards Codification ASC 958-205, *Presentation of Financial Statements*.

Basis of Accounting

The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. In addition, all significant inter-agency transactions have been eliminated.

Cash and Cash Equivalents

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in equity and debt securities and negotiable certificates of deposit are carried at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit are carried at cost.

Investment income consists of interest and dividend income and the net change in the fair value of investments.

Accounts Receivable

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

Inventories

Inventories are carried at the lower of cost or market on the first-in, first-out (FIFO) basis.

Property Taxes

Property taxes are levied in November and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. Six counties contribute to the assessed value of the taxing District, with the largest contribution coming from Weld County. The January 1, 2018 base mill levy for the District from Weld County was 6.299 mills, with a refund/abatement mill of 0.018. Total mill levy for the District was 6.317, or approximately \$49.3 million. Anticipated tax revenue not received by June 30 is recorded as property tax receivable in the statement of net position.

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. The District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that exceed \$50,000 and significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally between 27 and 40 years for buildings, 15 to 25 years for land and building improvements, and 3 to 10 years for equipment. Assets recorded under capital lease agreements are amortized over either the term of the lease or the estimated useful life, whichever period is shorter. The District did not have any capital leases in fiscal year 2018.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned Revenues

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

Compensated Absences

District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the vesting method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as pension contributions and Medicare taxes computed using rates in effect at that date.

Noncurrent Liabilities

Noncurrent liabilities are obligations of the District with payment maturities that are greater than one year, or for which there is uncertainty as to when the estimated liabilities will be paid. Noncurrent liabilities include the District's proportionate share of the net pension liability associated with its participation in a cost-sharing defined benefit pension plan through the State of Colorado (see "Cost-sharing Defined Benefit Plan" below, and additional information in Note 8), and the District's proportionate share of the net liability associated with its participation in the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (see "Other Postemployment Benefits (OPEB)" below, and additional information in Note 10). The District's noncurrent liability for employees' compensated absences are for vacation and sick leave that will not be paid out within one year.

Deferred Outflows and Inflows of Resources

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost-Sharing Defined Benefit Pension Plan

The District participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined on the same basis as they are reported by the SDTF (see Note 8 for additional information). For this purpose, benefit payments (including refunds of employee contributions) are recognized by the SDTF when due and payable in accordance with the benefit terms. Investments are reported by the SDTF at fair value.

Other Postemployment Benefits (OPEB)

The District participates in the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (PERA). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value by the HCTF.

Net Position

The District's net position is classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of accumulated depreciation, and net of accounts payable related to capital construction at June 30, 2018.

Restricted net position—expendable: Restricted expendable net position include resources in which the District is legally and/or contractually obligated to spend in accordance with restrictions imposed by the law or external third parties.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, property tax, and sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources include auxiliary enterprises, which are substantially self-supporting activities that provide non-educational services for students, faculty, and staff. These resources also include the College's reported share of the PERA net pension and net OPEB liability.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Revenue

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

Operating revenues: Operating revenues generally result from providing goods and services for instruction, public service or related support services to an individual or entity separate from the District.

Nonoperating revenues: Nonoperating revenues are those revenues that do not meet the definition of operating revenues. For example, nonoperating revenues include general property taxes, state appropriations, Pell grants, gifts, and investment income.

Scholarship Allowances

The District uses the “Alternate Method” prescribed by the National Association of College and University Business Officers (NACUBO) to compute its scholarship allowances or tuition discount. Under the alternative method, institutions may use a rational, documented allocation methodology to determine the portion of applicable financial aid support to be applied as scholarship allowances and student aid expenses.

NACUBO provides guidance for two methods for the application of financial aid and institutional resources to student accounts receivable. The first is on a case-by-case method and the second is a rational allocation method. Because a case-by-case method is not feasible for most institutions, the rational allocation or “Alternate Method” is the preferred method of determining tuition and scholarship allowances. NACUBO issued Advisory Report 2000-05, September 8, 2000, detailing the “Alternate Method.”

Application of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available to pay an expense, the District’s policy is to first apply the expense against restricted resources and then toward unrestricted resources.

