



**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Years Ended June 30, 2003 and 2002

(With Independent Auditors' Report Thereon)

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# COLORADO COMMUNITY COLLEGE SYSTEM

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# COLORADO COMMUNITY COLLEGE SYSTEM

## Financial and Compliance Audit

### Report Summary

Year ended June 30, 2003

#### **Purpose and Scope**

The Office of the State Auditor engaged KPMG LLP (KPMG) to conduct a financial and compliance audit of the Colorado Community College System (CCCS) for the year ended June 30, 2003. KPMG performed this 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. We conducted the related field work from April to October 3, 2003.

The purpose and scope of our audit was to:

- Express an opinion on the basic financial statements of CCCS as of and for the year ended June 30, 2003. This includes a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Express an opinion on CCCS's compliance and internal control over financial reporting based on our audit of the basic financial statements performed in accordance with *Government Auditing Standards*.
- Express an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs of CCCS for the year ended June 30, 2003.
- Evaluate progress in implementing prior audit findings and recommendations.

CCCS's schedule of expenditures of federal awards and applicable opinions thereon by the Office of the State Auditor, State of Colorado are included in the June 30, 2003 Statewide Single Audit Report issued under separate cover.

#### **Audit Opinions and Reports**

We expressed unqualified opinions on the CCCS's basic financial statements and its Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs as of and for the year ended June 30, 2003.

Five audit adjustments were proposed and made to the basic financial statements totaling \$325,000. Eight audit adjustments were not made to the basic financial statements totaling \$850,000, which is less than 1% of net assets. These passed differences are not considered material to CCCS's basic financial statements.

We issued a report on CCCS's compliance and internal control over financial reporting based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*. We noted one matter involving the internal control over financial reporting and its operation that we consider to be a material weakness. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect CCCS's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions 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

# COLORADO COMMUNITY COLLEGE SYSTEM

## Financial and Compliance Audit

### Report Summary

Year ended June 30, 2003

and not be detected within a timely period by employees in the normal course of performing their assigned functions. The material weakness is summarized below and described in the Findings and Recommendations section as recommendation No. 1.

#### Summary of Key Findings

##### *Material Weakness Over Trinidad State Junior College's Accounting and Financial Reporting*

During our audit, we noted several weaknesses at Trinidad State Junior College (TSJC) related to accounting and financial reporting. These problems resulted from inadequate business processes, policies, and procedures as well as inadequate communication and lack of adequate supervision, training, and skill levels of employees responsible for accounting and financial reporting.

TSJC operates auxiliary activities including an athletic program and dormitories. The auxiliary fund has operated in a deficit position for at least the last four years. TSJC's deficit primarily results from its athletic program, which generates revenues less than its costs and certain salaries that are paid for out of the auxiliary fund but for which there is no offsetting revenue. Also, the dormitories are not at capacity, which has generated less revenue than the college expected. The following chart depicts the growth in the auxiliary deficit over the last four years:

Year:	<u>Deficit</u>	<u>Change from prior year</u>
2000	\$ 630,000	—
2001	604,000	(26,000)
2002	918,000	314,000
2003	1,041,000	123,000

Source: TSJC financial statements.

#### Student Financial Aid

We performed procedures required by the Office of Management and Budget (OMB) Circular A-133 and the Compliance Supplement for Student Financial Aid (SFA). We also performed procedures as required by *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2003 revision. We noted that CCCS needs to improve controls over its SFA processes and ensure compliance with certain regulations. Specifically, we noted findings with regards to loan draws, cost of attendance, disbursements, and return of Title IV funds. Our findings noted approximately \$10,200 of questioned costs related to CCCS's student financial aid programs.

#### Recommendations and CCCS Responses

Our recommendations and responses from CCCS can be found in the Recommendation Locator section of this report.

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Report Summary

Year ended June 30, 2003

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

The audit report for the year ended June 30, 2002 included 23 recommendations. The disposition of these audit recommendations as of October 3, 2003 was as follows.

Implemented	15
Partially implemented	5
Not implemented	3
	<hr/>
Total	23
	<hr/> <hr/>

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Financial and Compliance Audit

Recommendation Locator

Year ended June 30, 2003

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
1	14	Ensure Trinidad State Junior College (TSJC) develops and implements a plan to address the financial reporting and internal control weaknesses noted in this audit. This plan should address the college's business processes as well as supervision, training, and skill levels of employees responsible for accounting and financial reporting. TSJC should submit this plan to the System President for approval. The System President should monitor implementation of the plan, and require at least quarterly updates from TSJC.	Colorado Community College System	Agree	September 2004
2	16	Reassess the internal audit function and consider implementing a more value-added structure and audit plan.	Colorado Community College System	Agree	June 2004
3	17	Ensure Red Rocks Community College (RRCC) procurement card transactions are reconciled and approved in accordance with RRCC policy in a timely manner. RRCC should continue to communicate with and train cardholders and approving officials regarding their responsibilities, including signature and reconciliation requirements.	Colorado Community College System	Agree	June 2004
4	18	Develop and implement a policy that requires the Board to approve debt agreements with foundations or other parties and ensure that proper language is included in loan agreements.	Colorado Community College System	Agree	June 2004

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Recommendation Locator

Year ended June 30, 2003

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
5	19	Ensure Arapahoe Community College (ACC) establishes procedures to ensure that carryforward balances are disbursed prior to disbursing current year allocations and it has reimbursed the Department of Education for the difference between the earnings that the excess cash balance would have yielded if invested under the applicable current value of funds rate and the actual interest earned on that balance.	Colorado Community College System	Agree	June 2004
6	20	Ensure the Community College of Denver (CCD) establishes procedures to ensure that all required data elements in the budget are verified and that all required verification worksheet sections are completed and appropriately signed, with all required documents received. Additionally, CCD should establish procedures to ensure that assigned budgets correspond with verified data.	Colorado Community College System	Agree	June 2004
7	21	Ensure Front Range Community College (FRCC) and CCD establish procedures to ensure that enrollment dates are reported correctly in the Pell reporting process.	Colorado Community College System	Agree	June 2004
8	22	Ensure TSJC establishes procedures to ensure that Pell disbursements are reported within thirty days after making payment to students.	Colorado Community College System	Agree	June 2004
9	23	Ensure FRCC and CCD establish procedures to ensure that Verification Status Codes are reported correctly in the Pell reporting process.	Colorado Community College System	Agree	June 2004



