



**REPORT OF
THE
STATE AUDITOR**

**STATE COLLEGES IN COLORADO
FINANCIAL AND COMPLIANCE AUDIT**

**FISCAL YEAR ENDED
JUNE 30, 2001**

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STATE OF COLORADO

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November 15, 2001

Members of the Legislative Audit Committee:

This report contains the results of our financial and compliance audit of the State Colleges in Colorado. The audit included examinations of the consolidated financial statements and the statements of state-funded student assistance programs. The report also presents the findings and recommendations resulting from the examinations, and the responses of the State Colleges in Colorado.

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**STATE OF COLORADO
OFFICE OF THE STATE AUDITOR**

REPORT SUMMARY

**JOANNE HILL, CPA
Acting State Auditor**

**STATE COLLEGES IN COLORADO
FINANCIAL AND COMPLIANCE AUDIT
FISCAL YEAR ENDED JUNE 30, 2001**

Authority, Purpose, and Scope

The audit of the State Colleges in Colorado was conducted under the authority of Section 2-3-103, C.R.S., which authorizes the Office of the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. Audit work was performed from May 2001 through October 2001.

The purposes and scope of our audit were to:

- C Express an opinion on the consolidated financial statements of the State Colleges in Colorado for the year ended June 30, 2001. This included a review of the related internal control structure as required by generally accepted auditing standards.
- C Evaluate compliance with rules and regulations governing the expenditure of federal and state funds.
- C Express an opinion on the Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Adams State College, Mesa State College, Metropolitan State College of Denver, and Western State College for the year ended June 30, 2001.
- C Evaluate progress in implementing prior audit recommendations.

The Schedules of Expenditures of Federal Awards of the State Colleges in Colorado and applicable audit opinions are included in the June 30, 2001, Statewide Single Audit Report issued under a separate cover.

Audit Opinions and Reports

We expressed unqualified opinions on the consolidated financial statements and the Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for the State Colleges in Colorado for the year ended June 30, 2001.

For further information on this report, contact the Office of the State Auditor at (303) 866-2051.

SUMMARY

We issued a report on the State Colleges' compliance with applicable laws and regulations and internal controls over financial reporting. We did not note any material instances of noncompliance with legal or regulatory requirements or material internal control weaknesses. Certain areas where the State Colleges can improve their internal controls are described in the Findings and Recommendations section of this report.

Summary of Findings and Recommendations

The State Colleges in Colorado issue a single set of financial statements that consolidates the financial activity of the four state colleges (Adams, Mesa, Metro, Western), the Western Colorado Graduate Center, and the Office of State Colleges. The consolidated financial statements are prepared by the Office of State Colleges and audited by the Office of the State Auditor. Our review included determining the appropriateness of information reported in the consolidated financial statements based on audit work performed by certified public accounting firms at the four state colleges. The Office of the State Auditor also audited the financial balances of the Office of State Colleges and the Western Colorado Graduate Center.

The following is a summary of the findings contained in the report. The audit recommendations for these findings and associated College responses are summarized in the recommendation locator, which follows the summary.

ADAMS STATE COLLEGE

Adams State College did not comply with one of the General Covenants of the series 1994-A Bond Issue. The Bond Covenant requires that the College establish and maintain fees, rental rates, and charges in each fiscal year that are sufficient to pay the current expenses, 125% of principal and interest payments, and any prior deficiencies. The College's Schedule of Revenue of Bond Coverage submitted to the State Controller's Office showed a debt coverage ratio of 91% which resulted in a shortfall of \$398,230. While the College used prior year revenue surpluses to fund this shortfall, continued deficiencies could potentially put future debt payments at risk.

MESA STATE COLLEGE

Our review of Mesa State College's food service operations generally found that the College has adequate controls over food service revenues, payments to the contractor, and other food service expenditures. We did note two potential areas for improvement. First, the Director of Housing and Student Life could obtain additional support documentation for certain food

service sales other than the board plans. The additional documentation could assist the Director in assessing the completeness and accuracy of the level of sales reported by the vendor used in determining the commissions due the College. Second, Mesa State can do more to ensure its food service costs are fair and reasonable. This could include doing a more formal market survey and evaluating meal plans in Colorado and other states that are comparable to the plans it offers.

METROPOLITAN STATE COLLEGE OF DENVER

We found that Metropolitan State College of Denver's fringe benefit clearing accounts reflect a total excess liability of \$430,761 at June 30, 2001. Consequently, the College has charged more expenses than appropriate to departments for various employee benefits and the PERA match. In addition, the student loan clearing account had a balance of \$136,300 at June 30, 2001, which is comprised of carryforward amounts from prior years. This account should have had an approximate balance of zero at June 30 which indicates there are errors in the account which need to be cleared up.

WESTERN STATE COLLEGE

The Western State College Financial Aid Office does not document its financial aid policies and procedures in a manual as required by the Colorado Commission on Higher Education. In addition, certain financial aid policies and procedures are not disclosed to financial aid applicants as required.

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the State Colleges in Colorado for Fiscal Year 2000 contained seven audit recommendations. As of October 12, 2001, the two recommendations made to Adams State College were implemented, one of the three recommendations made to Metropolitan State College of Denver was fully implemented and two were partially implemented, and the two recommendations to Western State College were fully implemented.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	13	Monitor fees, rental rates and charges for the use of buildings and facilities, to ensure that adequate bond coverage is maintained. These fees, and the related current costs, should be monitored throughout the year to determine if revisions are warranted prior to the beginning of the subsequent fiscal year.	Adams State College	Agree	June 2002
2	16	Request supporting documentation for sales revenue and conduct a formal market survey of meal plans in Colorado.	Mesa State College	Agree	November 2001
3	18	Continue to analyze clearing accounts and the fringe benefit allocation percentage and research and apply the loan payments carried in the student loan clearing account, writing off the remaining carry-forward balance.	Metropolitan State College of Denver	Agree	June 2002
4	19	Document all policies and procedures in a manual (either in paper or electronic format) as required by CCHE guidelines and as dictated by good business practice. Provide all of the information listed above and required by CCHE to all financial aid applicants via the College's financial aid handbook or other written format.	Western State College	Agree	January 2002

Description of the State Colleges in Colorado

The State Colleges in Colorado

The Board of Trustees of the State Colleges in Colorado (State Colleges) is the governing board for Adams State College, Mesa State College, Metropolitan State College of Denver, Western State College, and the Western Colorado Graduate Center. The Board of Trustees has oversight responsibility for the four state colleges and the Graduate Center in the areas of finance, resources, academic programs, admissions, role and mission, and personnel policies.

The Board has three goals:

- Ⓒ To provide outstanding teaching in four distinctive institutions with diverse student populations.
- Ⓒ To confer Board and campus leadership that connects educational issues with the future of Colorado and the communities in which the institutions are located.
- Ⓒ To assure the people of Colorado that human and financial resources are utilized most effectively.

The Board consists of seven members appointed by the Governor to serve four-year terms. Additionally, a faculty and student Trustee are elected to serve one-year terms. The President of the State Colleges is responsible for providing leadership for the system and for administering the policies and procedures of the Trustees. The Board conducts its business at regular monthly meetings and special meetings, all of which are open to the public.

Office of State Colleges

The Office of State Colleges, under the direction of the President of the State Colleges in Colorado, is responsible for administering the Trustees' policies

and procedures, and for coordinating reporting requirements and external matters for the four state colleges.

Adams State College, Alamosa

Adams State College is a liberal arts college with graduate programs in Teacher Education, Counseling, and Art. Section 23-51-101, C.R.S., provides that Adams State College shall be a general baccalaureate institution with moderately selective admission standards. Adams State College is to offer limited professional programs, Hispanic programs, undergraduate education degrees, masters' level programs, and two-year transfer programs with a community college role and mission, except for vocational education programs.

Full-time equivalent (FTE) student, faculty, and staff reported by the College for the last three fiscal years were as follows:

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Resident Students	1,899.5	1,893.0	1,808.6
Nonresident Students	<u>367.8</u>	<u>368.1</u>	<u>334.5</u>
Total Students	<u><u>2,266.3</u></u>	<u><u>2,261.1</u></u>	<u><u>2,143.1</u></u>
Faculty FTEs	126.8	126.1	132.5
Staff FTEs	<u>129.2</u>	<u>134.7</u>	<u>129.7</u>
Total Staff and Faculty FTEs	<u><u>256.0</u></u>	<u><u>260.8</u></u>	<u><u>262.2</u></u>

Mesa State College, Grand Junction

Mesa State College offers certificate programs, associate degrees, baccalaureate degrees, and selected graduate programs. Section 23-53-101, C.R.S., provides for Mesa State College to be a general baccalaureate and specialized graduate institution with moderately selective admission. Mesa State College is to offer liberal arts and sciences programs and a limited number of professional, technical, and graduate programs. Mesa State College is also

to maintain a community college role and mission, including vocational and technical programs.

Section 23-53-115, C.R.S., authorizes Mesa State College to offer graduate courses and programs in selected areas to ensure that persons living in western Colorado have reliable, consistent, and cost-effective access to necessary graduate courses and programs.

Full-time equivalent (FTE) student, faculty, and staff reported by the College for the last three fiscal years were as follows:

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Resident Students	3,778.5	3,703.0	3,884.0
Nonresident Students	410.2	438.3	428.5
Total Students	<u>4,188.7</u>	<u>4,141.3</u>	<u>4,312.5</u>
Faculty FTEs	236.2	238.1	241.8
Staff FTEs	150.1	147.7	149.5
Total Staff and Faculty FTEs	<u>386.3</u>	<u>385.8</u>	<u>391.3</u>

Metropolitan State College of Denver

Metropolitan State College of Denver serves a student population in the greater metro-Denver area. Section 23-54-101, C.R.S., provides that Metropolitan State College of Denver be a comprehensive baccalaureate institution with modified open admission standards, except that nontraditional students who are at least 20 years of age only need to have an admission requirement of a high school diploma, a GED high school equivalency certificate, or the equivalent.

Metropolitan State College of Denver is to offer a variety of liberal arts and science, technical, and educational programs. The College may offer a limited number of professional programs, but cannot offer any graduate program.

Full-time equivalent (FTE) student, faculty, and staff reported by the College for the last three fiscal years were as follows:

	1999	2000	2001
Resident Students	11,909. 4	11,943. 0	11,845. 8
Nonresident Students	407.8	426.5	434.0
Total Students	<u>12,317. 2</u>	<u>12,369. 5</u>	<u>12,279. 8</u>
Faculty FTEs	644.1	643.2	654.7
Staff FTEs	<u>353.9</u>	<u>351.6</u>	<u>288.3</u>
Total Staff and Faculty FTEs	<u><u>998.0</u></u>	<u><u>994.8</u></u>	<u><u>943.0</u></u>

Western State College, Gunnison

Western State College is an undergraduate college of liberal arts and sciences. Section 23-56-101, C.R.S., provides that Western State College be a general baccalaureate institution with moderately selective admission standards. The College is to provide a limited number of professional, educational, and traditional arts and sciences programs. Western State College cannot offer any two-year programs.

Full-time equivalent (FTE) student, faculty, and staff reported by the College for the last three fiscal years were as follows:

	1999	2000	2001
Resident Students	1,501.1	1,499.0	1,431.7
Nonresident Students	697.1	680.1	640.3
Total Students	<u>2,198.2</u>	<u>2,179.1</u>	<u>2,072.0</u>
Faculty FTEs	117.1	117.4	112.6
Staff FTEs	<u>114.0</u>	<u>116.1</u>	<u>106.6</u>
Total Staff and Faculty FTEs	<u><u>231.1</u></u>	<u><u>233.5</u></u>	<u><u>219.2</u></u>

Western Colorado Graduate Center

The Western Colorado Graduate Center is designed to provide the residents of western Colorado access to graduate degree programs offered in Colorado's western communities by Colorado colleges and universities. The Center serves as a resource and referral service as well as a broker of degree programs.