Use of Estimates

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

Related Party

The District maintains deposits at First National Bank and investments with First National Wealth Management. First National Bank employs one member of the District’s Board of Trustees. This Board member, however, is not involved in any investment decisions on behalf of the District and is excused from all Board matters involving First National Bank or First National Wealth Management. This Board member’s term concluded in December 2017.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective July 1, 2017, the College adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75). Statement No. 75 replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended* (Statement No. 45). Statement No. 75 addresses accounting and financial reporting for OPEB and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. See Note 10 for disclosures related to the adoption of this standard.

NOTE 2—BUDGET LAW

The Board of Trustees adopts an annual budget to authorize and control the spending of the District. The District's expenditures may not exceed the amount budgeted. Budgets are adopted on a basis consistent with generally accepted accounting principles. The preparation and adoption of the District's operating budget is prescribed by the School District Budget Law of 1964 (Article 44, Title 22 of the Colorado Revised Statutes).

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for depreciation, pension and OPEB expense, which are not budgeted for.

NOTE 3—DEPOSITS, INVESTMENTS AND INVESTMENT RETURN

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Federal Deposit Insurance Corporation (FDIC) insurance level is \$250,000. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

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

Cash on Hand	\$ 4,905
ColoTrust	535,837
Deposits	5,792,390
Money Market Funds	<u>22,204,537</u>
Total Cash and Cash Equivalents	\$ 28,537,669

At June 30, 2018, the carrying amount of the District's deposits, money market funds, and non-negotiable certificates of deposits (included in investments given their maturity date was beyond 90 days), was \$28,991,927. The bank balances of these deposits, money market funds, and nonnegotiable certificates of deposit was \$30,513,315, of which \$1,825,639 was fully collateralized and insured by federal deposit insurance, and the remainder was collateralized in accordance with PDPA. The District also had cash on hand of \$4,905.

Investments

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

The District held the following types of investments at June 30, 2018 (non-negotiable certificates of deposit in the amount of \$995,000 are not included below):

Type	Fair Value	Maturities in Years		NRSRO Ratings	
		Less than 1	1-5	Moody's	S&P
U.S. Agency Obligations	\$11,039,688	\$ 3,892,749	\$ 7,146,938	Aaa	AA+
U.S. Treasury Obligations	11,783,905	1,340,503	10,443,402	Aaa	AA+
Corporate Bonds	18,976,069	4,486,912	14,489,157	Aaa - Aa3	AA+ - AA-
Negotiable Certificates of Deposit	<u>8,067,272</u>	<u>3,719,214</u>	<u>4,348,059</u>	N/A	N/A
Total Short Term and Long Term Investments	<u>\$49,866,934</u>	<u>\$ 13,439,378</u>	<u>\$ 36,427,556</u>		

NOTE 3—DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (continued)

At June 30, 2018, the District has invested \$535,838 in the Colorado Government Liquid Asset Trust (ColoTrust). ColoTrust is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities DCommission administers and enforces all state statutes governing ColoTrust. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. As of June 30, 2018, the District's investment in ColoTrust invesmtnet pool was rated AAAM by Standard's and Poor's. The trust records its investments at fair value and the District records its investment in the Trust using the net asset value method. There are no unfunded commitments and there is no redemption notice period.

In addition, the District has invested in two types of money market funds measured at amortized cost, as follows:

FNB Commercial Class Money Market – Goldman Sachs Financial Square Government Fund - This is a Rule 2a-7 type government money market fund and maintains shares in value of \$1. This fund is rated by Standard and Poors at AAAM and by Moody's at Aaa-mf. Total deposit in this fund as of June 30, 2018 was \$1,152,657. The weighted average maturity for the fund was 30 days or less.

Wells Fargo Money Market Fund - Morgan Stan Gov Inst 8302 – This is a Rule 2a-7 type government money market fund and maintains shares in value of \$1. This fund is rated by Standard and Poors at AAAM and by Moody's at Aaa-mf. Total deposit in this fund as of June 30, 2018 was \$24,784. The weighted average maturity for the fund was 60 days or less.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law allows the investment of public funds in any security issued by, guaranteed by, or the credit of which is pledged for payment by the United States, a federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, or the government national mortgage association. Investments in these types of securities are limited to a term of five years from the date of purchase, unless the governing body authorizes investment for such period in excess of five years. The District does have a formal investment procedure that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to at least two credit ratings from any of the nationally recognized credit rating agencies. These ratings must not be rated below "AA-" or "Aa3" by any credit rating agency. See the table and discussion above for ratings associated with the District's investments.