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Recommendation Locator

Year ended June 30, 2003

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
10	23	Ensure CCD establishes procedures to ensure that the proper Title IV funds are included in the Return of Title IV Funds calculations.	Colorado Community College System	Agree	June 2004
11	24	Ensure CCD, FRCC, TSJC, and PCC establish procedures to ensure that the institution's portion of a student's unearned Title IV funds are returned within thirty days after the school has determined a student has withdrawn.	Colorado Community College System	Agree	June 2004
12	25	Ensure TSJC and PCC establish procedures to ensure that the withdrawal dates of students who withdraw without providing notification are determined by thirty days after the end of the term, at the latest.	Colorado Community College System	Agree	June 2004
13	26	Ensure PCC establishes procedures to ensure that students are not requested to repay grant overpayments that are originally less than \$25.	Colorado Community College System	Agree	June 2004
14	27	Ensure PCC establishes procedures to ensure that students are allowed the 45-day period of extended eligibility before they are reported to National Student Loan Data System if they do not take positive action regarding their grant overpayments during the 45 days.	Colorado Community College System	Agree	June 2004
15	28	Ensure ACC establishes procedures to ensure amounts that could have been disbursed are properly accounted for in Return of Title IV Funds calculations.	Colorado Community College System	Agree	September 2003

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Recommendation Locator

Year ended June 30, 2003

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
16	29	Implement procedures such that cash drawdowns are conducted routinely (i.e., monthly) and that bank reconciliations are reviewed by the appropriate supervisor and documentation of the review should be affixed to the reconciliation.	Colorado Community College System	Agree	June 2004
17	30	Ensure CCD establishes procedures to ensure that timesheets reflect the actual hours worked by a student and that timesheets, time record forms (i.e., time cards), and individual earnings records (i.e., payroll system) are consistent.	Colorado Community College System	Agree	June 2004
18	31	Ensure TSJC establishes procedures to ensure that GOS recipients agree to not take out a student loan while receiving GOS awards and to ensure that this agreement is documented. Further, offers for work study, whether accepted by the student or not, should be documented in the student's records.	Colorado Community College System	Agree	June 2004
19	32	Ensure colleges, and specifically TSJC, establish procedures to ensure that reported amounts are reconciled between the general ledger, the Fiscal Report of Expenditures, and the SURDS report for each state-funded financial aid program to ensure accurate reports and records.	Colorado Community College System	Agree	June 2004



# COLORADO COMMUNITY COLLEGE SYSTEM

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### Description of the Colorado Community College System

Year ended June 30, 2003

#### Organization

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

- The Board is the governing board of the state system of community and technical colleges.
- The Board administers the occupational education programs of the state at both secondary and postsecondary levels.
- The Board administers the state's program of appropriations to local district colleges and area vocational schools.

The Board consists of nine members appointed by the Governor to four-year staggered terms of service. The statute requires that board members be selected so as to represent certain economic, political, and geographical constituencies.

State funds are provided to the Board for the fulfillment of these responsibilities under two methodologies. A lump-sum appropriation is made in the Long Bill pursuant to Colorado Revised Statutes 23-1-104. The lump-sum appropriation is made to the Board to provide funds for the operation of the thirteen colleges, and for the Board administrative oversight. Line item appropriations are made to the Board for other activities including occupational education and local district junior college grants. The accompanying basic financial statements of the Colorado Community College System (CCCS) report the operations of thirteen state community colleges, the Lowry campus, local district colleges, the System Office, and distributions of state appropriations to area vocational schools. Funding for local district colleges and area vocational schools is passed through CCCS.

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

<u>College</u>	<u>Main Campus Location</u>
Arapahoe Community College	Littleton
Community College of Aurora	Aurora
Community College of Denver	Denver
Colorado Northwestern Community College	Rangely
Front Range Community College	Westminster
Lamar Community College	Lamar
Morgan Community College	Fort Morgan
Northeastern Junior College	Sterling
Otero Junior College	La Junta
Pikes Peak Community College	Colorado Springs
Pueblo Community College	Pueblo
Red Rocks Community College	Lakewood
Trinidad State Junior College	Trinidad

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Description of the Colorado Community College System

Year ended June 30, 2003

Enrollment, tuition, and faculty and staff information is presented below. Information was obtained from the Format 30 of the Budget Data Book for Fiscal Year 2002-2003, prepared for the Colorado Commission on Higher Education (CCHE).

CCCS reports full-time equivalent (FTE) student, faculty, and staff for three continuous fiscal years as follows:

***FTE Student Enrollment***

	<u>Resident</u>	<u>Nonresident</u>	<u>Total</u>
Fiscal year:			
2002 - 2003	41,914	1,965	43,879
2001 - 2002	37,805	1,850	39,655
2000 - 2001	35,937	1,781	37,718

***Full-Time Faculty and Staff***

	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
Fiscal year:			
2002 - 2003	2,929	1,557	4,486
2001 - 2002	2,775	1,578	4,353
2000 - 2001	2,725	1,580	4,305

## **COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2003

We have audited the basic financial statements of the Colorado Community College System (CCCS) for the year ended June 30, 2003, and have issued our report thereon dated October 3, 2003. In planning and performing our audit of the basic financial statements, we considered CCCS's internal control solely to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control. In addition, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we also have issued our report dated October 3, 2003 on our consideration of the CCCS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. We have not considered internal control since October 3, 2003.

We noted one matter involving the internal control over financial reporting and its operation that we consider to be a material weakness. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect CCCS's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions 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. The material weakness is described in this Findings and Recommendations section as recommendation No. 1.

Our procedures were designed primarily to enable us to form an opinion on the basic financial statements and on management's assertion regarding compliance and the effectiveness of internal control over financial reporting and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We have attempted, however, to use our knowledge of CCCS gained during our work to make comments and suggestions that we hope will be useful to CCCS.

During our engagement, we noted certain other matters involving internal control and other operational matters that are presented for CCCS's consideration. These comments and recommendations, all of which have been discussed with the appropriate members of CCCS's management, are intended to improve internal control or result in other operating efficiencies.

### **Material Weakness Over Trinidad State Junior College's Accounting and Financial Reporting**

During our audit, we noted several weaknesses at Trinidad State Junior College (TSJC) related to accounting and financial reporting. These problems resulted from inadequate business processes, policies, and procedures as well as inadequate communication and lack of adequate quality control, training, and skill levels of employees responsible for accounting and financial reporting.