Section 23-53-116, C.R.S., provides that the Western Colorado Graduate Center be established on the campus of Mesa State College. The Center's mission is to ensure reliable, consistent, and cost-effective access for residents of western Colorado to graduate courses and programs necessary to maintain or strengthen employment knowledge and skills. The Center is not authorized to provide graduate courses or programs. The Center is under the authority and governance of the Trustees of the State Colleges in Colorado, who are responsible for developing a plan of implementation and operation of the Center consistent with the Center's mission. The Center operates independently of Mesa State College and commenced operation on July 1, 1996.

Findings and Recommendations

Adams State College

The following comment was prepared by the public accounting firm of Johnson, Holscher & Company, Inc., who completed audit work at Adams State College.

Satisfaction of Bond Covenants

The College did not satisfy Section 8.1 of the General Covenants of the Series 1994-A Bond Issue. Proceeds of approximately \$12.6 million from the 1994 Bond Issue were used for improvements and renovations to the College Center, several residence halls, and certain systemwide improvements. The bond covenants require that the College establish and maintain fees, rental rates, and charges for the buildings and facilities that are sufficient in each fiscal year to pay for current expenses, 125% of the bond principal and interest payments, and any prior deficiencies. The College's Schedule of Revenue Bond Coverage submitted to the State Controller's Office showed a debt coverage ratio of 91%, which did not satisfy the bond covenant provisions. During Fiscal Year 2001, the College had current expenses of \$5,007,435 and debt principal and interest payments of \$1,181,876. In order to meet the bond coverage requirements, the College needed to have \$6,484,780 of revenue but only had actual revenue of \$6,086,550 (a shortfall of \$398,230). While the College used prior year revenue surpluses to fund the shortfall, continued deficiencies could potentially put future debt payments at risk.

Recommendation No. 1:

Adams State College should monitor its fees, rental rates and charges for the use of its buildings and facilities, to ensure that adequate bond coverage is maintained. These fees, and the related current costs, should be monitored throughout the year to determine if revisions are warranted prior to the beginning of the subsequent fiscal year.

Adams State College Response:

Agree. The College does monitor its fees, rental rates and charges for the use of its buildings and facilities to ensure that adequate bond coverage is maintained. The College has sufficient reserves so it was not necessary to increase fees, rental rates and charges or to reduce expenditures during Fiscal

Year 2001. The reserve balance as of June 30, 2000 was \$1,043,671 and at June 30, 2001 was \$753,907.

Mesa State College

The following comment was prepared by the public accounting firm of Dalby, Wendland & Co., P.C., who completed audit work at Mesa State College.

Review of Food Service Operations

We reviewed Mesa State College's (Mesa State) food service operations at the request of the Colorado Office of the State Auditor. The purpose of our review was to evaluate the controls over the company that the College has contracted with to provide its food services.

Background Information

Mesa State contracts with Sodexo America, LLC (Sodexo-Marriott) to manage and operate its food service operations. Mesa State's vending operations were handled by local area service providers until Fiscal Year 2000. Mesa State contracted with Sodexo-Marriott for vending services in May 2000.

Food Service: Mesa State's contract provides Sodexo-Marriott with exclusive rights to operate food services on Mesa State's campus. Food services are provided for the dining facilities, the snack bar in the College Center, Fastbreaks in Houston Hall, and summer programs and various conferences.

Mesa State's payments to Sodexo-Marriott for all food services in the past three fiscal years are:

1999	\$1,145,114
2000	\$1,027,288
2001	\$1,105,875

Mesa State receives commissions on certain food service activities such as catering, snack bar sales, guest meals, cart sales, faculty meal cards, and other items as specified in the contract. Total commissions received State in the past three fiscal years are:

1999	\$ 97,379
2000	\$111,808
2001	\$107,780

Vending Machines: Mesa State entered into a vending contract with Sodexho-Marriott on May 1, 2000. The contract provides Sodexho-Marriott with exclusive rights to the vending machine operations on Mesa State's campus. As part of the agreement, Sodexho-Marriott purchased nine new vending machines for the campus. Mesa State receives a 12% commission on all vending machine sales. The approximate amount of commissions on vending machine sales received by Mesa State through June 30, 2001 is \$16,000.

Results of Review

We found that Mesa State has adequate controls over food service revenues, contract related payments and other food services expenditures. The contracts are well managed by College staff and have been performed in accordance with contract terms. Mesa State staff receives useful reports relating to the various areas of the contracts and those reports are reviewed by applicable staff prior to submission to the Business Office for payment. For example, Mesa State receives monthly operating statements showing all revenues and costs for food service, weekly vending machine readings, a weekly catering sales report, and a monthly sales and commissions report.

Mesa State staff also reviews reports on commissions to determine the reasonableness of the commissions based on the contract terms.

Mesa State performs ongoing monitoring of food service operations. For example, the Director of Housing and Student Life meets with the Sodexho-Marriott on-site manager weekly to monitor compliance with the contract and to discuss any changes that may need to be made to service hours, food selection, etc. The Director of Housing and Student Life, the Director of the College Center, and the Sodexho-Marriott on-site manager meet monthly to expand the discussions to include vending and any food service related concerns. Mesa State also has a student group that meets monthly with the two Directors and the Sodexho-Marriott manager to discuss student concerns and to receive feedback on student satisfaction with the food service and vending machines. According to both Directors, Mesa State students have been complimentary of the food service and are generally pleased with both variety and content.

We did note two areas for improvement. First, the Director of Housing and Student Life receives monthly statements from Marriott that provide gross revenues for various portions of the food services contract and the related commissions to be paid to Mesa State based on those revenues. Currently the Director is not receiving support information to verify food services sales other than sales that are student board related. Examples of support information that we believe would be helpful to receive are: a listing of faculty club card sales for the month and the number of guest meals served for the month. Having additional support information can help the Director better determine whether Mesa State is receiving proper commissions based on the level of sales.

Second, Mesa State has several mechanisms for assessing the quality of the food services it receives as discussed above. Mesa State also evaluates its food service costs by analyzing the reasons for changes in food costs from year-to-year and by doing an informal comparison of its meal prices to those of other Colorado colleges. We think Mesa State can do more to ensure its food service costs are fair and reasonable. This could include doing a more formal market survey and evaluating meal plans in Colorado and other states that are comparable to the plans it offers.

Recommendation 2:

The Director of Housing and Student Life should:

- a. Request support documentation for sales revenue reported by Marriott for guest meals and faculty punch cards .
- b. Conduct a formal market survey of meal plans in Colorado and other states.

Mesa State College Response:

Agree. Mesa State will request additional supporting documentation for guest sales and the faculty/staff punch card (now magnetic stripe on employee identification card) two times per fiscal year. Mesa State will implement this immediately so that two requests for additional supporting documentation will be made during this fiscal year as well as during each subsequent fiscal year.

Mesa State will also implement the second part of the recommendation so that a value assessment will be performed during this current fiscal year as well as each subsequent fiscal year.

Metropolitan State College of Denver

The following comment was prepared by the public accounting firm of Kunding, McCutcheon, Corder and Engle, P.C., who completed audit work at Metropolitan State College of Denver.

Clearing Accounts

Metropolitan State College of Denver uses several different clearing accounts in its operations. Clearing accounts are used for various purposes. In some cases, the accounts are used to hold funds received by the College for services provided by other entities. An example of this is the bus pass fee collected by the College and paid to Auraria Higher Education Center as the services are performed. The fees collected are properly recorded as a liability until they are paid. Upon payment, the balance in these clearing accounts is reduced to zero. In other cases, the College uses the clearing accounts to accumulate estimated employee benefit amounts. The clearing account is credited for the estimated liability and when the actual liability is determined, the clearing account is debited for the amount of the benefit expense. The College uses a third type of clearing account to record student loan payments. This clearing account is used to record loan payments until the College receives the information necessary to properly apply the payment against the principal and interest portions of the loan.

The College estimates fringe benefit expense based on allocation percentages applied to individual departments. Fringe benefits include the employer's share of medical and retirement benefits, taxes, etc., and, beginning in January 2001, the portion of the PERA match on employee contributions to the College's authorized supplemental retirement accounts. At June 30, 2001, these clearing accounts have a cumulative balance of \$430,761 of which \$178,081 is related to various employee benefits and \$252,680 is related to the PERA match.

We believe that the fringe benefit clearing accounts reflect a total excess liability of \$430,761 at June 30, 2001. We understand that the College has frozen the benefit allocation percentage for Fiscal Year 2002 and anticipates that the excess fringe benefit accrual of \$178,081 will be paid out in increased insurance premiums. The College is investigating the likely over-accrual of the PERA match of \$252,680 and will record the necessary adjustment in Fiscal 2002 to correct this account.

The College uses a clearing account to record student loan payments for the Perkins Loan Program until the payment is applied to the student's account. At June 30, 2001, this account had a balance of \$136,300. This balance is comprised primarily of carry-forward amounts, possibly resulting from errors in the College's former accounting system (FRS System) or when the College converted to its current accounting system (the Banner System). Payments received in recent years have been properly applied. We believe the student loan clearing account should be researched and any unidentified loan payments should be written off in Fiscal 2002.

Recommendation No. 3:

Metropolitan State College of Denver should:

- a. Continue to analyze all current clearing accounts and adjust the accounts as necessary.
- b. Continue to monitor the fringe benefit allocation percentage to ensure that the estimate approximates actual.
- c. Research and apply the student loan payments carried in the clearing account, writing off the remaining carry-forward balance if necessary.

Metropolitan State College of Denver Response:

Agree. Metropolitan State College of Denver will continue to analyze all clearing accounts during the upcoming year. Balances will be adjusted as necessary and allocation percentages will be monitored for reasonableness.

Western State College

The following comments were prepared by the public accounting firm of Chadwick, Steinkirchner, Davis & Co., P.C., who completed audit work for Western State College.

Program Policy Records

The Western State College Financial Aid Office does not maintain a policies and procedures manual. Colorado Commission on Higher Education (CCHE) guidelines require that financial aid policies and procedures be documented in a manual (either in paper or electronic format). In particular, we noted no written policy for resolving discrepancies of information submitted in support of an application for student aid. Additionally, the following information is not disclosed in material provided to financial aid applicants as required:

- Financial aid appeal procedures
- Penalties for intentionally providing incorrect information

- Eligibility requirements for each program
- The College's packaging policy
- Penalties for failure to maintain satisfactory progress (including information about probationary periods)
- A description of refund policies and calculations
- Identification of the Colorado General Assembly as the source of Colorado undergraduate merit funds and notice that Colorado Leveraging Educational Assistance Partnership (CLEAP) awards consist of state and federal funds.

Other policies and procedures used by the Financial Aid Office should also be documented to minimize the potential for disruption resulting from staff turnover or absence.

Recommendation No. 4:

The Western State College Financial Aid Office should document all of its policies and procedures in a manual (either in paper or electronic format) as required by CCHE guidelines and as dictated by good business practice. The College should also provide all of the information required by CCHE that is noted above to all financial aid applicants via the College's financial aid handbook or other written format.

Western State College Response:

Agree. The College will include all required information in the Financial Aid Handbook and/or on the financial aid website. Policies and procedures of the Financial Aid Office will be included in a shared computer file and available to all financial aid staff.

Office of State Colleges and the Western Colorado Graduate Center

The Office of the State Auditor completed audit work for the Office of State Colleges and the Western Colorado Graduate Center. There were no report findings and recommendations resulting from the audit work completed for Fiscal Year 2001.

Disposition of Prior Audit Recommendations

Listed below are the recommendations included in the State Colleges in Colorado audit report for the year ended June 30, 2000, and their disposition as of October 12, 2001.

Recommendation	Disposition
ADAMS STATE COLLEGE	
1. Obtain the best estimate available of any unbilled construction costs at year-end and make appropriate accounting entries to record such costs.	Implemented.
2. Improve controls over the cashiering function by:	Implemented.
a. Restricting supervisory and certain other staff from performing cashiering duties.	
b. Examining scheduling alternatives that allow staffing of the cashier window with other Business Office staff.	

MESA STATE COLLEGE

There were no recommendations in the prior year.

Recommendation**Disposition**

5. Metropolitan State College should require accounting managers to perform comparative and analytical reviews at the detailed general ledger account level on a monthly basis. Unusual fluctuations should be identified and investigated in a timely manner.