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District is not exposed to custodial credit risk as the District's money market funds are considered open-ended money market funds (*i.e.*, a fund that does not have restrictions on the number of shares it can issue) and their existence is not evidenced by securities that exist in physical or book entry form. In addition, all of the District's other investments are held in investment accounts registered in the District's name.

NOTE 3—DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Investments issued or explicitly guaranteed by the U.S. government, such as U.S. Treasury Obligations, are excluded from this requirement. The District places no limit on the amount it may invest in any one issuer. As of June 30, 2018, 35.9% of the District's investments were held in money market funds with brokers. In addition, the District's investments in U.S. government agencies, U.S. treasury, corporate bonds and negotiable certificates of deposits constituted 14.2%, 15.1%, 24.4% and 10.4%, respectively, of its total investments.

Foreign Currency Risk: Foreign currency risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The District had no investments denominated in foreign currency at June 30, 2018.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net position as of June 30, 2018 as follows:

Cash on Hand	\$ 4,905
ColoTrust	535,837
Deposits	5,792,390
Money Market Funds	<u>22,204,537</u>
Total Cash and Cash Equivalents	28,537,669
Short Term Investments	14,185,378
Long Term investments	<u>36,676,556</u>
Total Investments	50,861,934
Total Cash and Cash Equivalents and Investments	<u><u>\$ 79,399,603</u></u>

NOTE 4—FAIR VALUE MEASUREMENT

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:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities,

Recurring Measurements

The following table presents the fair value measurements of short-term and long-term investments recognized in the accompanying financial statements measured at fair value on a recurring basis, and the level within the fair value hierarchy in which the fair value measurements are classified. Non-negotiable certificates of deposit in the amount of \$995,000 are not measured at fair value, and therefore not reported in this schedule. The fair value of assets and liabilities at June 30, 2018 are as follows:

<u>Investments measured at fair value</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Agency Obligations	\$ 11,039,688	\$ -	\$ 11,039,688	\$ -
U.S. Treasury Obligations	11,783,905	11,783,905	-	-
Corporate bonds	18,976,069	18,976,069	-	-
Negotiable Certificates of Deposit	8,067,272	-	8,067,272	-
Total investments by fair value level	<u>\$ 49,866,934</u>	<u>\$ 30,759,974</u>	<u>\$ 19,106,960</u>	<u>\$ -</u>

Investments

When 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. The District does not hold any Level 3 securities.

NOTE 4— FAIR VALUE MEASUREMENT (continued)

Investment in Local Government Investment Pool

The District utilizes one local government investment pool when a high degree of liquidity is prudent. ColoTrust is a local government investment pool with a stable net asset value. The State Securities Commissioner administers and enforces all State statutes governing ColoTrust. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1.00, although not guaranteed. Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. ColoTrust may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of the U.S. government agencies and highly rated commercial paper. A designated custodial bank serves as a custodian for ColoTrust's portfolio pursuant to a custodian agreement. The custodian acts as a safekeeping agent for ColoTrust's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by ColoTrust. ColoTrust does not have any limitations or restrictions on participant withdrawals.

NOTE 5—AIMS FOUNDATION INVESTMENTS

The following schedule of investments held by the Foundation for each major category of investments and the related fair market value at June 30, 2018:

Assets	Total	Fair Value Measurements at Report Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - fixed income	\$ 1,407,265	\$ 1,407,265	\$ -	\$ -
Mutual funds - equities	1,327,432	1,327,432	-	-
Common stocks	1,201,582	1,201,582	-	-
Government obligations	251,780	-	251,780	-
Corporate bonds	273,200	-	273,200	-
Beneficial interest in perpetual trust	2,008,342	-	-	2,008,342
	<u>\$ 6,469,601</u>	<u>\$ 3,936,279</u>	<u>\$ 524,980</u>	<u>\$ 2,008,342</u>
Held as operating investments				\$ 2,592,050
Held as endowment investments				<u>3,877,551</u>
Total Investments				<u>\$ 6,469,601</u>

NOTE 6—CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2018.