#### ***Accounting and Financial Reporting***

With respect to accounting and financial reporting, we noted the following issues:

- Financial statements and state exhibits were filed late.

## COLORADO COMMUNITY COLLEGE SYSTEM

### Financial and Compliance Audit

### Findings and Recommendations

Year ended June 30, 2003

- TSJC did not calculate net assets invested in capital assets correctly, with an error of approximately \$25,000.
- TSJC did not accurately accrue accounts payable at year-end of approximately \$27,000.
- TSJC did not request reimbursements on state and federal grants in a timely manner. For example, as of March 31, 2003, the restricted fund had a deficit of \$2.8 million. In May 2003, TSJC requested approximately \$2 million in reimbursements; however, at this time all of its grant accounts were not fully reconciled. Certain accounts were fully reconciled as of June 30, 2003. However, other accounts, totaling approximately \$100,000, have not yet been fully reconciled due to lack of TSJC resources to investigate differences. These accounts appear to be invalid and not supported by TSJC financial records.
- With regard to capital assets:
  - TSJC had not performed a physical inventory of equipment and ensured that assets were properly capitalized, as required by state fiscal rules.
  - TSJC's subsidiary equipment system did not reconcile to the Financial Reporting System (FRS) by over \$1 million.
  - TSJC did not record depreciation expense for equipment in Fiscal Year 2003. The amount recorded in Fiscal Year 2002 was approximately \$37,000.
  - TSJC could not provide detailed information to completely support certain capital asset balances, including 2003 construction work-in-process additions of \$30,000.
  - Supporting schedules did not agree to the prior year construction work in process balance by approximately \$272,000.
- TSJC did reconcile the student billing system to the general ledger as of June 30, 2003; however, TSJC did not reconcile these systems throughout the year.
- We noted many unusual account balances during our interim test work, specifically in net assets and grant accounts. Some of these accounts were reconciled prior to year-end.

These issues indicate that TSJC does not have accounting and financial reporting processes that properly identify and mitigate risks and work for the benefit of the college. This would provide accurate, complete, and timely financial information about its activities.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2003

***Auxiliary Activities***

TSJC operates auxiliary activities including an athletic program and dormitories. The auxiliary fund has operated in a deficit position for at least the last four years. TSJC's deficit primarily results from its athletic program, which generates revenues less than its costs and certain salaries that are paid for out of the auxiliary fund but for which there is no offsetting revenue. Also, the dormitories are not at capacity, which has generated less revenue than the college expected. The following chart depicts the growth in the auxiliary deficit over the last four years:

Year:	<u>Deficit</u>	<u>Change from prior year</u>
2000	\$ 630,000	—
2001	604,000	(26,000)
2002	918,000	314,000
2003	1,041,000	123,000

Source: TSJC financial statements.

Last year, we recommended TSJC implement a formal plan to recover its auxiliary deficit and make changes to its operations on a go-forward basis to ensure these activities operate on break-even basis. TSJC agreed with our recommendations and noted it would implement such changes by June 2003. The specific plan, developed by the college, involved selling certain houses it owned as well as increasing enrollment of students living in its dormitories.

In FY 2003, TSJC began selling houses and after June 30, 2003, closed on six, which sold for approximately \$672,000. These funds will be used by the College to fund the auxiliary deficit. In FY 2003, 200 students lived in the dormitories. As part of its plan noted above, TSJC projected 350 students would live in dormitories in FY 2003. Fall enrollment figures indicate that only 235 students have chosen to live on campus. TSJC is currently recruiting for FY 2005 and hopes to increase that number to 350 students. The college indicated that 350 students would generate enough income to help cover the deficit of its auxiliary activities. TSJC has identified cuts in other programs such as moving the Director of Student Life's salary to the General Fund and eliminating the dorm supervisor and custodian positions. TSJC indicated these cuts will save the college approximately \$116,000 in FY 2004.

***Information Technology***

We noted the following issues with respect to controls over access to the TSJC financial reporting systems:

- TSJC may have some inappropriate users with access to modify student account balances.
- TSJC does not have a full segregation of duties in its personnel and payroll functions.
- TSJC's Vice President of Administration has full access to all personnel and payroll functions.
- At least two users at TSJC may have inappropriate access to the financial aid system.



## COLORADO COMMUNITY COLLEGE SYSTEM

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2003

Inappropriate access to programs and data may result in loss, damage, or theft of valuable information and/or resources. At a minimum, users may obtain access to sensitive data and systems that are not commensurate with their job requirements.

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

CCCS ensure TSJC develops and implements a plan to address the financial reporting and internal control weaknesses noted in this audit. This plan should address the college's business processes as well as supervision, training, and skill levels of employees responsible for accounting and financial reporting. TSJC should submit this plan to the System President for approval. The System President should monitor implementation of the plan, and require at least quarterly updates from TSJC.

Specifically, we recommend that the following actions be taken:

- a. Evaluate the current business processes to ensure transactions are posted and accounts reconciled in an accurate and timely manner.
- b. Develop an accounting policies and procedures manual to document TSJC policies and procedures related to key business processes and accounting functions.
- c. Review staff skill sets and workloads and make adjustments as needed to ensure adequate resources are in place to perform accounting and financial reporting.
- d. Ensure proper supervision is provided over the Controller's Office.
- e. Provide proper training to accounting and financial reporting staff.
- f. Reconcile grant accounts on a monthly basis and request reimbursements in a timely manner and as frequently as the grant allows.
- g. Perform an annual physical inventory of capital assets and reconcile supporting ledgers and subsidiary systems.
- h. Reconcile the student tuition system to the general ledger on a monthly basis. This reconciliation should be reviewed and approved by a person other than the preparer.
- i. Develop and implement a specific plan to recover the auxiliary deficit and make changes to operations on a go-forward basis to ensure these activities operate on break-even basis. If dormitory residence numbers do not support the current plan, alternatives such as cost reduction should be implemented.
- j. Review user access to modify student account balances and ensure access is restricted to appropriate users.
- k. Perform a review of the audit report generated nightly by the payroll system on a timely basis by a person other than the payroll staff person.
- l. Review the appropriateness of access of the Vice President of Administration to the personnel and payroll systems and make modifications as needed.

## **COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2003

- m. Review user account access by the Student Financial Aid Director for appropriateness and make modifications as needed.