Partially implemented. The College's Accounting Services Department has begun to implement the processes, procedures, and reports to assist in the performance of monthly analytical reviews. The Accounting Services Department will continue to refine the process during Fiscal 2002.

WESTERN STATE COLLEGE

6. Western State College should:

Implemented.

- a. Implement procedures to reconcile event attendance to cash receipts. These procedures should include a method of counting attendees. Two alternatives would be the use of pre-numbered tickets or installing turnstiles. Someone independent of the receipting function should then reconcile event attendance figures to gate receipts.
- b. Implement the use of an event cash receipt report detailing collections information. The cashiers' office should attach a copy of this report to the deposit slip copy retained by the College.

7. Western State College should implement a procedure whereby the amount disbursed for federal and Colorado work study in the payroll system is reconciled to the amount shown as disbursed on the financial aid system. This reconciliation should be performed on a monthly basis.

Implemented.

FINANCIAL STATEMENT SECTION



STATE OF COLORADO

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October 12, 2001

Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying consolidated balance sheet of the State Colleges in Colorado, a component unit of the State of Colorado, as of June 30, 2001, and the related consolidated statement of changes in fund balances for the year then ended. These financial statements are the responsibility of the management of the State Colleges. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the State Colleges in Colorado as of June 30, 2001, and the changes in its fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2001 on our consideration of the State Colleges in Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The combining financial statements and the Schedule of Revenue and Expenses for Enterprise Revenue Bonds are presented for purposes of additional analysis and are not a required part of the financial statements of the State Colleges in Colorado. Such information, which is the responsibility of the State Colleges' management, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

STATE COLLEGES IN COLORADO

Consolidated Balance Sheet

June 30, 2001

	<i>Current Funds</i>		Student Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
<u>ASSETS</u>				
Cash & Short-Term Investments	\$2,538,509	\$4,742	\$103,625	\$54,406
Cash With State Treasurer (Note 2)	16,929,937	558,666	1,606,274	
Investments	456,181			
Accounts Receivable (Note 3)	4,226,936	1,465,645	39,407	
Loan Receivable (Note 3)	53,586		13,160,794	
Interest Receivable	96,684		8,734	
Inventories	1,165,217			
Prepaid Expenses	530,990	5,562		
Deferred Charges	5,046			
Due from Other Funds	524,646	9,879		
Due from State Agencies		617,296		
Due from Federal Government		14,962	14,901	
Other Assets	267		4,500	
Land				
Land Improvements				
Buildings				
Construction in Progress				
Equipment				
Library Books				
Total Assets	<u>26,527,999</u>	<u>2,676,752</u>	<u>14,938,235</u>	<u>54,406</u>
<u>LIABILITIES</u>				
Accounts Payable	1,992,812	141,575	1,000	
Accrued Payroll	1,113,524			
Student Deposits	675,675	(46,139)	(14,285)	
Accrued Interest				
Deposits Held in Custody for Others				
Due to State Treasurer		1,621,654		
Due to Other Agencies	25,717			
Accrued Compensated Absence Liability	3,956,785			
Deferred Revenue	5,949,667	48,134		
Capital Lease Obligations				
Bonds Payable				
Due to Other Funds	268,024	181,114		
Due to Mesa State College Foundation			50,000	
Other Liabilities	331,080	81,962	210	
Total Liabilities	<u>14,313,284</u>	<u>2,028,300</u>	<u>36,925</u>	<u>0</u>
<u>FUND BALANCE</u>				
U.S. Government Grants Refundable			4,396,692	
Unrestricted	16,051,622			
Restricted		648,452	10,504,618	54,406
Designated for Compensated Absences	(3,836,907)			
Net Investment in Plant				
Total Fund Balance	<u>12,214,715</u>	<u>648,452</u>	<u>14,901,310</u>	<u>54,406</u>
Total Liabilities and Fund Balance	<u>\$26,527,999</u>	<u>\$2,676,752</u>	<u>\$14,938,235</u>	<u>\$54,406</u>

The accompanying notes to the financial statements are an integral part of this statement.

Plant Funds					Memorandum
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant	Agency Funds	Only Total
	\$466,615	\$402,385			\$ 3,278,687
\$11,469	1,561,938	216,996	\$269,547	\$1,826,082	23,272,504
		307,717			763,898
20,265	6,879	7,626		540,800	6,307,558
					13,214,380
		899			106,317
					1,165,217
				11,052	547,604
					5,046
					534,525
					617,296
					29,863
					4,767
			2,081,132		2,081,132
			6,920,438		6,920,438
			158,914,042		158,914,042
20,283,804					20,283,804
			16,174,493		16,174,493
			15,230,818		15,230,818
<u>20,315,538</u>	<u>2,035,432</u>	<u>935,623</u>	<u>199,590,470</u>	<u>2,377,934</u>	<u>242,901,198</u>
	3,668			152,078	2,291,133
				489,466	1,602,990
				50,357	665,608
		242,104			242,104
				1,551,234	1,551,234
					1,621,654
				134,409	160,126
					3,956,785
					5,997,801
			3,254,170		3,254,170
			33,601,594		33,601,594
20,000					469,138
					50,000
				390	413,642
<u>20,000</u>	<u>3,668</u>	<u>242,104</u>	<u>36,855,764</u>	<u>2,377,934</u>	<u>55,877,979</u>
	795,417				4,396,692
20,295,538	1,236,347	693,519			16,847,039
					33,432,880
					(3,836,907)
			162,734,706		162,734,706
<u>20,295,538</u>	<u>2,031,764</u>	<u>693,519</u>	<u>162,734,706</u>	<u>0</u>	<u>213,574,410</u>
<u>\$20,315,538</u>	<u>\$2,035,432</u>	<u>\$935,623</u>	<u>\$199,590,470</u>	<u>\$2,377,934</u>	<u>\$269,452,389</u>

STATE COLLEGES IN COLORADO
 Consolidated Statement of Changes in Fund Balances
 Year Ended June 30, 2001

	Current Funds		Student Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
Revenues and Other Additions				
Tuition & Fees	\$65,062,050			
State of Colorado Appropriation	73,940,439			
Sales & Services of Educational Departments	564,721			
Sales & Services of Auxiliary Enterprises	21,829,143			
Federal Grants & Contracts	151,041	\$21,387,537	\$80,639	
State Grants & Contracts	0	16,725,163		
Local Grants & Contracts	0	177		
Private Gifts, Grants & Contracts	814,453	3,350,319		
U. S. Government Advances			390,075	
Investment & Interest Income	2,683,071	7,982	397,914	\$3,293
Indirect Costs Recovered	506,458			
Expended for Plant Facilities				
Retirement of Indebtedness				
Capitalization of Asset/Debt				
Other Sources	4,500,348	57,143	(6,829)	
Total Revenues and Other Additions	170,051,724	41,528,321	861,799	3,293
Expenditures and Other Deductions				
Instruction	67,680,010	7,586,139		
Research		138,726		
Public Service	3,130	796,525		
Academic Support	15,178,776	1,398,149		
Student Services	17,377,319	3,253,635		
Institutional Support	15,406,327	756,823		
Operation of Plant	13,390,217	156,039		
Scholarships & Fellowships	2,795,427	25,977,532		
Auxiliary Enterprises Expenditures	32,512,486	449,905		
Refunded to Grantors			47,064	
Indirect Costs Recovered		471,579	34,879	
Loan Cancellations & Write-offs			200,039	
Administrative and Collection Costs			133,847	
Expended for Plant Facilities				
Retirement of Indebtedness				
Interest on Indebtedness				
Disposal of Plant Facilities				
Capitalization of Asset/Debt				
Other Deductions	328,019	9,474	6,736	
Total Expenditures and Other Deductions	164,671,711	40,994,526	422,565	0
Transfers Among Funds - Additions (Deductions)				
Mandatory Transfers:	(3,809,960)	(93,417)	95,747	
Non-mandatory Transfers	(1,732,651)	(453,493)	56,863	(1,700)
Total Transfers	(5,542,611)	(546,910)	152,610	(1,700)
Net Increase (Decrease) in Fund Balance	(162,598)	(13,115)	591,844	1,593
Fund Balance - Beginning of Year	12,377,313	661,568	14,309,465	52,813
Fund Balance - End of Year	\$12,214,715	\$648,453	\$14,901,309	\$54,406

The accompanying notes to the financial statements are an integral part of this statement.

Plant Funds

<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
\$21,600,409	\$306,538		
	18,846	\$28,037	
83,000			\$19,736,873
			2,132,334
			137,819
<u>21,683,409</u>	<u>325,384</u>	<u>28,037</u>	<u>22,007,026</u>
18,038,263	910,985	5,461	8,530
		2,132,334	7,400
	377,819	2,129,383	8,340
			1,074,462
83,000			
		5,532	11,673
<u>18,121,263</u>	<u>1,288,804</u>	<u>4,272,710</u>	<u>1,110,405</u>
829,064	765,055	3,807,630	
		544,611	
<u>829,064</u>	<u>765,055</u>	<u>4,352,241</u>	
4,391,210	(198,365)	107,568	20,896,621
15,904,328	2,499,676	585,952	141,568,535
<u>\$20,295,538</u>	<u>\$2,301,311</u>	<u>\$693,520</u>	<u>\$162,465,156</u>

**STATE COLLEGES IN COLORADO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governance

The Board of Trustees of the State Colleges in Colorado ("State Colleges") is the governing board for Adams State College (ASC), Mesa State College (MSC), Metropolitan State College of Denver (MSCD), Western State College (WSC), and the Western Colorado Graduate Center (WCGC). The Trustees are statutorily charged with responsibility in the areas of finance, resources, academic programs, admissions, role and mission, and personnel policies. The Board consists of seven members appointed by the Governor serving four-year terms. Additionally, a faculty and a student trustee are elected to serve for one-year terms.

Basis of Presentation and Financial Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 (GASB No. 14), the financial reporting entity of the State Colleges includes the combined operations of the component institutions, the Office of State Colleges (OSC), and all related entities for which State Colleges is financially accountable. As defined in GASB No. 14, financial accountability may stem from the State Colleges' ability to appoint a majority of the governing boards of the related organization, its ability to impose its will on the related organization, or its ability to access assets or be held responsible for the debts of the related organization.

Accordingly, the accompanying financial statements contain the operations of the Office of State Colleges, the Western Colorado Graduate Center and the following four component colleges:

Adams State College
Mesa State College
Metropolitan State College of Denver
Western State College

In addition, the accompanying financial statements contain the results of operations of the following related entity for which the State Colleges are financially accountable:

State Colleges Educational Authority, Inc.

As of March 31, 1994, all assets and liabilities of the State Colleges Educational Authority, Inc. were liquidated. The entity had no financial activity during fiscal year 2001.

For financial reporting purposes, the State Colleges System is considered to be a component unit of the State of Colorado.

The significant accounting policies followed by the State Colleges are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The financial statements of the State Colleges are prepared on the accrual basis, except for depreciation related to plant fund assets, which is not recorded.

Generally accepted accounting principles for colleges and universities provide that encumbrances representing outstanding purchase orders and other commitments for materials or services not received as of the final reporting date should not be reported as expenditures nor included as liabilities. This policy is reflected in the financial statements. However, the encumbrance concept is implemented throughout the year as a management tool to enhance budgetary control and responsive management.

Investments are stated at their market value at date of gift, or at cost, if purchased by the colleges.

Inventories are stated at the lower of cost or market. The central stores inventory, accounted for in the Current Unrestricted Fund, consists primarily of office supplies and other consumable goods. It is valued using the average cost method. The bookstore inventory, which is accounted for in the Current Unrestricted Fund, includes instructional materials and soft goods held for resale. It is valued using the first-in-first-out method.

Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of donation. A physical inventory of all inventory of all plant assets is taken annually with appropriate adjustments made to the financial records. Annual revisions of statement of values for insurance purposes are performed. Depreciation on physical plant and equipment is not recorded. Adams State College, Mesa State College, Metropolitan State College of Denver, Western State College, The Office of State Colleges and the Western Colorado Graduate Center follow the policy of capitalizing only those plant assets with an initial cost or fair value equal to or greater than \$5,000.