	Balance June 30, 2017	Additions	Deductions	Transfers	Balance June 30, 2018
Capital Assets, not being depreciated:					
Land	\$ 10,299,308	\$ 4,054,862	\$ -	\$ 419,342.00	\$ 14,773,512
Land Held for Development	1,419,342	-	-	(1,419,342)	-
Land Improvements	1,931,538	-	-	1,000,000	2,931,538
Art/Historical Figures	42,132	-	-	-	42,132
Total capital assets, not being depreciated	13,692,320	4,054,862	-	-	17,747,182
Capital assets, being depreciated:					
Land Improvements	9,642,645	-	-	1,856,881	11,499,526
Buildings & Improvements	123,377,279	2,289,360	823,077	29,089,936	153,933,498
Vehicles	1,787,635	280,283	-	-	2,067,918
Equipment	22,337,615	2,446,630	5,145,563	1,393,680	21,032,362
Total capital assets, being depreciated	157,145,174	5,016,273	5,968,640	32,340,497	188,533,304
Less accumulated depreciation:					
Land Improvements	3,259,037	504,016	-	-	3,763,053
Buildings & Improvements	40,469,739	4,900,381	788,227	-	44,581,894
Vehicles	1,408,847	147,457	-	-	1,556,304
Equipment	16,080,698	2,345,908	5,145,563	-	13,281,043
Total accumulated depreciation	61,218,321	7,897,762	5,933,790	-	63,182,294
Total capital assets, being depreciated, net	95,926,853	(2,881,489)	34,850	32,340,497	125,351,010
Add construction-in-progress	21,589,465	11,834,826	-	(32,340,497)	1,083,795
Net carrying amount	\$ 131,208,638	\$ 13,008,199	\$ 34,850	\$ -	\$ 144,181,987
Total capital assets, net of accumulated depreciation					144,181,987
Less capital accounts payable					(464,034)
Net investment in capital assets per Statement of Net Position					<u>\$ 143,717,953</u>

Included in land improvements not being depreciated are \$590,400 of water rights.

NOTE 7—OIL AND GAS LEASE

On June 8, 2011, the District entered into an oil and gas lease with Extraction Oil and Gas, Inc. (formerly Synergy Resources Corporation) for the purpose of drilling oil and gas wells on the property in consideration of the District receiving a 16.67% net royalty interest after taxes and agreed-upon costs. The future value of royalties to be received is dependent upon the activity of the oil and gas wells. The term of the lease was five years and as long thereafter as oil and gas, or either of them, is produced from the leased premises or drilling operations are continuously prosecuted. At June 30, 2018, this lease continued to be in effect

Also on June 8, 2011, the District sold 6.11 acres of land to Waltel Minerals, LLC for \$35,000. The sale of the property did not include any water or mineral rights. At the time of the sale, a repurchase option was signed by the buyer and the District allowing the District the option to buy back the property for \$35,000 upon on the termination date of the District's mineral lease with Extraction Oil and Gas, Inc. (formerly Synergy Resources Corporation) and extending five years thereafter.

Total royalty revenues from oil and gas leases at June 30, 2018 was \$1.2 million. This amount is reflected in Other Nonoperating Revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 8—DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

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

General Information about the Pension Plan

Plan Description

Eligible employees of the District 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 C.R.S., administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at CRS § 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 cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

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.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the CRS. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF.

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

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

Contributions

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

ALL Except State Troopers

	For the years ended December 31,	
	2017	2018
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) ¹	-1.02%	-1.02%
Amount Apportioned to the SDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	5.00%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.00%	5.50%
Total Employer Contribution Rate to the SDTF ¹	19.13%	19.13%

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

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the District were \$5,531,525 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$191,230,653 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on District contributions to the SDTF for the calendar year 2017 relative to the total contributions of participating employers to the SDTF.