### ***CCCS Response***

Agree. The System President will review and approve the TSJC plan to address financial weaknesses and receive quarterly updates from the college. The CCCS acknowledges the need to improve the college's financial reporting processes and internal controls. This will require that the college develop and implement a comprehensive plan that includes, but is not limited to, establishing policies and procedures that address internal controls, timely account reconciliations, and proper accounting of fixed assets. Quarterly review and progress updates will be requirements included in the plan. The plan will be developed by December 31, 2003 and implemented by September 30, 2004.

TSJC acknowledges the need to review its current staff's skills and workloads. TSJC will provide additional training for accounting staff to improve both knowledge and skills of its staff to ensure timely and accurate financial reporting. Additional training will be offered throughout the next fiscal year and beyond as the need arises. The need for an additional position has been identified. The additional position will be filled by January 31, 2004.

TSJC will continue to implement its plan to recover its auxiliary deficit. TSJC is still committed to selling two remaining houses. Auxiliary budgets will continue to be monitored. TSJC will continue its recruiting efforts to increase occupancy of its dorm to further reduce its auxiliary deficit.

### **CCCS Internal Audit Function**

In general, internal audit functions have historically encompassed certain segments of an organization, such as compliance and process improvement. Driven in part by organization culture and the desires of the management and boards, these segments tend to define the direction of an organization's internal audit model. Such is the case with CCCS. CCCS's internal audit function currently consists of a Director and one staff person. The primary responsibility of the Internal Audit department is to perform compliance audits of secondary schools receiving Colorado Vocational Act (CVA) funding. The Director and staff have an audit plan that covers a certain number of schools each year. Based on CCCS policy, each school receiving CVA funding must be audited once every five years. The plan also outlines specific compliance areas that will be covered. Occasionally, the Internal Audit department conducts special projects at the request of management.

In June 1999, the Institute of Internal Auditors redefined internal auditing as follows:

*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”*

Given the size and complexity of CCCS, the Internal Audit department should play a more active role in assisting management with managing risk and emerging problems. It should be aligned with management's concerns, and look forward, focusing on potential risks. However, some focus on compliance should remain relevant.

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Findings and Recommendations

Year ended June 30, 2003

The Internal Audit department focuses almost entirely on the CVA in part to ensure CCCS maintains the program in accordance with state directives. However, with this as its sole focus, it appears that the department could be providing more value to CCCS if it were to examine other processes.

Highly effective internal audit departments within college environments have a combination of compliance and other process improvement and value-added projects. Audits are determined based on system-wide risk assessments that identify areas of risk that form the basis of an audit plan. This creates a risk-based approach that focuses on an organization's objectives and any impediments to achieving those objectives. For CCCS, this approach will allow it to look at processes across colleges and identify best practices, potential cost savings, and other performance improvement suggestions.

Internal audit departments usually report to an Audit Committee to maximize independence between themselves and management. However, other relationships can foster more effective working relationships between the two parties. Such an effective working relationship helps ensure that risks identified by management are appropriately addressed by an audit plan. Currently, the CCCS's Internal Audit Director reports to the Vice President for Finance and Administration but does not report to the Audit Committee. Some reporting link with the Audit Committee can provide the Board with important feedback on CCCS operations.

### ***Recommendation No. 2***

CCCS should reassess its internal audit function and consider implementing a more value-added structure and audit plan. Specifically, CCCS should:

- a. Reevaluate the Internal Audit department's primary role with the CVA and determine if other CCCS staff resources can be used to fulfill those responsibilities. The current audit plan should address and mitigate the risk of the program.
- b. Perform an annual system-wide risk assessment to identify risk and audit areas and perform audits outlined in this plan.
- c. Consider alternative reporting relationships of the Internal Audit department, including some reporting line to the Audit Committee.

### ***CCCS Response***

Agree. By Colorado Statute and Board Policy, the System office is required to administer and audit the Colorado Vocational Act dollars appropriated to the System for distribution to local school districts. This required function does add value to the operation of this program and benefits the System and career and technical education. Limited resources permit the audit staff, assigned primarily to the CVA program, to do only select internal audits of the college and System financial operations.

The System agrees to reassessing its internal audit function and to determine whether a more value added audit plan can be implemented through the reallocation of system resources.

## **COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2003

### **Red Rocks Community College Procurement Card Controls**

The State Department of Personnel and Administration has issued *Suggested Minimum Guidelines*, which outline the basic controls that agencies and institutions should have in place to ensure that policies and procedures are followed and that the risk of misuse is adequately addressed. Two specific requirements relate to the following:

- Reconciling the Statement – The cardholder must review transactions as follows: 1) verify that each listed charge is valid and matches the transaction documentation; 2) ensure that account coding is accurate unless the agency assigns this responsibility to others such as the allocator or approving official; 3) identify any disputed charges; 4) reconcile credits in the same manner as charge transactions; 5) attach all supporting documentation and a copy of the transaction log (if used) to the statement; and 6) sign the statement and forward it to the approving official.
- Approving Official Review – Approving officials must review and sign-off (approve) each account statement to ensure: 1) supporting documentation is attached for each transaction including disputed transaction or lost or unavailable transaction information forms; 2) transactions are in accordance with guidelines and there are no violations such as personal purchases, split or cash transactions, and/or patterns of lost documentation; and 3) violations should be reported to the liaison or program administrator in accordance with department/agency guidelines.

Red Rocks Community College (RRCC) policy requires cardholders to reconcile the statement on a monthly basis. It also requires approving officials review and approve the statement. During our audit, we tested controls over the procurement card programs of certain colleges. At RRCC, we noted that cardholders and approving officials did not always sign and approve monthly statements. Of the four transactions tested at RRCC, none were properly signed and approved. However, RRCC does prepare monthly budget reports, which are reviewed by a supervisor and at the executive level. RRCC also has a periodic audit function in place to test for compliance with internal policies.

### ***Recommendation No. 3***

CCCS should ensure RRCC procurement card transactions are reconciled and approved in accordance with RRCC policy in a timely manner. RRCC should continue to communicate with and train cardholders and approving officials regarding their responsibilities, including signature and reconciliation requirements.

### ***CCCS Response***

Agree. The System will work with the college to ensure that training for procurement card users will stress the need for the signature of both the cardholder and approving official on monthly statements verifying reconciliation.