To the extent that current funds are used to finance plant assets, the amounts are accounted for as 1) expenditures, in the case of normal replacement of movable equipment and library books; 2) mandatory transfers, in the case of required provisions for debt service and facilities renewal and replacement; and, 3) as transfers of a nonmandatory nature, in all other cases.

Summer session tuition and fees and related direct academic expenditures are deferred and reflected in the subsequent fiscal year.

To the extent that current funds are used for debt amortization and interest and for equipment renewal and replacement reserves, the amounts are accounted for as mandatory transfers.

Interfund borrowings are recorded on each fund as due to/from other funds. All interfund loans are temporary in nature; no interest is charged on interfund loans. Such borrowings are authorized in advance by administrative action. The borrowings have identifiable repayment schedules in most instances and provide needed working capital or cash advances for special projects.

Fund Accounting

Accounts are maintained in accordance with principles of "Fund Accounting." These principles require resources to be classified for accounting and reporting purposes into account groups in accordance with the activities or objectives specified for the resources. Accounts are separately maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined. Accordingly, all financial transactions have been recorded and reported by fund group.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund that owned such assets.

Description of Funds

Current Operating Funds. The current operating funds are used primarily to account for transactions that are expended in performing the primary and support objectives of the college (i.e., instruction, research grants and contracts, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, and auxiliary activities). Current operating funds include:

1. The Unrestricted Fund is used to account for transactions related to the State Colleges state appropriated budget as approved by the Colorado State Legislature and the Trustees of the State Colleges and transactions of substantially self-supporting activities that primarily provide services for students, faculty, and staff. Auxiliary enterprises include, but are not limited to, student housing, food services, the bookstore, and athletics. Included in the auxiliary fund are self-supporting activities that are funded by unrestricted gifts and other income designated for specific purposes.
2. Within the Restricted Funds, fund balances restricted by outside sources have been identified. Externally restricted funds may only be utilized in accordance with the restrictions placed upon the resources by the external source.

Non-operating Funds. Non-operating funds include:

1. The Student Loan Fund, funded primarily by the federal government, is used to account for loans to students. Interest on loans to students is recognized as income when received.
2. The Endowment and Similar Funds consist of endowment income funds that are subject to the restrictions of donor gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized.
3. Plant Funds are used to account for transactions relating to investment in properties. They include 1) Unexpended Plant Fund, 2) Renewal and Replacement fund, 3) Retirement of Indebtedness Fund, and 4) Investment in Plant Fund. The Unexpended Plant Fund is composed of amounts that have been appropriated or designated for purchase of land, improvements, buildings, and equipment. The Renewal and Replacement Fund is to account for renewal and replacement of plant fund assets rather than additions and improvements to plant. The Retirement of Indebtedness Fund represents funds to provide for payment of principal and interest, primarily pursuant to the terms of bond indentures. The Investment in Plant Fund represents the total of property, buildings, and equipment, and the related liabilities.

NOTE 2: CASH WITH THE STATE TREASURER, CASH ON HAND AND IN BANK, AND INVESTMENTS

Cash with the State Treasurer. At year-end June 30, 2001, the State Colleges had \$23,272,504 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

The State Colleges deposit cash with the Colorado State Treasurer as required by Colorado Revised Statutes. The State Treasurer pools these deposits and invests them in securities approved by 24-75-601.1 C.R.S. The State Colleges report their share of the Treasurer's unrealized gains and losses based on their participation in the State Treasurer's Pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2001. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized losses included in "Investment Income" reflect only the change in fair value during the current fiscal year. Additional information on the Treasurer's Pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

Cash on Hand and in Banks. At year-end, cash on hand and in banks consisted of the following:

Cash on Hand	\$ 112,654
Checking Accounts	2,160,914
Certificates of Deposit	<u>1,005,119</u>
	<u>\$3,278,687</u>

The carrying amount of the State Colleges' cash in banks and certificates of deposit was \$4,399,314 and the bank balance was \$8,257,049. Of this bank balance, \$533,275 was covered by Federal Note Depository Insurance or by collateral held by the institution's agent in the institution's name and \$7,723,774 was covered by collateral held in the pledging institution's trust department in the name of the public deposit pool, as required by the Public Deposit Protection Act.

Investments. A summary of the State Colleges' investments at June 30, 2001 by risk category described below, is as follows:

	Risk Categories		Book Value	Market Value
	A	B		
U.S. Government Securities	\$190,634	\$0	\$190,634	\$190,676
Repurchase Agreements		265,547	265,547	265,547
Investments in Mutual Funds		307,717	<u>307,717</u>	<u>307,717</u>
Total Investments			<u>\$763,898</u>	<u>\$763,940</u>

Risk Category Descriptions:

- A- investments which are insured, registered, or held by the State or its agent in the State's name.
- B- investments which are uninsured and held by the counter party's trust department or agent.

NOTE 3: ACCOUNTS AND LOANS RECEIVABLE

At June 30, 2001, accounts receivable were as follows:

	<u>Adams</u>	<u>Mesa</u>	<u>MSCD</u>	<u>Western</u>	<u>OSC</u>	<u>WCGC</u>	<u>Total</u>
<u>Accts Rec</u>	\$777,654	\$1,379,426	\$4,829,125	\$ 539,034	\$14,060	\$0	\$7,539,299
Less Allow							
<u> Doubt Acct</u>	<u>175,830</u>	<u>300,262</u>	<u>689,715</u>	<u>119,846</u>	<u> -</u>	<u> -</u>	<u>1,285,653</u>
<u>Net Acct Rec</u>	<u>601,824</u>	<u>1,079,164</u>	<u>4,139,410</u>	<u>419,188</u>	<u>14,060</u>	<u> 0</u>	<u>6,253,646</u>
<u>Loans Rec</u>	1,285,151	1,165,445	10,752,503	2,059,501	-	-	15,262,600
Less Allow							
<u> Doubt Acct</u>	<u>163,304</u>	<u>87,090</u>	<u>1,294,426</u>	<u>503,400</u>	<u> -</u>	<u> -</u>	<u>2,048,220</u>
<u>Net Loans Rec</u>	<u>\$1,121,847</u>	<u>\$1,078,355</u>	<u>\$9,458,077</u>	<u>\$1,556,101</u>			<u>\$13,214,380</u>

NOTE 4: LEASE OBLIGATIONS**Adams State College**

A capital lease for Energy Conservation Equipment was entered into May 17, 1996 in the amount of \$1,144,242. This lease consisted of two purchase agreements. Phase I agreement requires monthly payments of \$4,527 for ten years with an interest rate of 6.75%. Phase II agreement, which went into effect July 1, 1999, requires monthly payments of \$8,612 for ten years with an interest rate of 6.75%.

Principal and interest requirements to maturity are as follows:

Year Ending June 30

2002	
	157,664
2003	157,664
2004	157,664
2005	157,664
2006	157,664
2007 – 2008	<u>251,950</u>
	1,040,270
Less amount representing interest	<u>-203,694</u>
Principal outstanding	<u>\$ 836,576</u>

Mesa State College

Mesa State College leases phone system equipment under a capital lease through October 1, 2004, at which time the title will be transferred to Mesa State College. The lease can be terminated due to lack of funding with 30 days written notice, and the College has an option to purchase at any time during the lease. Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	
2002	103,216
2003	103,216
2004	103,216
2005	61,567
2006	<u>19,919</u>
Total principal & interest payments	391,134
Less amount representing interest	<u>43,692</u>
Principal outstanding	<u>\$347,442</u>

Metropolitan State College of Denver

MSCD leases building space and equipment under operating lease agreements. Rental expense for the year ended June 30, 2001 under these agreements was \$1,670,099. Minimum future rentals (excluding contingent rentals) required by the above agreements are as follows:

<u>Year Ending June 30</u>	
2002	608,976
2003	488,475
2004	399,102
2005	153,436
2006 and later	<u>20,110</u>
Total	<u>\$1,670,099</u>

MSCD has a sub-lease rental agreement for three more years totaling \$146,116. Payments made in FY 2001 totaled \$88,242.

Western State College

A capital lease for an Energy Management System was entered into December 16, 1996 in the amount of \$3,335,000, which requires semi-annual payments of \$223,100 for ten year and includes interest at 5.897%. Title to the equipment passed to the college at the beginning of the lease term. Principal and interest requirements to maturity on both leases are as follows:

<u>Year Ending June 30</u>	
2002	446,200
2003	446,200
2004	446,200
2005	446,200
2006	446,200
2007	<u>223,100</u>
Total principal & interest	2,454,100
Less amount representing interest	-383,948
Principal outstanding	<u>\$2,070,152</u>

Office of State Colleges

OSC has a lease agreement to rent office space at 1580 Lincoln, Suite 750, Denver through August 31, 2003 with monthly payments varying between \$6,233 and \$7,452 per month. Following is a schedule of future minimum lease payments.

<u>Year Ending June 30</u>	
2002	83,245
2003	<u>14,021</u>
Net minimum lease payments	<u>\$97,266</u>

In addition to the net minimum lease payment listed above, there is a variable expense component that is paid.

NOTE 5: REVENUE BONDS PAYABLE

Adams State College

The Series A 1994 Enterprise Revenue bonds have annual maturities through 2006, then the bonds will mature in 2009, 2014, and 2019. Interest rates vary from 3.30% to 5.75% with an average rate of 5.55%. The bonds are collateralized by first lien on all net revenues of the Auxiliary Facilities System, which consists of all dormitories, the cafeteria, apartment buildings, and the college center. Also, the Series A 1994 Bonds are insured through the Municipal Bond Investors Assurance Corporation (MBIA).

Under the terms of the bond resolution the Debt Service Reserve Requirement may be maintained by cash, or a qualified surety bond or a combination of both in the amount of \$1,182,180. The College fulfilled this requirement with the purchase of a Debt Service Reserve Surety Bond in the amount of \$1,182,180 issued through the MBIA.

Under the terms of the bond resolution the Repair and Replacement Reserve Requirement was to start with an initial amount of \$200,000 with deposits in the amount of not less than \$25,000 each year from 1995 through 1998, or until a reserve of \$300,000 was met. As of June 30, 2001, the College had a Repair and Replacement Reserve balance of \$511,347. Principal and interest requirements to maturity are as follows:

Year Ending June 30	
2002	1,101,877
2003	1,010,553
2004	931,803
2005	940,383
2006	936,982
2007 – 2019	<u>11,227,772</u>
	16,149,370
Less Amount Representing Interest	<u>-6,024,370</u>
Principal Outstanding	10,125,000
Less unamortized discount and issue cost	<u>-303,673</u>
Bond Payable	<u>\$9,821,327</u>

Mesa State College

Mesa Auxiliary Facilities Revenue Bonds, Series B 1994, require annual debt service payments ranging from \$586,913 to \$830,756, including interest at 4.6% to 5.75%. Final payments are due November, 2019. The bonds are secured by a first lien on and pledge of certain net revenues of the Mesa Auxiliary Facilities System. A \$300,000 renewal and replacement reserve fund is maintained, as required by the bond resolution. Bonds maturing in 2004 are callable at a premium of 1% and bonds maturing in 2005 at .5%. Bonds maturing in 2006 and thereafter are subject to mandatory sinking fund redemption without premium.

Mesa Auxiliary Facilities Revenue Bonds, Series A 1996, require annual debt service payments ranging from \$508,200 to \$514,115, including interest at 4.65% to 6.0%. Final payments are due in May of 2016. The bonds are secured by a first lien on and pledge of certain net revenues of the Mesa Auxiliary Facilities System. A \$25,000 renewal and replacement reserve fund is maintained, as required by the bond resolution. Bonds maturing in 2011 and thereafter are subject to mandatory sinking fund redemption without premium.

