



Date: September 15, 2006  
 To: Sally Symanski, CPA, State Auditor  
 Re: Adams State College Financial Audit Hearing Update

The purpose of this letter is to update your office with the most current information on the management and the financial condition of Adams State College.

#### Financial Condition

The financial condition of the College has improved dramatically during this last fiscal year due to revenue associated with a large freshman class and increased General Fund support. The FY 2005-06 unaudited financials, indicates that the College will reduce the net loss significantly as operating expenses have been trimmed back and the combined operating and nonoperating revenues have increased.

A summarized comparison of the College's revenues and expenses for the past four fiscal years and estimated current year follows:

	2003	2004	2005	2006	2007 Estimate
	(in thousands)				
<b>Total Operating Revenues</b>	\$ 19,163	\$ 19,673	\$ 21,221	\$ 33,194 <sup>1</sup>	\$ 34,690
<b>Total Operating Expenses*</b>	\$ 30,581	\$ 32,908	\$ 36,363	\$ 35,960	\$ 39,875
<b>Operating Loss</b>	\$ (11,418)	\$ (13,235)	\$ (15,142)	\$ (2,766)	\$ (5,185)
<b>Nonoperating Revenues (Expenses)</b>					
State Appropriations	\$ 9,609	\$ 10,317	\$ 10,317	\$ 1,187 <sup>1</sup>	\$ 1,179
Other Nonoperating Rev.	\$ 1,044	\$ 921	\$ 1,252	\$ 1,695	\$ 1,436
<b>Net Nonoperating Revenues</b>	\$ 10,653	\$ 11,238	\$ 11,569	\$ 2,882	\$ 2,615
<b>Loss (Excluding State Capital Appropriations and Grants)</b>	\$ (765)	\$ (1,997)	\$ (3,573)	\$ 116	\$ (2,570)
<b>Other Revenues</b>					
State Appropriations, Capital	\$ 2,688	\$ 516	\$ 621	\$ -	\$ 2,073
Federal Grant, Capital		\$ 9	\$ 7	\$ 156	\$ 150
Transfers from Gov Board	\$ 166			\$ -	\$ -
Transfers to CCHE		\$ (37)	\$ (30)	\$ (31)	\$ (89)
<b>Increase(Decrease) in Net Assets</b>	\$ 2,089	\$ (1,509)	\$ (2,975)	\$ 241	\$ (436)

\*Includes Depreciation Expense

<sup>1</sup>Decrease in State Appropriations is offset by increase in Operating Revenues due to shift in accounting for the College Opportunity Fund Stipend and Fee-For-Service contract (excluding \$1,187,000 Fee-For-Service reimbursement, which is still considered state appropriation)

#### OFFICE OF THE PRESIDENT

208 Edgemont Blvd. • Alamosa, CO 81102 • Fax: (719) 587-7522 • Phone: (719) 587-7341  
[www.adams.edu](http://www.adams.edu)

The following is a summarized comparison of the College's assets, liabilities, and net assets for the last four fiscal years:

	Condensed Statement of Net Assets			
	June 30,			
	2003	2004	2005	2006
	(in thousands)			
Total Assets	\$ 70,226	\$ 71,385	\$ 68,265	\$ 68,340
Total Liabilities	\$ 14,093	\$ 16,762	\$ 16,617	\$ 16,451
<b>Net Assets</b>				
Invested in Capital Assets,				
Net of Related Debt	\$ 48,943	\$ 46,214	\$ 44,225	\$ 42,311
Restricted	\$ 3,102	\$ 3,928	\$ 3,911	\$ 3,714
Unrestricted	\$ 4,088	\$ 4,481	\$ 3,512	\$ 5,864
Total Net Assets	\$ 56,133	\$ 54,623	\$ 51,648	\$ 51,889

It should be noted that the declining trend in Capital Assets can be partially attributed to the recognition of depreciation, which is captured in the operating expenses on the income statement. The College depends on state capital appropriation to offset depreciation expense as shown in the table below. Without state capital construction support, substantial tuition, fee, room, and board increases would be required to offset the erosion of the capital asset base due to depreciation.

	2003	2004	2005	2006
	(in thousands)			
State Appropriations, Capital	\$ 2,688	\$ 516	\$ 621	\$ -
Depreciation Expense	\$ 2,750	\$ 2,992	\$ 3,275	\$ 3,289

### Enrollment

During the past ten years, the College has experienced relatively flat enrollment, fluctuating a few percentage points from one year to the next. Early fall results indicate that credit hour enrollment will be relatively constant from last year to the current year. Back to back strong freshman classes have helped offset the smaller freshman classes of fall 2003 and 2004. As was the case last fiscal year, early fall numbers indicate that ASC's student headcount is up once again. The College has experienced an overall increase in student head count over the last six years. More students are taking fewer credit hours. While this was driven in large part by a growth in graduate enrollment, the large freshman classes these last two years are an indication of an improving undergraduate enrollment trend. With a two year live on campus requirement, the large back to back freshman classes have boosted housing and cafeteria revenue.

### Outstanding Recommendations from Prior Audits

In response to prior audit recommendations, the Trustee policy manual has been updated and adopted by the Board. The College has developed an extensive financial management policy guide and fiscal policies that have been published on our policy website:

<http://test2.adams.edu/pubs/policy/financeguide/financeguide.php> .  
<http://test2.adams.edu/pubs/policy/adminpol/adminpol.php>

The federal funds draw down audit finding relates to the Pell student aid program. The financial aid director is working closely with the Department of Education to address this concern. The finance office continuously monitors this issue. While we have made progress in this area by reducing the amount of federal funds outstanding, the financial aid department is still challenged due to staffing limitations and balancing their workload while maintaining service to students. The information system disaster recovery plan is complete. The password security system is complete and operational.

### Conclusion

The Adams State College Board of Trustees continues to receive detailed monthly financial reports to monitor the fiscal status of the College and take action where appropriate. The leadership at the College is committed to the continued development of strong fiscal policies and follows sound business practice.

Respectfully Submitted,



Dr. David Svaldi  
President



Bill Mansheim  
Vice President of Finance and Administration

### OFFICE OF THE PRESIDENT

208 Edgemont Blvd. • Alamosa, CO 81102 • Fax: (719) 587-7522 • Phone: (719) 587-7341  
[www.adams.edu](http://www.adams.edu)