At December 31, 2017, the District's proportion was 0.955%, which was an increase of 0.0149% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$47,982,405, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 2,981,732	\$ -
Changes of Assumptions or other Inputs	33,204,933	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	7,202,423
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Share of Contributions	2,326,772	-
Contributions Subsequent to the Measurement Date	2,774,177	-
Total	<u>\$ 41,287,614</u>	<u>\$ 7,202,423</u>

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

The \$2,774,177 of deferred outflows of resources reported in the previous schedule as related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 30,573,189
2020	6,150,352
2021	(2,675,483)
2022	(2,737,044)
2023	-
Thereafter	-
	<u>\$ 31,311,014</u>

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 9.17%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount Rate ¹	5.26%
Future Post-Retirement Benefit Increase:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00 percent
PERA Benefit Structure Hired After December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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

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

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

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

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

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

Discount Rate

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rate as of the measurement date. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the single equivalent interest rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of December published at the end of each week by The Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.72%.

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

Sensitivity of the District'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 4.72%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.72%) or 1-percentage-point higher (5.72%) than the current rate:

	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Proportionate Share of the Net Pension Liability	\$ 237,904,663	\$ 191,230,653	\$ 152,914,149

Pension Plan Fiduciary Net Position

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

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

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

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

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

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

At June 30, 2018, the District reported a liability of \$191,230,653 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.72%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

	Discount Rate	Net Pension Liability	Discount Rate Calculated Using Plan Provisions Required by SB- 18-200 (pro forma)	Estimated Collective Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
PERA Total	4.72%	\$ 20,017,982,000	7.25%	\$ 9,492,389,000
Proportionate Share	4.72%	191,230,653	7.25%	90,680,257

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate the collective net pension liability, approximately \$85,337,121 of the estimated reduction to the total PERA net pension liability is attributable to the use of a 7.25% discount rate.

NOTE 9 —DEFINED CONTRIBUTION PENSION PLAN & DEFERRED COMPENSATION PLAN

Voluntary Investment Program

Plan Description: Employees of the District 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 CRS, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy: 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 CRS, as amended. The District does not match contributions made by participants of the plan. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$436,020.

Deferred Compensation Plan

Plan Description: Employees may also participate in the 457(b) eligible deferred compensation plan administered by PERA as provided by Title 24, Article 51, Part 16 of the CRS. Plan participation is voluntary, and contributions are separate from others made to PERA. The plan uses a third-party administrator, and all costs of administration and funding are borne by the plan participants. The plan is subject to the Colorado State Deferred Compensation Program, as defined in §24-10-102, CRS, and its governing board. The state's governing board has full authority to make changes to the plan. PERA issues a publicly available annual financial report for the 457(b) Plan. That report may be obtained online at www.copera.org or by calling to Colorado PERA at (303) 832-9550 or (800) 759-PERA (7372).

Funding Policy: The deferred compensation plan 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 CRS, as amended. The District does not match contribution made by participants of the plan. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$62,429.

NOTE 10 — OTHER POSTEMPLOYMENT BENEFITS

PERA Health Care Trust Fund

Summary of Significant Accounting Policies

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

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

Benefits Provided

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

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

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

NOTE 10 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

PERA Benefit Structure

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

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were \$287,133 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$4,486,921 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Districts proportion of the net OPEB liability was based on the Districts contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the Districts proportion was .345%, which was an increase of .006% from its proportion measured as of December 31, 2016.

NOTE 10 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the year ended June 30, 2018, the District recognized OPEB expense of \$358,550. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 21,219	\$ -
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	75,065
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Share of Contributions	64,823	-
Contributions Subsequent to the Measurement Date	144,003	-
Total	<u>\$ 230,045</u>	<u>\$ 75,065</u>

\$144,003 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ (1,862)
2020	(1,862)
2021	(1,862)
2022	(1,855)
2023	16,906
Thereafter	1,512

Actuarial assumptions

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

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

NOTE 10 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

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

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

NOTE 10 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

NOTE 10 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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

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

NOTE 10 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Sensitivity of the District proportionate share of the net OPEB liability to changes in the discount rate

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Proportionate Share of the Net OPEB Liability	\$ 4,363,468	\$ 4,486,921	\$ 4,635,611