The following is a schedule of future minimum bond payments as of June 30, 2001

	<u>Auxiliary Facilities System</u>	
	<u>Revenue Bonds</u>	
	<u>1994B</u>	<u>1996A</u>
2002	828,936	513,740
2003	823,705	517,490
2004	827,205	515,250
2005	824,000	510,250
2006	604,300	509,650
2007-2011	3,032,465	2,537,413
2012-2016	3,030,790	2,531,569
2017-2021	<u>1,764,863</u>	<u>0</u>
Subtotals	11,736,264	7,635,362
Less: interest included above	<u>-4,251,264</u>	<u>-2,625,361</u>
Total Principal Outstanding	7,485,000	5,010,001
Less: unamortized discount and issue cost	<u>-223,521</u>	<u>-96,212</u>
Bonds Payable	<u>\$7,261,479</u>	<u>\$4,913,789</u>

Western State College

On March 31, 1994 the College issued \$14,145,000, Series C 1994, in Student Housing Revenue Bonds with an average interest rate of 5.458%. The 1994 bonds require interest only payments until May 15, 1996 when the bonds begin to mature in increasing amounts through May 15, 2015. Interest rates may vary from 4.000% on bonds maturing May 15, 1996 to 5.625% on all bonds maturing after May 15, 2009. The bonds are collateralized by a first lien on and pledge of all revenues of the Auxiliary Facilities System.

Debt Service Reserve Requirement - Under the terms of the bond agreement the College is required to maintain in a Debt Service Reserve Fund an amount equal to the lesser of (1) the combined maximum annual principal and interest payments on all bonds outstanding, (2) the combined average annual principal and interest payments on all bonds outstanding, or (3) ten percent of the original principal amount of each issue outstanding. The initial debt service reserve requirement of \$1,220,812 is satisfied by a surety bond obtained at bond closing.

A summary of the amounts recorded in fund balance for the purpose of meeting the bond payments and satisfying the terms of the bond agreement as of June 30, 2001 is as follows:

Retirement of Indebtedness	<u>\$453,919</u>
Renewal and Replacement	<u>\$505,249</u>

Principal and interest requirements to maturity are as follows:

<u>Year Ending June 30</u>	
2002	1,214,554
2003	1,216,279
2004	1,210,779
2005	1,213,394
2006	1,212,549
2007 - 2011	6,080,213
2012 - 2015	<u>4,852,281</u>
Total Principal and Interest	17,000,049
Less Interest	<u>-5,395,049</u>
Total Principal Outstanding	<u>\$11,605,000</u>

NOTE 6: EXTINGUISHMENT OF DEBT

Adams State College

In 1991, Adams defeased its outstanding Series 1972, Adams State College Center Revenue Bonds totaling \$1,345,000, with an average interest rate of 5.6% by placing the proceeds of certificates of participation, Series 1991 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the college's financial statements. As of June 30, 2001 \$280,000 of the bonds outstanding are considered economically defeased.

In 1994, Adams State College defeased its Certificates of Participation, Series 1991 totaling \$925,000, with an average interest rate of 7.16% by placing a portion on the proceeds of the Adams Auxiliary Facilities System-Enterprise Revenue Bonds, Series A 1994, in a Certificate Escrow Fund. This Escrow Fund is maintained by an Escrow Agent in accordance with the terms of the Series A Resolution and the Certificate Escrow Agreement. This Escrow Agreement provides for the full and timely payment of all future debt service payments on the Certificates of Participation. Accordingly, the Escrow Fund assets and the liability of the defeased Certificates of Participation are not included in the College's financial statements. On June 30, 2001 \$235,000 of the Certificates of Participation outstanding are considered economically defeased.

Western State College

In fiscal year 1994, the College defeased 1992 series bonds by placing the proceeds of the 1994 series plus a portion of the 1992 series debt service reserve funds in an irrevocable trust to provide for all future debt service payments on the 1992 bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the College's financial statements. On June 30, 2001, \$10,905,000 of bonds outstanding is considered defeased.

NOTE 7: COLLEGE FOUNDATIONS

Foundations in the State Colleges are unconsolidated nonprofit corporations formed to provide financial assistance to college students and to otherwise assist the colleges in serving educational needs. The foundations engage in activities that may be beyond the scope of the Board of Trustees. Their financial records are maintained separately from the colleges' financial accounting systems. As of June 30, 2001, the foundations' unaudited summarized balance sheets and statements of revenues and expenses for Mesa and Western are shown below. Adams State College and Metropolitan State College do not have access to FY 2001 figures at this time.

	<u>Adams - Dec 2000</u>	<u>Mesa - 2001</u>	<u>MSCD - 2000</u>	<u>Western - 2001</u>
Assets	\$8,351,569	\$9,305,066	\$7,888,910	\$7,254,955
Liabilities		<u>1,021,110</u>	<u>133,864</u>	<u>1,329</u>
Fund Balance	<u>\$8,351,569</u>	<u>8,283,956</u>	<u>7,755,046</u>	<u>7,253,626</u>
Revenue	713,432	39,751	4,318,880	1,334,794
Expenses	-686,188	-48,601	-1,692,645	-1,538,517
Unrealized Appreciation/loss				
On Investments	<u>43,739</u>	<u>-96,109</u>	<u>-412,569</u>	
Excess of Revenue	<u>\$ 70,983</u>	<u>-\$ 104,959</u>	<u>\$ 2,213,666</u>	<u>-\$ 203,723</u>

During the year ended June 30, 2001, Adams State College received funds totaling \$1,001,297 from the Foundation for special projects, library materials, scholarships and grants-in-aid.

Under a memorandum of understanding between Mesa State College and the Mesa State College Foundation, the College is to grant and manage student loans made from designated Foundation funds. The College absorbs any associated costs in excess of loan interest collections, including loan write-offs and administrative expenses. Student loan fund assets at June 30, 2001, consisting primarily of loans receivable, are held by the College and represent a payable to the Foundation of \$50,000.

NOTE 8: CONTINGENT LIABILITIES

Amounts expended under the terms of certain grants and contracts are subjected to audit and possible adjustment by governmental agencies. In the opinion of management, any adjustments will not have a material adverse effect on the accompanying financial statements.

The State Colleges System, in the course of conducting business, is a party to various litigation and other claims. Although the final outcome of these legal actions cannot be determined at this time, management does not believe the ultimate resolution of these matters will have a significant adverse effect on the financial position of the system.

NOTE 9: COMPENSATED ABSENCES FOR ANNUAL AND SICK LEAVE

Employees may accrue annual and sick leave based on length of service and subject to certain limitations regarding the amount which will be paid upon termination. Estimated costs of compensated absences for which employees are vested for the year ended June 30, 2001 is estimated at \$3,956,785. Current expenses include an increase of \$330,367 for the estimated compensated absence liability. Recording the liability may result in fund balance deficits which will be funded by the state appropriation, federal funds, or other fund sources available in future years when the liability is paid.

NOTE 10: PENSION PLAN OBLIGATION

A. Optional Retirement Plan Description

On September 10, 1993 the Board of Trustees adopted an Optional Retirement Plan (ORP) for faculty and exempt-administrative staff, under the authority of Senate Bill 92-127. The implementation date was May 1, 1994.

Eligible employees were offered the choice of remaining in PERA or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

The ORP is a defined contribution pension plan with three vendors, Fidelity Investments, TIAA-CREFF and VALIC, providing a range of investment accounts for participants. The colleges' contribution to the ORP is 11.4% of covered payroll and contributions by employees is 8% of covered payroll.

Contributions to the ORP are similar to PERA contributions for covered payroll. The State Colleges' system contributions to the ORP for the fiscal years ending June 30, 2001, 2000, and 1999 were \$4,226,420, \$3,838,546 and \$3,598,233 respectively. These contributions were equal to the required contributions for each year. All ORP contributions are immediately vested in the employee's account. "Normal Retirement Age" for the ORP has been established as 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts. Some exempt employees of the State Colleges elected to continue as members with the Public Employee's Retirement Association of Colorado (PERA), the remainder participate in the ORP.

B. PERA Plan Description

The PERA Plan's purpose is to provide income to members and their families at retirement or in the case of death or disability. The Plan is a cost sharing multiple employer plan administered by the Public Employees=Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the Plan is placed with the Board of Trustees of PERA. Changes to the Plan require legislation by the General Assembly. The state plan, as well as the other divisions=plans, are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203.

Plan members vest after five years of service and are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest annual salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credits.

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, the deceased member's eligible children under the age of 18 (23 if a full-time student) or the deceased member's spouse are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

PERA Plan Funding Policy

Most employees contribute 8 percent of their gross covered wages to an individual account in the plan. During the fiscal year ended June 30, 2001, the State Colleges system contributed 10.4 percent of the employees' gross wages which was allocated by PERA before January 1, 2001, as follows:

- The Health Care Trust Fund was allocated 1.1 percent.
- The defined benefit plan was allocated 9.3 percent.

After January 1, 2001, the state contribution was allocated to three separate programs by PERA according to a statutory change in funding policy:

- The Health Care Trust Fund was allocated 1.42 percent.
- The amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker Program (see note below.)
- The balance remaining after allocations to the Matchmaker program and the Health Care Trust Fund was allocated to the defined benefit plan.

The annual gross covered wages subject to PERA and the gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code. The contribution requirements of plan members and their employers are established, and may be amended, by the general assembly.

The State College System's contributions to the three programs described above for the fiscal years ending June 30, 2001, 2000, and 1999, were \$5,235,335, \$5,809,203 and \$5,726,923 respectively. These contributions were equal to the required contributions for each year.

C. Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statutes (C.R.S.), and as provided in Section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan, for the State College System was \$1,434,159. Employee contributions were 7.5 percent of covered payroll.

NOTE 11: VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

Beginning January 1, 2001, the Matchmaker program established a state match for PERA members' voluntary contributions to tax-deferred retirement plans. The match was 100 percent of up to 3 percent of the employee's gross covered wages paid during the month. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit plan. Two percent of gross salary plus fifty percent of any reduction in the overall contribution rate due to overfunding of the pension plan was available for the match. PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state offer a 403b plan. Members who contribute to any of these plans also receive the state match.

NOTE 12: POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During the fiscal year 2001, the subsidy was \$115.00 for those with 20 years of service credit and reduced by \$5.75 for each year under 20. The Health Care Trust Fund is maintained by the State College system's contribution as explained in Footnote 10 above.

Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility and the number of years of service credit a retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans and with health maintenance organizations to provide services within Colorado. During 1999 there were approximately 31,266 participants, including spouses and dependents from all contributors to the plan.

Life Insurance Program

PERA provides its members access to two group life insurance plans offered by Prudential and Rocky Mountain Life. Members may join one or both plans and they may continue coverage into retirement. Premiums are paid monthly by payroll deduction.

Other Programs

Separate post-retirement health care and life insurance benefit plans exist for the State College System, but are small in comparison to the PERA plan for state employees. The state has no liability for any of these other post-retirement health care and life insurance plans.

NOTE 13: CAMPUS SHARED CONTROLLED COSTS

Legislation enacted in 1974 established the Auraria Higher Education Center (AHEC) and included MSCD as one of the constituent institutions, along with the Community College of Denver, and the University of Colorado at Denver. Each institution operates independently as an educational institution responsible to its own governing board while sharing common operations.

For the purpose of total financial disclosure and instruction, such intercampus costs must be considered. MSCD's portion of campus-shared costs for the Auraria Campus is as follows:

	Year Ended <u>June 30, 2001</u>
Administration of AHEC, plant operations	\$7,574,790
Library and media center	<u>3,545,176</u>
Total	<u>\$11,119,966</u>

NOTE 14: RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

The State Colleges System is subject to risks of loss from liability for accident property damage and personal injury. These risks are managed by the State Division of Risk Management, an agency formed by statute and funded by the Long Appropriations Bill. Therefore, the State College System is not required to obtain insurance, and accordingly, no reduction occurred in coverage nor did any settlements exceed coverage. The State College System does not retain risk of loss except for damage incurred to property belonging to the State, limited to a \$1,000 deductible per incident.

NOTE 15: LEGISLATIVE APPROPRIATION

Appropriated Funds

The Colorado Legislature establishes spending authority for the Trustees of the State Colleges in its annual Long Appropriations Bill. Appropriated funds include an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and certain other revenue sources.

For the year ended June 30, 2001, the Trustees of the State Colleges had a total appropriation of \$135,890,609. Actual appropriated revenues earned totaled \$132,067,140. Actual appropriated expenditures and transfers totaled \$130,540,635.

Non-appropriated Funds

All other revenues and expenditures reported by the Trustees of the State Colleges represent non-appropriated funds and are excluded from the Long Appropriations Bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues and other revenue sources.