### **Pueblo Community College Loans**

In fiscal year 2003, Pueblo Community College (PCC) borrowed approximately \$100,000 from its foundation to acquire equipment and renovate a building. In the case of the equipment, an employee in the Center for New Media Program purchased a camera lens on E-Bay. Upon review by accounts payable, PCC determined the employee did not comply with state purchasing regulations and that it would not pay the invoice. At that time, the Foundation agreed to purchase the camera lens and loan it to PCC at 5% interest over five years. The loan is

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being repaid from auxiliary monies of this program. At the end of the term, the camera lens will be the property of PCC. The college also made improvements to the Pueblo Technical Academy. At first, District 60 was to pay for the renovation but these arrangements could not be finalized. Therefore, to fund this renovation, the Foundation made a \$100,000 interest free loan to PCC to be repaid over 23 months. PCC did comply with all state purchasing regulations for this contract.

PCC entered into these loan arrangements without CCCS board approval. The agreements between PCC and its foundation indicated that at the end of the term, the assets would be the property of PCC; however, the agreements did not state that monthly payments were subject to annual appropriation.

### ***Recommendation No. 4***

CCCS should develop and implement a policy that requires the Board to approve debt agreements with foundations or other parties and ensure that proper language is included in loan agreements.

### ***CCCS Response***

Agree. The System will work with the college to ensure compliance with appropriate Colorado state statutes and board policy in any debt agreements entered into by the System and the colleges.

### **Student Financial Assistance**

We performed procedures required by OMB Circular A-133 and the Compliance Supplement for Federal Student Aid. We also performed procedures as required by the 2002-2003 Audit Guide for Colorado Funded Student Aid, issued by the Colorado Commission on Higher Education (CCHE). For FY 2003, CCCS received approximately \$64 million of federal and state student financial assistance. The fifteen findings and recommendations below result from this work and are presented in the format required under OMB Circular A-133 and *Government Auditing Standards*. In the prior year, we also noted thirteen findings and recommendations. The status of those comments are located in the Disposition of Prior Year Findings and Recommendation section of this report.

### **Federal Student Aid Cluster**

Criteria:	A school may carry forward up to 10% of the previous year's Federal Supplemental Educational Opportunity Grant (FSEOG) allocation to cover expenditures in the current award year; however, before a school may spend its current year's allocation, it must spend any funds carried forward from the previous year. Additionally, a school must disburse funds to qualifying students no later than three business days, plus an additional seven calendar days in certain circumstances, after the school receives them. ( <i>June 2001 United States Department of Education Blue Book Chapter 3 Obtaining Authorization for Campus Based Funding, 34 CFR 668.166</i> )
Condition:	Adequate procedures are not in place at Arapahoe Community College (ACC) to ensure that carryforwards are spent before spending the current year allocation.
Questioned Costs:	\$4,542

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Context:	In a sample of thirty cash draws (four from ACC), two ACC FSEOG draws were made from the current year allocation instead of from the carryforward from the prior year.
Effect:	ACC maintained a cash balance from the carryforward without disbursing it to students, while it drew and disbursed cash from the current year allocation. Disbursements were occurring normally, but with the current year allocation instead of first using the carryforward.

***Recommendation No. 5***

CCCS should ensure ACC establishes procedures to ensure that carryforward balances are disbursed prior to disbursing current year allocations and that it has reimbursed the Department of Education for the difference between the earnings that the excess cash balance would have yielded if invested under the applicable current value of funds rate and the actual interest earned on that balance.

***CCCS Response***

Agree. The System will work with the college to ensure compliance with financial aid rules and regulations. ACC has implemented carryforward procedures to ensure carryforward funds are spent before spending current year allocations. In addition, ACC will contact the Department of Education to determine if a potential interest payment is required.

**Federal Student Aid Cluster**

Criteria:	A student must have financial need to receive all Federal Student Aid (FSA) funds except for Unsubsidized Stafford and PLUS loans under the Direct Loan and Federal Family Education Loan Programs. Financial need is simply defined as the difference between the student's Cost of Attendance (COA) and the family's ability to pay these costs, the Expected Family Contribution (EFC). The COA is an estimate of a student's education expenses for the period of enrollment. Because students sometimes make significant errors on their application, the law includes a verification process as part of the FSA program requirements. The Department of Education only requires that a portion of the Fee Application for Federal Student Aid filers at a school be verified, generally those selected by the Central Processing System (CPS). If the CPS selects an application for verification, the following five major data elements must be verified: household size, number in college, Adjusted Gross Income (AGI), U.S. taxes paid, and certain types of untaxed income benefits—Social Security benefits, child support, IRA/Keough deductions, foreign income exclusion, Earned Income Credit, interest on tax-free bonds—all of which may impact the COA and/or EFC. (2002 – 2003 United States Department of Education Federal Student Aid Handbook Volume 1 Student Eligibility Chapter 7 Financial Need and Packaging and Application and Verification Guide Chapter 3 Verification)
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Condition:	Adequate procedures are not in place at the Community College of Denver (CCD) to ensure that required data elements are verified and that the resulting verified information is used to properly calculate the COA and/or EFC.
Questioned Costs:	Unknown.
Context:	In a sample of thirty students (seven from CCD), four students' data were improperly verified and one student's verified data were not used in assigning the proper budget. The following items were not accounted for on the Student Information System, and therefore not taken into account in calculating the student's need: the child support reported on Worksheet B, the child tax credit reported on Worksheet A and the tax return, and the education credit reported on the tax return. Another student did not submit the appropriate documents such that the college could verify his AGI and taxes paid. Appropriate documents include an Internal Revenue Service tax transcript, other signed IRS forms with tax data, Form W-2, Form 4868, or a signed statement from the student. Finally, another student had a verified household size of three: the student, her sibling, and their mother. Based on this information, the student's COA should have been the "At Home" budget established by the college. Instead, an "Away" budget was used, with no documentation in the student's file of a professional judgment having been done to adjust the COA.
Effect:	Improper verification may result in students receiving aid that they are ineligible for.

***Recommendation No. 6***

CCCS should ensure CCD establishes procedures to ensure that all required data elements are verified and that all required verification worksheet sections are completed and appropriately signed, with all required documents received. Additionally, CCD should establish procedures to ensure that assigned budgets correspond with verified data.

***CCCS Response***

Agree. The System will work with the college to ensure compliance with financial aid rules and regulations. CCD staff has been trained and have established continuous training on verification. An audit process has been implemented to ensure accuracy.