Discount Rate

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

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

NOTE 10 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Sensitivity of the Districts proportionate share of the net OPEB liability to changes in the discount rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 5,044,709	\$ 4,486,921	\$ 4,010,833

OPEB plan fiduciary net position

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

Restatement Footnote

For the year ended June 30, 2018, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB no. 75), which is effective for financial statements beginning after June 15, 2017. GASB No. 75 revises and establishes new financial reporting requirements for most governments that provide postemployment benefits other than pensions (OPEB). GASB No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) to record their proportionate share, as defined in GASB No. 75, of the HCTF's net OPEB liability.

For the District, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

Net Position, June 30, 2017, as Previously Reported	\$ 99,510,618
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	(4,260,523)
Net Position, June 30, 2017, as Restated	<u>\$ 95,250,095</u>

NOTE 11—COMMITMENTS AND CONTINGENT LIABILITIES

Tax, Spending and Debt Limitations

In 1992, the Colorado voters approved the “Taxpayer’s Bill of Rights” (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from enterprise activities, gifts, federal funds, reserve expenditures, damage awards, or property sales. The District believes it is in compliance with the requirements of TABOR.

On November 2, 1999, voters in the District approved superseding the provisions of TABOR and other state requirements that limit the amount of revenue the District could retain each year, without increasing or adding taxes of any kind. Included in the accompanying financial statements are emergency reserves required by TABOR of at least 3% of fiscal year spending. At June 30, 2018, an emergency reserve of \$2,026,038 was recorded as restricted net position on the statement of net position.

Federally Assisted Grant Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, though the District expects such amounts, if any, to be immaterial. The District believes it is in compliance with all requirements of the grantor agencies.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for risks of loss in excess of deductible amounts. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded this coverage in any of the past three fiscal years.

Construction Commitments

The District had construction commitments outstanding of \$2.4 million at June 30, 2018. At June 30, 2018, these commitments are for the 50th Avenue Entrance project and other capital construction projects in process at June 30, 2018.

NOTE 12—COMPENSATED ABSENCES

District employees accrue annual vacation and sick leave based on length of service and may accumulate it subject to certain limitations regarding the amount that will be paid upon termination.

The estimated liability related to compensated absences for which employees are vested at June 30, 2018 is \$1,996,732. The District estimates 20% of the liability will be paid in the subsequent year as follows:

	Balance, July 1, 2017	Additions	Reductions	Balance, June 30, 2018	Amounts Due Within One Year
Accrued Compensated Absences	\$ 1,954,993	\$ 41,739	\$ -	\$ 1,996,732	\$ 399,346

Any benefited employee with excess sick time above the maximum 640 hours allowed to be carried over to the next year is allowed to convert 25% of their excess sick time into either additional vacation hours or pay (based on their hourly rate at the time).

In June 2009, the Board of Trustees voted to revise the Leave of Absence policy to change the sick leave accrual from 10.67 hours per month to eight hours. The change also eliminated the payout of accrued sick leave for employees hired on or after July 1, 2009.

In June of 2010, the Board agreed to allow the above change for sick leave accrual from 10.67 to eight hours to sunset after June 2012 for faculty hired before July 1, 2009. The District reserved the right to renegotiate the sunset provision prior to June 2012 through the consultation process. With the approval of the consultation agreement at the June 2012 Board meeting, the Board decided to allow the Leave of Absence policy change to sunset. Effective July 1, 2012, the revised sick leave accrual for employees hired prior to July 1, 2009 is 10.67 hours and eight hours for those employees hired on or after July 1, 2009.