Financial Statement Presentation

The accompanying financial statements contain revenues and expenditures from both appropriated and non-appropriated funds. Appropriated and non-appropriated revenues and expenditures are included in each fund group based on the principles of fund accounting.

STATE OF COLORADO
STATE COLLEGES IN COLORADO
ORGANIZATION AND FUNCTIONS OF THE STATE COLLEGES SYSTEM

THE STATE COLLEGES IN COLORADO

The Board of Trustees of the State Colleges in Colorado ("State Colleges") is the governing board for Adams State College, Mesa State College, Metropolitan State College of Denver, and Western State College. Recognizing that each of the colleges has a singular role to play in a system committed to excellence in teaching, the Board of Trustees provides the direction, incentives, and resources to empower its faculty, students, and staff. The Trustees are statutorily charged with responsibility in the areas of finance, resources, academic programs, admissions, role and mission, and personnel policies.

The Board's history, which began in 1889 with its designation as the Trustees of State Normal Schools, records three consistent goals:

- ! To provide outstanding teaching in four distinctive institutions with diverse student populations.
- ! To confer Board and campus leadership that connects educational issues with the future of Colorado and the communities in which the institutions are located.
- ! To assure to the people of Colorado, the most effective utilization of human and financial resources.

The Board consists of seven members appointed by the Governor serving four-year terms. Additionally, a faculty and a student trustee are elected to serve for one-year terms. The President of the State Colleges is responsible for providing leadership for the system and for administering the policies and procedures of the Trustees. The Board conducts its business at regular monthly meetings and special meetings, all of which are open to the public.

Adams State College, Alamosa, is a comprehensive liberal arts college with selected graduate programs. Boasting a multi-cultural student body, Adams extends to its students a supportive residential setting and an opportunity to experience the Hispanic and Native American heritage and culture of the San Luis Valley and surrounding region.

Mesa State College, Grand Junction, is a multi-purpose institution serving the cultural and educational needs of western Colorado. Reflecting its unique educational role and mission, the college offers certificate programs, associate and baccalaureate degrees, and facilitates access to graduate programs provided by other institutions.

Metropolitan State College of Denver is a leader in offering high quality, accessible education to a diverse student population. As the largest public, exclusively baccalaureate urban college in the United States, MSCD is dedicated to cultural pluralism and sensitivity, teaching excellence, high academic standards, and service to the metropolitan community.

Western State College, Gunnison, is an exemplary undergraduate college of liberal arts and sciences with compatible professional disciplines. Committed to excellence in undergraduate education, a four-year core curriculum, gender and ethnic diversity, and community involvement, Western provides interdisciplinary studies, which take advantage of the opportunities of its rural, mountain location. For financial reporting purposes, the State Colleges is considered to be a component unit of the State of Colorado.

**SUPPLEMENTAL INFORMATION
COMBINING FINANCIAL STATEMENTS**

STATE COLLEGES IN COLORADO

Combining Balance Sheet

June 30, 2001

UNRESTRICTED FUNDS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
ASSETS							
Cash & Short-Term Investments	\$1,265,412	\$228,811	\$1,002,940	\$41,246	\$100		\$2,538,509
Cash With State Treasurer (Note 2)	3,710,188	1,110,421	8,129,559	1,344,112	2,613,407	22,250	16,929,937
Investments			190,634	265,547			456,181
Accounts Receivable (Note 3)	540,253	762,567	2,573,028	337,028	14,060		4,226,936
Loan Receivable (Note 3)			53,586				53,586
Interest Receivable		511	96,173				96,684
Inventories	361,356	468,228		335,633			1,165,217
Prepaid Expenses	40,586	284,795	40,153	148,203	17,253		530,990
Deferred Charges		5,046					5,046
Due from Other Funds		524,646					524,646
Other Assets			267				267
Total Assets	5,917,795	3,385,025	12,086,340	2,471,769	2,644,820	22,250	26,527,999
LIABILITIES							
Accounts Payable	508,150	244,298	520,611	430,335	279,564	9,854	1,992,812
Accrued Payroll	648,598	152,448		312,478			1,113,524
Student Deposits	113,038	137,598	259,516	165,523			675,675
Due to Other Agencies			25,717				25,717
Accrued Compensated Absence Liability	698,861	776,836	1,875,137	538,626	57,476	9,849	3,956,785
Deferred Revenue	827,616	483,042	4,115,612	523,397			5,949,667
Notes Payable							0
Due to Other Funds		268,024					268,024
Other Liabilities	331,080						331,080
Total Liabilities	3,127,343	2,062,246	6,796,593	1,970,359	337,040	19,703	14,313,284
FUND BALANCE							
Unrestricted	3,489,313	1,979,737	7,164,884	1,040,036	2,365,256	12,396	16,051,622
Designated for Compensated Absences	(698,861)	(656,958)	(1,875,137)	(538,626)	(57,476)	(9,849)	(3,836,907)
Total Fund Balance	2,790,452	1,322,779	5,289,747	501,410	2,307,780	2,547	12,214,715
Total Liabilities and Fund Balance	\$5,917,795	\$3,385,025	\$12,086,340	\$2,471,769	\$2,644,820	\$22,250	\$26,527,999

STATE COLLEGES IN COLORADO

Combining Balance Sheet

June 30, 2001

RESTRICTED FUNDS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
ASSETS							
Cash & Short-Term Investments	\$3,742		\$1,000				\$4,742
Cash With State Treasurer (Note 2)	89,950	13,294	244,642	83,743	127,037		558,666
Accounts Receivable (Note 3)	61,571	296,332	1,025,582	82,160			1,465,645
Prepaid Expenses		624	4,938				5,562
Due from Other Funds		9,879					9,879
Due from State Agencies	50,837		566,459				617,296
Due from Federal Government	14,962						14,962
Total Assets	221,062	320,129	1,842,621	165,903	127,037	0	2,676,752
LIABILITIES							
Accounts Payable	78,966	471	47,045	15,093			141,575
Student Deposits			(47,199)	1,060			(46,139)
Due to State Treasurer			1,621,654				1,621,654
Deferred Revenue		48,134					48,134
Due to Other Funds		181,114					181,114
Other Liabilities	81,962						81,962
Total Liabilities	160,928	229,719	1,621,500	16,153	0	0	2,028,300
FUND BALANCE							
Restricted	60,134	90,410	221,121	149,750	127,037		648,452
Total Fund Balance	60,134	90,410	221,121	149,750	127,037	0	648,452
Total Liabilities and Fund Balance	\$221,062	\$320,129	\$1,842,621	\$165,903	\$127,037	\$0	\$2,676,752

The accompanying notes to the financial statements are an integral part of this statement.

STATE COLLEGES IN COLORADO

Combining Balance Sheet

June 30, 2001

STUDENT LOAN FUND

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
ASSETS							
Cash & Short-Term Investments	\$103,625						\$103,625
Cash With State Treasurer (Note 2)	142,041	191,851	327,087	945,295			1,606,274
Accounts Receivable (Note 3)				39,407			39,407
Loan Receivable (Note 3)	1,121,847	1,078,355	9,404,491	1,556,101			13,160,794
Interest Receivable				8,734			8,734
Due from Federal Government	14,901						14,901
Other Assets	4,500						4,500
Total Assets	1,386,914	1,270,206	9,731,578	2,549,537	0	0	14,938,235
LIABILITIES							
Accounts Payable	1,000						1,000
Student Deposits			(14,285)				(14,285)
Due to Mesa State College Foundation		50,000					50,000
Other Liabilities	210						210
Total Liabilities	1,210	50,000	(14,285)	0	0	0	36,925
FUND BALANCE							
U.S. Government Grants Refundable	823,484	1,220,206		2,353,002			4,396,692
Restricted	562,220		9,745,863	196,535			10,504,618
Total Fund Balance	1,385,704	1,220,206	9,745,863	2,549,537	0	0	14,901,310
Total Liabilities and Fund Balance	\$1,386,914	\$1,270,206	\$9,731,578	\$2,549,537	\$0	\$0	\$14,938,235

The accompanying notes to the financial statements are an integral part of this statement.

STATE COLLEGES IN COLORADO

Combining Balance Sheet

June 30, 2001

ENDOWMENT AND SIMILAR FUNDS

	<u>Adams</u>	<u>Mesa</u>	<u>MSCD</u>	<u>Western</u>	<u>OSC</u>	<u>WCGC</u>	<u>Total</u>
ASSETS							
Cash & Short-Term Investments	\$54,406						\$54,406
Total Assets	<u>54,406</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>54,406</u>
LIABILITIES							
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE							
Restricted	54,406						54,406
Total Fund Balance	<u>54,406</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>54,406</u>
Total Liabilities and Fund Balance	<u>\$54,406</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$54,406</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATE COLLEGES IN COLORADO

Combining Balance Sheet

June 30, 2001

UNEXPENDED PLANT FUNDS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
ASSETS							
Cash With State Treasurer (Note 2)		\$11,469					\$11,469
Accounts Receivable (Note 3)		20,265					20,265
Construction in Progress	14,917,888	4,994,447		371,469			20,283,804
Total Assets	<u>14,917,888</u>	<u>5,026,181</u>	<u>0</u>	<u>371,469</u>	<u>0</u>	<u>0</u>	<u>20,315,538</u>
LIABILITIES							
Due to Other Funds		20,000					20,000
Total Liabilities	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
FUND BALANCE							
Restricted	14,917,888	5,006,181		371,469			20,295,538
Total Fund Balance	<u>14,917,888</u>	<u>5,006,181</u>	<u>0</u>	<u>371,469</u>	<u>0</u>	<u>0</u>	<u>20,295,538</u>
Total Liabilities and Fund Balance	<u>\$14,917,888</u>	<u>\$5,026,181</u>	<u>\$0</u>	<u>\$371,469</u>	<u>\$0</u>	<u>\$0</u>	<u>\$20,315,538</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATE COLLEGES IN COLORADO

Combining Balance Sheet

June 30, 2001

RENEWALS AND REPLACEMENT FUNDS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
ASSETS							
Cash & Short-Term Investments	\$466,615						\$466,615
Cash With State Treasurer (Note 2)	45,000	1,015,168		501,770			1,561,938
Accounts Receivable (Note 3)				6,879			6,879
Total Assets	<u>511,615</u>	<u>1,015,168</u>	<u>0</u>	<u>508,649</u>	<u>0</u>	<u>0</u>	<u>2,035,432</u>
LIABILITIES							
Accounts Payable	268			3,400			3,668
Total Liabilities	<u>268</u>	<u>0</u>	<u>0</u>	<u>3,400</u>	<u>0</u>	<u>0</u>	<u>3,668</u>
FUND BALANCE							
Unrestricted		690,168		105,249			795,417
Restricted	511,347	325,000		400,000			1,236,347
Total Fund Balance	<u>511,347</u>	<u>1,015,168</u>	<u>0</u>	<u>505,249</u>	<u>0</u>	<u>0</u>	<u>2,031,764</u>
Total Liabilities and Fund Balance	<u>\$511,615</u>	<u>\$1,015,168</u>	<u>\$0</u>	<u>\$508,649</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,035,432</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATE COLLEGES IN COLORADO

Combining Balance Sheet

June 30, 2001

RETIREMENT OF INDEBTEDNESS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
ASSETS							
Cash & Short-Term Investments	\$110,790						\$110,790
Cash With State Treasurer (Note 2)		\$291,595		\$216,996			508,591
Investments				307,717			307,717
Accounts Receivable (Note 3)				7,626			7,626
Interest Receivable				899			899
Total Assets	<u>110,790</u>	<u>\$291,595</u>	<u>0</u>	<u>533,238</u>	<u>0</u>	<u>0</u>	<u>935,623</u>
LIABILITIES							
Accrued Interest	70,235	92,550		79,319			242,104
Total Liabilities	<u>70,235</u>	<u>92,550</u>	<u>0</u>	<u>79,319</u>	<u>0</u>	<u>0</u>	<u>242,104</u>
FUND BALANCE							
Restricted	40,555	199,045		453,919			693,519
Total Fund Balance	<u>40,555</u>	<u>199,045</u>	<u>0</u>	<u>453,919</u>	<u>0</u>	<u>0</u>	<u>693,519</u>
Total Liabilities and Fund Balance	<u>\$110,790</u>	<u>\$291,595</u>	<u>\$0</u>	<u>\$533,238</u>	<u>\$0</u>	<u>\$0</u>	<u>\$935,623</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATE COLLEGES IN COLORADO