**Federal Student Aid Cluster**

Criteria:	As part of the Pell reporting process to the Common Origination and Disbursement System (COD), schools must report the enrollment date for Pell-eligible students. This is the first date the student was enrolled in the eligible program for the award year. For this item, "enrolled" means the first day the student attended classes (i.e., the first day of the term). (2002 – 2003 United States
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	<i>Department of Education Federal Student Aid Handbook Volume 3 Federal Pell Grant Program Chapter 3 Pell Reporting, 2002-2003 COD Technical Reference appendix E Version 3.4)</i>
Condition:	Adequate procedures are not in place at Front Range Community College (FRCC) and CCD to ensure that the enrollment date reported to COD is correct.
Questioned Costs:	None
Context:	In a sample of thirty students (nine from FRCC, seven from CCD), fourteen students' enrollment dates were reported incorrectly. CCD improperly reported the enrollment date as 8/23/02 instead of 8/19/02 for five students. FRCC improperly reported the Enrollment date as 8/1/02 instead of 8/26/02 for nine students.
Effect:	Incorrectly reported enrollment dates may cause the COD to misidentify or not identify potential concurrent enrollments for students, which could cause students to be awarded and paid Pell grants that they are not eligible for. No overpayments were noted. However, if the student was concurrently enrolled at another institution and this concurrent enrollment was not detected because the enrollment date was misreported, there could be overpayments.

**Recommendation No. 7**

CCCS should ensure FRCC and CCD establish procedures to ensure that enrollment dates are reported correctly in the Pell reporting process.

**CCCS Response**

Agree. The System will work with the colleges to ensure compliance with financial aid rules and regulations. At FRCC, date parameters have been added to the programs that populate this field. Each term these parameters will be updated to reflect the correct start date.

CCD will review all start dates reported and ensure the date is accurate in all future reports.

**Federal Student Aid Cluster**

Criteria:	As part of the Pell reporting process to the COD, schools must report disbursements within thirty days of making the payment, at the latest. <i>(2002 – 2003 United States Department of Education Federal Student Aid Handbook Volume 3 Federal Pell Grant Program Chapter 3 Pell Reporting)</i>
Condition:	Adequate procedures are not in place at TSJC to ensure that the disbursements are reported to COD within thirty days of making payment.
Questioned Costs:	None



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Context:	In a sample of thirty students (four from TSJC), three students' Pell disbursements were not reported to COD within thirty days of the college disbursing the funds to the students. The College reported the Pell disbursements nine days late for two students and eight days late for the other student.
Effect:	Reporting Pell disbursements untimely is noncompliant with federal regulations.

***Recommendation No. 8***

CCCS should ensure TSJC establishes procedures to ensure that Pell disbursements are reported within thirty days after making payment to students.

***CCCS Response***

Agree. The System will work with the college to ensure compliance with financial aid rules and regulations. TSJC will implement a procedure to make sure Pell disbursements are reported within thirty days ensuring that TSJC is compliant with federal regulations.

**Federal Student Aid Cluster**

Criteria:	Because students sometimes make significant errors on their application, the law includes a verification process as part of the Federal Student Aid program requirements. The Department of Education only requires that a portion of the Free Application for Federal Student Aid filers at a school be verified. The following five major data elements must be verified: household size, number in college, AGI, U.S. taxes paid, and certain types of untaxed income benefits—Social Security benefits, child support, IRA/Keough deductions, foreign income exclusion, Earned Income Credit, and interest on tax fee bonds. As part of the Pell reporting process to the COD, schools must report the Verification Status Code for Pell-eligible students. There are three valid Verification Status Codes, which are as follows: V = “Verified”; W = “Student has not completed the verification process”; blank = “Student has not been selected for verification”. (2002 – 2003 United States Department of Education Federal Student Aid Handbook Volume 3 Federal Pell Grant Program Chapter 3 Pell Reporting)
Condition:	Adequate procedures are not in place at FRCC and CCD to ensure that the Verification Status Code reported to COD is correct.
Questioned Costs:	None
Context:	In a sample of thirty students (nine from FRCC, seven from CCD), six students' Verification Status Codes were reported as blanks (five at FRCC and one at CCD), when in fact all six students had been selected for verification. The students had been verified; therefore, their Verification Status Codes should have been V.

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Effect:	Incorrectly reporting Verification Status Codes is noncompliant with federal regulations.
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***Recommendation No. 9***

CCCS should ensure FRCC and CCD establish procedures to ensure that Verification Status Codes are reported correctly in the Pell reporting process.

***CCCS Response***

Agree. The System will work with the colleges to ensure compliance with financial aid rules and regulations. At FRCC, an edit report has been created for review prior to final reporting to COD.

CCD will develop a weekly edit process to ensure all verification codes are correct.

**Federal Student Aid Cluster**

Criteria:	If a recipient of Federal Student Aid funds withdraws from a school after beginning attendance, the amount of aid earned by the student must be determined by calculating a Return of Title IV Funds. A part of the calculation is to determine the Title IV funds that were disbursed or that could have been disbursed to a student.
Condition:	Adequate procedures are not in place at the CCD to ensure that the proper Title IV funds are included in the Return of Title IV Funds calculations.
Questioned Costs:	\$110
Context:	In a sample of thirty students (seven from CCD), CCD included an incorrect award in a student's Return of Title IV calculation. The college included a \$450 Federal Supplemental Educational Opportunity Grant (FSEOG) award in the calculation when the student did not receive an FSEOG award.
Effect:	Including the incorrect award caused the college to request the student to repay \$110 too much to the Pell program. CCD recalculated the amount due from the student and notified the Department of Education.

***Recommendation No. 10***

CCCS should ensure CCD establishes procedures to ensure that the proper Title IV funds are included in the Return of Title IV Funds calculations.

***CCCS Response***

Agree. The System will work with the college to ensure compliance with financial aid rules and regulations. A standard review process has been initiated to ensure accuracy of return calculations at CCD.

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**Federal Student Aid Cluster**

Criteria:	A school is required to return unearned Title IV funds no later than thirty days after the date the school determined the student withdrew. ( <i>34 CFR 668.22</i> )
Condition:	Adequate procedures are not in place at the CCD, FRCC, TSJC, and PCC to ensure that returns are made within thirty days after the date the school determined the student withdrew.
Questioned Costs:	None
Context:	In a sample of thirty students (seven from CCD, nine from FRCC, four from TSJC, and six from PCC), there were six students for whom returns of Title IV funds were made after the thirty days allowed (one at CCD, two at TSJC, two at FRCC, and one at PCC). At TSJC, one return was made in two parts, one part was eight days late, and the other part was 206 days late. Other returns were made eight days late at CCD and PCC, and TSJC respectively. FRCC made returns three and sixty-one days late.
Effect:	The colleges have returned their portion of unearned Title IV funds beyond the timeframe established by the regulations.