NOTE 13—LEASES

The District has operating leases for airplanes used in its flight-training program. Rental payments under these leases for the year ended June 30, 2018 were \$141,554. The District's future minimum lease payments under these operating leases as of June 30 are detailed below:

<u>Fiscal Years ending June 30,</u>	<u>Lease Payments</u>
2019	\$ 249,800
2020	\$ 249,800
2021	\$ 249,800
2022	\$ 249,800
2023	\$ 249,800
2024-2026	\$ 607,850
Total future minimum operating lease payments	<u>\$ 1,856,850</u>

NOTE 14—NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2018, the following table represents operating expenses within both natural and functional classifications:

FUNCTIONAL CLASSIFICATIONS	NATURAL CLASSIFICATION						TOTAL OPERATING EXPENSES
	Employee & Personnel Services	Pensions/OPEB Expense Allocations	Supplies	Operating	Student Aid	Depreciation	
Instruction	\$ 16,467,493	21,690,777	\$ 1,737,315	\$ 5,433,030	\$ -	\$ -	\$ 45,328,615
Public Service	10,311	13,588	5,377	36,610	-	-	65,885
Academic Support	6,645,088	8,750,448	278,145	1,558,694	-	-	17,232,374
Student Services	4,858,814	6,399,080	276,066	1,314,373	-	-	12,848,333
Institutional Support	6,434,377	8,849,487	1,324,289	1,877,378	-	-	18,485,532
Operation of Plant	1,833,538	2,413,983	856,927	3,591,897	-	-	8,696,345
Student Aid	-	-	-	-	7,815,079	-	7,815,079
Depreciation	-	-	-	-	-	7,897,762	7,897,762
Auxiliary	169,777	223,592	104,869	14,498	-	-	512,736
TOTAL EXPENSES	\$ 36,419,398	\$ 48,340,955	\$ 4,582,988	\$ 13,826,480	\$ 7,815,079	\$ 7,897,762	\$ 118,882,661

Required Supplementary Information

AIMS COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (PERA - SDTF)
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.995%	0.940%	0.899%	0.825%	0.776%
District's proportionate share of the net pension liability (asset)	\$191,230,653	\$172,723,035	\$94,720,288	\$ 77,557,998	\$ 69,116,756
District's covered payroll	\$28,028,541	\$27,355,210	\$25,003,265	\$ 22,200,317	\$ 19,976,041
District's proportionate share of the net pension liability (asset) as a percentage of covered payroll	682.27%	631.41%	378.83%	349.36%	346.00%
Plan's fiduciary net position as a percentage of the total pension liability	43.20%	42.59%	56.11%	59.80%	61.08%

Information above is presented as of the measurement date

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

AIMS COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (PERA - HCTF)
LAST 10 FISCAL YEARS*

	2018	2017
District's proportion of the net OPEB liability (asset)	0.345%	0.339%
District's proportionate share of the net OPEB liability (asset)	\$4,486,921	\$4,398,776
District's covered payroll	\$28,028,541	\$27,355,210
District's proportionate share of the net OPEB liability (Asset) as a percentage of covered payroll	16.01%	16.08%
Plan's fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

Information above is presented as of the measurement date.

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

AIMS COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (PERA - SDTF)
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,531,525	\$ 5,114,230	\$ 4,661,032	\$ 3,931,585	\$ 3,383,030
Contributions in relation to the contractually required contribution	(5,531,525)	(5,114,230)	(4,661,032)	(3,931,585)	(3,383,030)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 28,876,710	\$ 27,355,210	\$ 26,216,232	\$ 23,280,009	\$ 21,156,892
Contributions as a percentage of covered payroll	19.16%	18.70%	17.78%	16.89%	15.99%

Information above is presented as of the District's fiscal year

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

AIMS COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (PERA - HCTF)
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 287,133	\$ 274,519	\$ 267,397	\$ 237,456	\$ 215,800
Contributions in relation to the contractually required contribution	(287,133)	(274,519)	(267,397)	(237,456)	(215,800)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 28,876,710	\$ 27,355,210	\$ 26,216,232	\$ 23,280,009	\$ 21,156,892
Contributions as a percentage of covered payroll	0.99%	1.00%	1.02%	1.02%	1.02%