Combining Balance Sheet

June 30, 2001

INVESTMENT IN PLANT FUNDS

	<u>Adams</u>	<u>Mesa</u>	<u>MSCD</u>	<u>Western</u>	<u>OSC</u>	<u>WCGC</u>	<u>Total</u>
ASSETS							
Cash With State Treasurer (Note 2)			\$269,547				\$269,547
Land	\$170,210	\$1,215,506		\$695,416			2,081,132
Land Improvements	3,806,191	1,210,164		1,904,083			6,920,438
Buildings	49,699,267	52,501,192		56,713,583			158,914,042
Equipment	2,835,899	5,003,572	6,439,084	1,861,740	\$22,715	\$11,483	16,174,493
Library Books	3,535,188	7,358,489		4,337,141			15,230,818
Total Assets	<u>60,046,755</u>	<u>67,288,923</u>	<u>6,708,631</u>	<u>65,511,963</u>	<u>22,715</u>	<u>11,483</u>	<u>199,590,470</u>
LIABILITIES							
Capital Lease Obligations	836,576	347,442		2,070,152			3,254,170
Bonds Payable	9,821,327	12,175,267		11,605,000			33,601,594
Total Liabilities	<u>10,657,903</u>	<u>12,522,709</u>	<u>0</u>	<u>13,675,152</u>	<u>0</u>	<u>0</u>	<u>36,855,764</u>
FUND BALANCE							
Net Investment in Plant	<u>49,388,852</u>	<u>54,766,214</u>	<u>6,708,631</u>	<u>51,836,811</u>	<u>22,715</u>	<u>11,483</u>	<u>162,734,706</u>
Total Fund Balance	<u>49,388,852</u>	<u>54,766,214</u>	<u>6,708,631</u>	<u>51,836,811</u>	<u>22,715</u>	<u>11,483</u>	<u>162,734,706</u>
Total Liabilities and Fund Balance	<u>\$60,046,755</u>	<u>\$67,288,923</u>	<u>\$6,708,631</u>	<u>\$65,511,963</u>	<u>\$22,715</u>	<u>\$11,483</u>	<u>\$199,590,470</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATE COLLEGES IN COLORADO

Combining Balance Sheet

June 30, 2001

AGENCY FUNDS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
ASSETS							
Cash With State Treasurer (Note 2)	\$301,876	\$101,195	\$1,423,011				\$1,826,082
Accounts Receivable (Note 3)			540,800				540,800
Prepaid Expenses		5,826	5,226				11,052
Total Assets	<u>301,876</u>	<u>107,021</u>	<u>1,969,037</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,377,934</u>
LIABILITIES							
Accounts Payable	25,303	10	126,765				152,078
Accrued Payroll			489,466				489,466
Student Deposits			50,357				50,357
Deposits Held in Custody for Others	276,183	107,011	1,168,040				1,551,234
Due to Other Agencies			134,409				134,409
Other Liabilities	390						390
Total Liabilities	<u>301,876</u>	<u>107,021</u>	<u>1,969,037</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,377,934</u>
FUND BALANCE							
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$301,876</u>	<u>\$107,021</u>	<u>\$1,969,037</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,377,934</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 2001

Unrestricted Funds

	<u>Adams</u>	<u>Mesa</u>	<u>MSCD</u>	<u>Western</u>	<u>OSC</u>	<u>WCGC</u>	<u>Total</u>
Revenues and Other Additions							
Tuition & Fees	\$6,770,854	\$11,886,819	\$37,282,398	\$9,121,349		\$630	\$65,062,050
State of Colorado Appropriation	10,162,052	15,118,950	40,495,788	6,374,307	1,669,342	120,000	73,940,439
Sales & Services of Educational Departments		95,576	469,145				564,721
Sales & Services of Auxiliary Enterprises	5,727,603	7,424,694	2,150,078	6,526,768			21,829,143
Federal Grants & Contracts			151,041				151,041
State Grants & Contracts							0
Local Grants & Contracts							0
Private Gifts, Grants & Contracts	212,941	454,086		147,426			814,453
Investment & Interest Income	57,388	87,305			2,538,378		2,683,071
Indirect Costs Recovered	156,805	60,029	258,008	31,616			506,458
Other Sources	358,024	212,994	3,310,939	618,391			4,500,348
Total Revenues and Other Additions	<u>23,445,667</u>	<u>35,340,453</u>	<u>84,117,397</u>	<u>22,819,857</u>	<u>4,207,720</u>	<u>120,630</u>	<u>170,051,724</u>
Expenditures and Other Deductions							
Instruction	7,769,731	14,439,042	38,255,914	7,215,323			67,680,010
Public Service			3,130				3,130
Academic Support	1,825,296	2,855,012	9,279,808	1,218,660			15,178,776
Student Services	2,230,429	2,534,244	9,163,738	3,448,908			17,377,319
Institutional Support	1,922,126	1,723,722	8,738,889	1,782,845	1,120,662	118,083	15,406,327
Operation of Plant	2,260,883	3,090,490	6,550,346	1,404,891	83,607		13,390,217
Scholarships & Fellowships	722,112	967,378	579,442	526,495			2,795,427
Auxiliary Enterprises Expenditures	6,208,645	8,449,348	11,875,123	5,979,370			32,512,486
Other Deductions			483	33,045	294,491		328,019
Total Expenditures and Other Deductions	<u>22,939,222</u>	<u>34,059,236</u>	<u>84,446,873</u>	<u>21,609,537</u>	<u>1,498,760</u>	<u>118,083</u>	<u>164,671,711</u>
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:	(1,181,876)	(1,443,150)		(1,184,934)			(3,809,960)
Non-mandatory Transfers	47,911	172,082	1,033,138	(154,990)	(2,804,965)	(25,827)	(1,732,651)
Total Transfers	<u>(1,133,965)</u>	<u>(1,271,068)</u>	<u>1,033,138</u>	<u>(1,339,924)</u>	<u>(2,804,965)</u>	<u>(25,827)</u>	<u>(5,542,611)</u>
Net Increase (Decrease) in Fund Balance	(627,520)	10,149	703,662	(129,604)	(96,005)	(23,280)	(162,598)
Fund Balance - Beginning of Year	3,417,972	1,312,630	4,586,085	631,014	2,403,785	25,827	12,377,313
Fund Balance - End of Year	<u>\$2,790,452</u>	<u>\$1,322,779</u>	<u>\$5,289,747</u>	<u>\$501,410</u>	<u>\$2,307,780</u>	<u>\$2,547</u>	<u>\$12,214,715</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 2001

Restricted Funds	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Revenues and Other Additions							
Federal Grants & Contracts	\$4,135,963	\$4,431,559	\$11,415,644	\$1,404,371			\$21,387,537
State Grants & Contracts	2,073,471	2,607,009	10,608,616	1,436,067			16,725,163
Local Grants & Contracts			177				177
Private Gifts, Grants & Contracts	1,432,021	141,546	1,319,561	457,191			3,350,319
Investment & Interest Income	234				7,748		7,982
Other Sources			56,655	488			57,143
Total Revenues and Other Additions	7,641,689	7,180,114	23,400,653	3,298,117	7,748	0	41,528,321
Expenditures and Other Deductions							
Instruction	1,155,662	590,889	5,269,121	570,467			7,586,139
Research	13,593	53,276		71,857			138,726
Public Service	254,697	71,293	452,796	17,739			796,525
Academic Support	91,013	127,644	1,148,392	31,100			1,398,149
Student Services	979,333	100,331	2,000,941	173,030			3,253,635
Institutional Support	245,169	43,533	438,514	29,607			756,823
Operation of Plant	110,902	5,021		40,116			156,039
Scholarships & Fellowships	4,086,763	5,705,407	13,942,515	2,242,847			25,977,532
Auxiliary Enterprises Expenditures		414,099		35,806			449,905
Indirect Costs Recovered	147,691	60,029	258,008	5,851			471,579
Other Deductions				1,726	7,748		9,474
Total Expenditures and Other Deductions	7,084,823	7,171,522	23,510,287	3,220,146	7,748	0	40,994,526
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:	(1,538)	(7,369)	(61,499)	(23,011)			(93,417)
Non-mandatory Transfers	(550,111)	1,798	83,073	11,747			(453,493)
Total Transfers	(551,649)	(5,571)	21,574	(11,264)			(546,910)
Net Increase (Decrease) in Fund Balance	5,217	3,021	(88,060)	66,707			(13,115)
Fund Balance - Beginning of Year	54,917	87,390	309,181	83,043	127,037		661,568
Fund Balance - End of Year	\$60,134	\$90,411	221,121	\$149,750	\$127,037	\$0	\$648,453

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 2001

Student Loan Funds

	<u>Adams</u>	<u>Mesa</u>	<u>MSCD</u>	<u>Western</u>	<u>OSC</u>	<u>WCGC</u>	<u>Total</u>
Revenues and Other Additions							
Federal Grants & Contracts	\$4,615			\$76,024			\$80,639
U. S. Government Advances	59,257	19,566	311,252				390,075
Investment & Interest Income	46,579	38,291	273,836	39,208			397,914
Other Sources	7,384		(21,454)	7,241			(6,829)
Total Revenues and Other Additions	<u>117,835</u>	<u>57,857</u>	<u>563,634</u>	<u>122,473</u>	<u>0</u>	<u>0</u>	<u>861,799</u>
Expenditures and Other Deductions							
Refunded to Grantors			47,064				47,064
Indirect Costs Recovered	9,114			25,765			34,879
Loan Cancellations & Write-offs	56,786	35,244	121,500	(13,491)			200,039
Administrative and Collection Costs	2,537		131,310				133,847
Other Deductions				6,736			6,736
Total Expenditures and Other Deductions	<u>68,437</u>	<u>35,244</u>	<u>299,874</u>	<u>19,010</u>	<u>0</u>	<u>0</u>	<u>422,565</u>
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:	1,538	7,369	61,499	25,341			95,747
Non-mandatory Transfers		22,863		34,000			56,863
Total Transfers	<u>1,538</u>	<u>30,232</u>	<u>61,499</u>	<u>59,341</u>	<u>0</u>	<u>0</u>	<u>152,610</u>
Net Increase (Decrease) in Fund Balance	50,936	52,845	325,259	162,804	0	0	591,844
Fund Balance - Beginning of Year	1,334,768	1,167,360	9,420,604	2,386,733			14,309,465
Fund Balance - End of Year	<u>\$1,385,704</u>	<u>\$1,220,205</u>	<u>\$9,745,863</u>	<u>\$2,549,537</u>	<u>\$0</u>	<u>\$0</u>	<u>\$14,901,309</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 2001

Endowment and Similar Funds

	<u>Adams</u>	<u>Mesa</u>	<u>MSCD</u>	<u>Western</u>	<u>OSC</u>	<u>WCGC</u>	<u>Total</u>
Revenues and Other Additions							
Investment & Interest Income	<u>\$3,293</u>						<u>\$3,293</u>
Total Revenues and Other Additions	<u>3,293</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,293</u>
Expenditures and Other Deductions							
Total Expenditures and Other Deductions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:							
Non-mandatory Transfers	<u>(1,700)</u>						<u>(1,700)</u>
Total Transfers	<u>(1,700)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,700)</u>
Net Increase (Decrease) in Fund Balance	<u>1,593</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,593</u>
Fund Balance - Beginning of Year	<u>52,813</u>						<u>52,813</u>
Fund Balance - End of Year	<u>\$54,406</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$54,406</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 2001