***Recommendation No. 11***

CCCS should ensure CCD, FRCC, TSJC, and PCC establish procedures to ensure that the institution's portion of a student's unearned Title IV funds are returned within thirty days after the school has determined a student has withdrawn.

***CCCS Response***

Agree. The System will work with the colleges to ensure compliance with financial aid rules and regulations. FRCC did calculate the Return to Title IV funds within the specified period of time, however there was an error in the original calculation therefore increasing the amount that FRCC had to return and putting this outside of the 30-day time frame.

PCC will implement new procedures to ensure the institution's portion of a student's unearned Title IV funds are returned within thirty days. Implementation of new procedures will begin with the Fall 2003 semester.

CCD currently reviews weekly reports to ensure all funds are returned timely.

TSJC will implement a procedure to ensure Title IV funds are returned within thirty days ensuring that TSJC is compliant with federal regulations.

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**Federal Student Aid Cluster**

Criteria:	A school is required to determine the withdrawal date for a student who withdraws without providing notification by thirty days after the end of the term from which the student withdrew. Further, the school must return its portion of unearned Title IV funds by no later than thirty days after the date the school determined the student withdrew. (34 CFR 668.22)
Condition:	Adequate procedures are not in place at TSJC, PCC and CCD to ensure that the withdrawal date of students who withdraw without providing notification is determined within thirty days after the end of the term.
Questioned Costs:	None
Context:	In a sample of thirty students (four from TSJC, six from PCC and seven from CCD), there were two students who unofficially withdrew in the fall 2002 semester (one from PCC and one from CCD), but the colleges did not determine their withdrawal date until more than thirty days after the end of the term. TSJC did not determine the withdrawal dates for all students who unofficially withdrew from the fall 2002 term until June – July 2003. TSJC indicated that there were three fall 2002 unofficial withdrawals.
Effect:	Withdrawal dates for students who unofficially withdraw from TSJC, PCC and CCD are not being determined timely. This in turn will cause the colleges to return their portion of unearned Title IV funds beyond the timeframe established by regulations, if such returns are due. No such return was due for the PCC student while a return was due for the CCD student. CCD indicated that the return was made in July 2003. We did not determine if any returns were due for the fall 2002 unofficial withdrawals at TSJC as there were none of these students in the sample.

***Recommendation No. 12***

CCCS should ensure TSJC, PCC and CCD establish procedures to ensure that the withdrawal dates of students who withdraw without providing notification are determined by thirty days after the end of the term, at the latest.

***CCCS Response***

Agree. The System will work with the colleges to ensure compliance with financial aid rules and regulations. TSJC will implement a procedure to ensure withdrawal dates for students who withdraw without notification are determined by thirty days after the end of the term.

Although PCC agrees that the college did not determine the student's withdrawal date until more than thirty days after the end of the term, the college does not agree that it does not have procedures for determining withdrawal dates of students who withdraw without providing notification. The college was in the process of determining the student's withdrawal date in a timely manner. The student received a grade of F for a class and the instructor for

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the class had to be notified to determine a last date of attendance. It should also be noted that the student's last date of attendance was beyond the 60% point in the term, therefore, neither the student or the college was required to re-pay any Title IV funds.

CCD currently has procedures to assure that withdrawal dates for students who withdraw without notification are determined within thirty days after the end of the term.

#### Federal Student Aid Cluster

Criteria:	Students are not required to repay grant overpayments that are originally less than \$25 that occur as a result of a withdrawal. (2002 – 2003 United States Department of Education Federal Student Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 6 Return of Title IV Funds, Dear Colleague Letter GEN-00-24)
Condition:	Adequate procedures are not in place at PCC to ensure that students are not requested to return grant overpayments that are originally less than \$25.
Questioned Costs:	None
Context:	In a sample of thirty students (six from PCC), one student was requested to return a \$3 Pell grant overpayment.
Effect:	PCC requests students to return grant overpayments that are originally less than \$25, which is against regulations.

#### **Recommendation No. 13**

CCCS should ensure PCC establishes procedures to ensure that students are not requested to repay grant overpayments that are originally less than \$25.

#### **CCCS Response**

Agree. The System will work with the college to ensure compliance with financial aid rules and regulations. PCC has already established a procedure to ensure that students are not requested to repay grant overpayments that are originally less than \$25. However, PCC would like to point out that although the U.S. Department of Education Handbook for 2002-03 stated that the student does not have to repay grant overpayments of less than \$25, the federal regulation #690.79 stated "The student is liable for any Federal Pell Grant overpayment made to him or her." The wording on this regulation was changed with the Federal Register of November 2002 which went into effect July 1, 2003, which now states "A student is not liable for, and the institution is not required to attempt recovery of or refer to the Secretary, a Federal Pell Grant overpayment if the amount of the overpayment is less than \$25 and is not a remaining balance." The regulation was not changed until July 2003 to comply with US Department of Education guidance.

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**Federal Student Aid Cluster**

Criteria:	Students who owe grant overpayments as a result of withdrawals generally will retain their eligibility for Title IV funds for a maximum of 45 days. The student's eligibility for additional Title IV funds will end if the student fails to take positive action by the 45th day following the date the school sent or was required to send notification to the student. If the student takes no positive action during the 45-day period, the school should report the overpayment to the National Student Loan Data System (NSLDS) immediately after the 45-day period has elapsed. (2002 – 2003 United States Department of Education Federal Student Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 6 Return of Title IV Funds)
Condition:	Adequate procedures are not in place at PCC to ensure that students are allowed this 45-day period of extended eligibility.
Questioned Costs:	None
Context:	Students who owe grant overpayments as a result of withdrawals are reported immediately (i.e., prior to the expiration of the 45-day period of extended eligibility) to NSLDS.
Effect:	The students' eligibility for Title IV aid ceases when they are reported to NSLDS. Therefore, they are not receiving the 45-day period of extended eligibility to which they are entitled.

***Recommendation No. 14***

CCCS should ensure PCC establishes procedures to ensure that students are allowed the 45-day period of extended eligibility before they are reported to NSLDS if they do not take positive action regarding their grant overpayments during the 45 days.