Information above is presented as of the District's fiscal year

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

Supplementary Information

**Aims College District
Actual to Budget Comparison
All Funds**

Year Ended June 30, 2018	Actual	Budget	Favorable (Unfavorable) Variance
Revenues:			
Tuition and fees	12,761,798	12,568,000	193,798
Less: Tuition Discounts (Student Financial Aid)	(2,743,036)	(1,362,000)	(1,381,036)
Net Tuition and Fees	10,018,762	11,206,000	(1,187,238)
Gifts, grants and contracts (including Pell)	10,806,100	11,379,900	(573,800)
Auxiliary operating revenue	540,015	490,000	50,015
Other operating revenue	59,220	84,000	(24,780)
Total Operating Revenues	<u>21,424,097</u>	<u>34,365,900</u>	<u>(2,923,041)</u>
Operating Expenses:			
Education and general	54,539,721	71,729,443	17,189,722
Student aid	7,815,079	9,484,300	1,669,221
Auxiliary enterprises expenses	289,145	549,300	260,155
Total Operating Expenses	<u>62,643,945</u>	<u>81,763,043</u>	<u>19,119,098</u>
Nonoperating Revenues and Expenses:			
General property taxes	54,142,130	53,700,000	442,130
State appropriations	9,500,830	9,224,000	276,830
Investments	323,371	207,000	116,371
Other non-operating revenue	1,235,784	41,000	1,194,784
Loss on disposal of assets	(13,506)	-	(13,506)
Total Nonoperating Revenue and Expense	<u>65,188,609</u>	<u>63,172,000</u>	<u>2,016,609</u>
Transfers In (Out):			
Nonmandatory transfers in	16,411,427	8,382,948	8,028,479
Nonmandatory transfers out	<u>(16,411,427)</u>	<u>(8,382,948)</u>	<u>(8,028,479)</u>
Total Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Increase in Net Position, budgetary basis	<u>23,968,762</u>	<u>15,774,857</u>	<u>8,193,905</u>
Reconciling Items to GAAP Basis Net Position			
Pension and OPEB expense	(48,340,955)		
Depreciation and amortization expense	(7,897,762)		
Capital Contribution	56,800		
Decrease in Net Position, GAAP Basis	<u>(32,213,155)</u>		

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

Members of the Board of Trustees
Aims College District
Greeley, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of the Aims College District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2018. Our report includes a reference to other auditors who audited the financial statements of The Aims Community College Foundation (the Foundation), as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 19, 2018

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

Members of the Board of Trustees
Aims College District
Greeley, Colorado

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 19, 2018

Aims College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Entity ID Number</u>	<u>Federal Expenditures</u>	<u>Passed through to subrecipients</u>
FEDERAL DIRECT GRANTS				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		\$ 6,355,449	\$ -
Federal Supplemental Educational Opportunity Grants	84.007		96,702	-
Federal Work-Study Program	84.033		118,987	-
Federal Direct Student Loans	84.268		2,855,963	-
Total Student Financial Aid			<u>9,427,101</u>	<u>-</u>
Federal Non-Student Aid				
TRIO Student Support Services	84.042A		221,646	-
TRIO Student Support Services - Science Technology Engineering Math	84.042A		222,511	-
Total US Department of Education Non-student Aid			<u>444,157</u>	<u>-</u>
Total Direct Federal Awards			<u>9,871,258</u>	<u>-</u>
FEDERAL SUBRECIPIENT GRANTS				
Perkins- Passed through from Colorado Community College System	84.048	1807	399,232	-
Total US Department of Education Non-student Aid Federal Subrecipient			<u>399,232</u>	<u>-</u>
National Space Grant College and Fellowship Program-Passed through from CU Boulder	43.008	1554706	19,346	-
Total National Science Foundation Federal Subrecipient			<u>19,346</u>	<u>-</u>
Interstate Passport Initiative-Passed through from Western Interstate Commission for Higher Education Partnership	84.116	N/A	2,289	-
Colorado Recovery- Passed through from State of Colorado Office of Economic Development and International Trade	14.269	N/A	6,033	-
Total Other Federal Subrecipient			<u>8,322</u>	<u>-</u>
Total Subrecipient Federal Awards			<u>426,901</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 10,298,158</u>	<u>\$ -</u>

Aims College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1: General

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

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

Note 2: Basis of Accounting

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

Note 3: Pass-through Grantor's Number

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

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

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

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.063; 84.007; 84.033; 84.268	Student Financial Assistance Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

Aims College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section II – Financial Statement Findings

Reference Number	Finding
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No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
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No matters are reportable.