Unexpended Plant Funds

	<u>Adams</u>	<u>Mesa</u>	<u>MSCD</u>	<u>Western</u>	<u>OSC</u>	<u>WCGC</u>	<u>Total</u>
Revenues and Other Additions							
State Grants & Contracts	\$11,258,077	\$4,221,404		\$6,120,928			\$21,600,409
Expended for Plant Facilities		83,000					83,000
Total Revenues and Other Additions	<u>11,258,077</u>	<u>4,304,404</u>	<u>0</u>	<u>6,120,928</u>	<u>0</u>	<u>0</u>	<u>21,683,409</u>
Expenditures and Other Deductions							
Expended for Plant Facilities	3,221,761			14,816,502			18,038,263
Capitalization of Asset/Debt		83,000					83,000
Total Expenditures and Other Deductions	<u>3,221,761</u>	<u>83,000</u>	<u>0</u>	<u>14,816,502</u>	<u>0</u>	<u>0</u>	<u>18,121,263</u>
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:							
Non-mandatory Transfers	584,381	244,683					829,064
Total Transfers	<u>584,381</u>	<u>244,683</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>829,064</u>
Net Increase (Decrease) in Fund Balance	8,620,697	4,466,087	0	(8,695,574)	0	0	4,391,210
Fund Balance - Beginning of Year	6,297,191	540,094		9,067,043			15,904,328
Fund Balance - End of Year	<u>\$14,917,888</u>	<u>\$5,006,181</u>	<u>\$0</u>	<u>\$371,469</u>	<u>\$0</u>	<u>\$0</u>	<u>\$20,295,538</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 2001

Renewals and Replacements Funds

	<u>Adams</u>	<u>Mesa</u>	<u>MSCD</u>	<u>Western</u>	<u>OSC</u>	<u>WCGC</u>	<u>Total</u>
Revenues and Other Additions							
State Grants & Contracts		\$306,538					\$306,538
Investment & Interest Income	\$18,846						18,846
Total Revenues and Other Additions	<u>18,846</u>	<u>306,538</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>325,384</u>
Expenditures and Other Deductions							
Expended for Plant Facilities	378,194	345,719		187,072			910,985
Interest on Indebtedness		377,819					377,819
Total Expenditures and Other Deductions	<u>378,194</u>	<u>723,538</u>	<u>0</u>	<u>187,072</u>	<u>0</u>	<u>0</u>	<u>1,288,804</u>
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:							
Non-mandatory Transfers	324,475	133,785	269,547	37,248			765,055
Total Transfers	<u>324,475</u>	<u>133,785</u>	<u>269,547</u>	<u>37,248</u>	<u>0</u>	<u>0</u>	<u>765,055</u>
Net Increase (Decrease) in Fund Balance	(34,873)	(283,215)	269,547	(149,824)	0	0	(198,365)
Fund Balance - Beginning of Year	546,220	1,298,383		655,073			2,499,676
Fund Balance - End of Year	<u>\$511,347</u>	<u>\$1,015,168</u>	<u>\$269,547</u>	<u>\$505,249</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,301,311</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 2001

Retirement of Indebtedness Funds

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Revenues and Other Additions							
Investment & Interest Income	\$7,665	\$2,820		\$17,552			\$28,037
Total Revenues and Other Additions	<u>7,665</u>	<u>2,820</u>	<u>0</u>	<u>17,552</u>	<u>0</u>	<u>0</u>	<u>28,037</u>
Expenditures and Other Deductions							
Expended for Plant Facilities	5,461						5,461
Retirement of Indebtedness	595,000	677,006		860,328			2,132,334
Interest on Indebtedness	586,867	748,990		793,526			2,129,383
Other Deductions		5,532					5,532
Total Expenditures and Other Deductions	<u>1,187,328</u>	<u>1,431,528</u>	<u>0</u>	<u>1,653,854</u>	<u>0</u>	<u>0</u>	<u>4,272,710</u>
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:	1,181,876	1,443,150		1,182,604			3,807,630
Non-mandatory Transfers		33,848		510,763			544,611
Total Transfers	<u>1,181,876</u>	<u>1,476,998</u>	<u>0</u>	<u>1,693,367</u>	<u>0</u>	<u>0</u>	<u>4,352,241</u>
Net Increase (Decrease) in Fund Balance	2,213	48,290	0	57,065	0	0	107,568
Fund Balance - Beginning of Year	38,342	150,756		396,854			585,952
Fund Balance - End of Year	<u>\$40,555</u>	<u>\$199,046</u>	<u>\$0</u>	<u>\$453,919</u>	<u>\$0</u>	<u>\$0</u>	<u>\$693,520</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 2001

Investment in Plant Funds

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Revenues and Other Additions							
Expended for Plant Facilities	\$3,704,260	\$1,053,981	\$745,719	\$14,232,913			\$19,736,873
Retirement of Indebtedness	595,000	677,006		860,328			2,132,334
Capitalization of Asset/Debt		137,819					137,819
Total Revenues and Other Additions	<u>4,299,260</u>	<u>1,868,806</u>	<u>745,719</u>	<u>15,093,241</u>	<u>0</u>	<u>0</u>	<u>22,007,026</u>
Expenditures and Other Deductions							
Expended for Plant Facilities	8,530						8,530
Retirement of Indebtedness		7,400					7,400
Interest on Indebtedness	8,340						8,340
Disposal of Plant Facilities	421,162	260,255	328,463	64,582			1,074,462
Other Deductions		11,673					11,673
Total Expenditures and Other Deductions	<u>438,032</u>	<u>279,328</u>	<u>328,463</u>	<u>64,582</u>	<u>0</u>	<u>0</u>	<u>1,110,405</u>
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:							
Non-mandatory Transfers							
Total Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Fund Balance	3,861,228	1,589,478	417,256	15,028,659	0	0	20,896,621
Fund Balance - Beginning of Year	45,527,624	53,176,734	6,021,827	36,808,152	22,715	11,483	141,568,535
Fund Balance - End of Year	<u>\$49,388,852</u>	<u>\$54,766,212</u>	<u>\$6,439,083</u>	<u>\$51,836,811</u>	<u>\$22,715</u>	<u>\$11,483</u>	<u>\$162,465,156</u>

The accompanying notes to the financial statements are an integral part of this statement.

**SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND EXPENSES
FOR
ENTERPRISE REVENUE BONDS**

**Schedule of Revenues and Expenses
for Enterprise Revenue Bonds
Adams, Mesa and Western State Colleges
For Year Ended June 30, 2001**

	<u>Adams</u>	<u>Mesa</u>	<u>Western</u>
Revenue			
College Service Fees	\$483,856	955,315	\$805,285
Rental Income	2,910,765	2,345,299	2,991,801
Food Service Income	1,257,422	1,756,669	1,619,044
Sales/Service Auxiliaries	1,259,304	3,384,349	1,959,724
Interest Income	68,529	138,776	124,506
Other Income	106,674		
Total Revenue	\$6,086,550	\$8,580,408	7,500,360
Expenses			
Employee Compensation	1,243,798	1,415,396	824,875
Costs of Goods	887,404	1,803,603	794,839
Utilities	390,525	405,803	616,799
Rental	181,684	258,771	17,682
Contract Food	750,272	1,114,653	1,084,684
Travel	22,973	20,107	24,850
Supplies	232,104	237,199	138,753
Other Operating Expenses	173,239	383,400	448,442
Purchased Services	31,106	128,865	93,056
Financial Aid	270,557	172,678	69,609
Administrative Cost	535,314	773,506	1,694,328
Furniture & Equipment	33,758	90,372	81,453
Other Capital Expenditures	163,685	23,435	
Other Expenses	91,016	0	49,508
Total Expenses	5,007,435	6,827,788	5,938,878
Net Revenue Before Transfers	1,079,115	1,752,620	1,561,482
Transfers			
Mandatory Transfers - Debt Service	1,181,876	1,356,834	1,182,604
Nomandatory Transfers	167,099	102,125	483,469
Total Transfers	1,348,975	1,458,959	1,666,073
Net Revenue	(\$269,860) *	\$293,660	(\$104,591) **

* Note 1:

Further explanation for Adams State College's deficit balance is provided in the auditor's 'Findings and Recommendations' section of this report.

**Note 2:

Although a net revenue loss is shown for Western State College, the College met its Bond Coverage requirement for Fiscal 2001. The loss resulted from nonmandatory transfers to other funds.



STATE OF COLORADO

JOANNE HILL, C.P.A.
Acting State Auditor

STATE AUDITOR'S OFFICE
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Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

October 12, 2001

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited the financial statements of the State Colleges in Colorado, a component unit of the State of Colorado, as of and for the year ended June 30, 2001, and have issued our report thereon dated October 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State Colleges in Colorado's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are discussed in the Auditor's Findings and Recommendations section of this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Colleges in Colorado's internal control over financial reporting. This was done to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal controls over financial reporting that we have reported in the Findings and Recommendations section of this report.



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October 12, 2001

Members of the Legislative Audit Committee:

As part of our audit of the consolidated financial statements of the State Colleges in Colorado for the year ended June 30, 2001, we wish to communicate the following to you.

Our Responsibility Under Auditing Standards Generally Accepted in the United State of America

Our responsibility under professional standards is to plan and perform our audit to obtain reasonable, but not absolute, assurance on whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United State of America. Because of the nature of audit evidence, we did not perform a detailed examination of all transactions. Consequently, there is a risk that misstatements that are not material to the financial statements may exist. While we considered internal controls to determine our audit procedures, this consideration was not sufficient enough to render an opinion on the effectiveness of internal controls.

Significant Accounting Policies

The significant accounting polices are described in the notes to the financial statements. No new accounting policies were adopted during the year which are material to the financial statements. Also, we noted no significant and unusual transactions or transactions for which there is a lack of authoritative accounting guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements and are based upon management's judgements. Certain accounting estimates are particularly sensitive because of the possibility that future events affecting them may differ significantly from management's current judgements. The significant accounting estimates affecting the financial statements are the allowance for doubtful receivables and the accrual for compensated absences. We evaluated the factors and assumptions in determining that these estimates are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

We noted three misstatements of financial statement balances totaling approximately \$475,000 during our audit. Management determined these misstatements not to be material to the financial statements and did not make adjustments to the financial statements to correct these errors. We concur the adjustments are not significant.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

**STATE-FUNDED STUDENT ASSISTANCE
PROGRAMS SECTION**



STATE OF COLORADO

JOANNE HILL, C.P.A.
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October 12, 2001

**Independent Auditors' Report on the Statements of
Appropriations, Expenditures, Transfers, and Reversions
of the State-Funded Student Assistance Programs**

Members of the Legislative Audit Committee:

We have audited the Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for each of the State Colleges in Colorado (Adams State College, Mesa State College, Metropolitan State College of Denver, and Western State College), component units of the State of Colorado, for the year ended June 30, 2001. These financial statements are the responsibility of the Colleges' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements were prepared in the format as set forth in the Colorado Commission on Higher Education's *Colorado Handbook for State-Funded Student Assistance Programs*. The statements are a summary of cash activity of the state-funded student financial assistance programs with the exception of the Perkins Loan and College Work-Study Programs, and do not present certain transactions that would be included in the financial statements of the state-funded student financial assistance programs if presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America. Accordingly, the accompanying statements are not intended to present the financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly the appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs of the State Colleges in Colorado (Adams State College, Mesa State College, Metropolitan State College of Denver, and Western State College) for the year ended June 30, 2001, in conformity with the provisions of the Colorado Commission on Higher Education's *Colorado Handbook for State-Funded Student Assistance Programs*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2001 on our consideration of the State Colleges in Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

STATE COLLEGES IN COLORADO
STATE FUNDED STUDENT ASSISTANCE PROGRAMS
JUNE 30, 2001

Summary of significant accounting policies and notes to the Statements of Appropriations, Expenditures, Transfers, and Reversions.

Basis of Accounting

The Colleges' accounting systems are structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in their revised publication Financial Accounting and Reporting Manual, as supplemented by the American Institute of Certified Public Accountants industry audit guide Audits of Colleges and Universities.

The Perkins Loan Program matching requirement from general funds, as approved by the Colorado Commission on Higher Education, is recorded as a transfer from general fund to loan fund and not as a general fund expense and loan fund revenue.

All student aid is expensed on a cash basis except for Perkins loans and the College Work Study Program (CWS). Perkins loan disbursements are recorded as loans receivable when the funds are disbursed. The CWS is on the accrual basis in that the expense is recognized when the services are performed.

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