***CCCS Response***

Agree. The System will work with the college to ensure compliance with financial aid rules and regulations. PCC has already established a procedure to ensure that students are allowed the 45-day period of extended eligibility before they are reported to NSLDS.

**Federal Student Aid Cluster**

Criteria:	Title IV funds are awarded to a student under the assumption that the student will attend school for the entire period for which the assistance is awarded. When a student withdraws, the student may no longer be eligible for the full amount of Title IV funds that the student was originally scheduled to receive. If a recipient of a Title IV grant or loan funds withdraws from a school after beginning attendance, the amount of Title IV grant or loan assistance earned by the student must be determined. If the amount disbursed to the student is greater than the amount the
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	student earned, unearned funds must be returned. If the amount disbursed to the student is less than the amount the student earned, and for which the student is otherwise eligible, he or she is eligible to receive a postwithdrawal disbursement of the earned aid that was not received.
Condition:	Adequate procedures are not in place at ACC to ensure that amounts that could have been disbursed are properly accounted for in Return of Title IV Funds calculations.
Questioned Costs:	None
Context:	In a sample of thirty students (four from ACC), amounts that could have been disbursed were not properly accounted for in a Return of Title IV Funds calculation for one student. The college included the student's Pell grant in the Return of Title IV Funds calculation as having been disbursed when the Pell grant had not actually been disbursed as of the date of the student's withdrawal. The college should have completed a Post-Withdrawal Disbursement Tracking Sheet; instead it completed a regular Return of Title IV Funds calculation for this student.
Effect:	The student was entitled to a postwithdrawal disbursement, which would have gone against outstanding charges on the student's account. Instead, the College requested the student to return \$193 to the Pell program although the student never received a Pell disbursement. ACC indicated that it corrected the calculation and sent the student the postwithdrawal disbursement.

***Recommendation No. 15***

CCCS should ensure ACC establishes procedures to ensure that amounts that could have been disbursed are properly accounted for in Return of Title IV Funds calculations.

***CCCS Response***

Agree. The System will work with the college to ensure compliance with financial aid rules and regulations. ACC has established procedures to ensure that amounts that "could have been disbursed" are properly accounted for in the Return of Title IV Calculations. A post-withdrawal tracking process has been implemented for Return of Title IV Calculations effective September 1, 2003.

**Federal Student Aid Cluster**

Criteria:	Appropriate cash management requires the timely drawing of federal funds to reimburse local funds initially disbursed for federal programs and the timely reconciliation and review of bank statements. The monthly reconciliations are performed for each bank account to ensure transactions are properly posted at the bank and proper balances are reported in the general ledger. Reconciliations should be performed by an individual with an adequate segregation of duties from other cash procedures.
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Condition:	At TSJC the same individual, the Controller, that performs federal cash drawdowns is also responsible for the reconciliation of bank accounts. These reconciliations are not subsequently reviewed by a supervisor. Also, federal drawdowns were not conducted in a timely manner.
Questioned Costs:	None
Context:	Federal drawdowns were only conducted three times during the fiscal year. In addition, reconciliations performed by the Controller were not reviewed by a second individual during the year.
Effect:	If federal drawdowns are not conducted timely, local funds which were used for the original disbursements cannot be used for other cash needs or for generating earnings. Additionally, errors may be made in reconciliations or reconciling items may not be cleared timely to ensure accurate financial reporting. These procedures will optimize cash utilization within the TSJC and ensure cash is properly reflected for financial reporting purposes.

***Recommendation No. 16***

CCCS should ensure TSJC implements procedures such that cash drawdowns are conducted routinely (i.e. monthly) and that bank reconciliations are reviewed by the appropriate supervisor and documentation of the review should be affixed to the reconciliation. The supervisory review should include clerical testing of the reconciliations, as well as follow up procedures to ensure all unreconciled items are investigated and resolved.

***CCCS Response***

The System will work with the college to ensure that financial aid rules and regulations will be followed. TSJC will implement procedures including routine cash drawdowns and bank reconciliations reviewed by the appropriate supervisor. Documentation of the review will be affixed to the reconciliation and unreconciled items will be investigated and resolved.



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**State Student Financial Assistance**

Criteria:	<p>The Colorado Work-Study program is an employment program designed to allow Colorado resident undergraduate students to earn funds to assist in attending eligible educational institutions in Colorado. It is considered a form of “self-help” assistance, since the student is earning money to help meet educational costs. Students are paid an hourly wage for hours worked at eligible Colorado educational institutions, nonprofit organizations, governmental agencies, or for-profit organizations. However, students cannot earn more than their Colorado Work-Study award.</p> <p>The state requires colleges to maintain time record forms and individual earnings records for Colorado Work-Study students. Additionally, timesheets must reflect the actual hours worked by a student. <i>(2002 – 2003 Audit Guide Colorado Funded Student Aid)</i></p>
Condition:	<p>Adequate procedures are not in place at CCD to ensure that timesheets reflect the actual hours worked by a student and to ensure that timesheets, time record forms (i.e., time cards), and individual earnings records (i.e., payroll system) are consistent.</p>
Questioned Costs:	<p>Unknown</p>
Context:	<p>In a sample of seven students (two from CCD), the hours shown on the timesheet, timecard, and payroll system for a selected pay period were not consistent for one student.</p>
Effect:	<p>Colorado Work-Study program funds could be improperly used to pay wages for hours that were not worked if time records do not reflect the actual hours worked by students.</p>

***Recommendation No. 17***

CCCS should ensure CCD establishes procedures to ensure that timesheets reflect the actual hours worked by a student and to ensure that timesheets, time record forms (i.e., time cards), and individual earnings records (i.e., payroll system) are consistent.

***CCCS Response***

Agree. The System will work with the college to ensure compliance with financial aid rules and regulations. CCD will implement review processes to ensure consistency of data.

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**State Student Financial Assistance**

Criteria:	Students who receive Governor’s Opportunity Scholarships (GOS) must agree to not take out a student loan while receiving this award. This scholarship is designed to limit the loan burden of students. ( <i>Colorado Commission on Higher Education (CCHE) Guidelines for Administering State-Funded Student Assistance Programs, Appendix A, November 1, 2002</i> ). In addition, the financial aid package of GOS award recipients must include a work study award offer.
Condition:	Adequate procedures are not in place at TSJC to ensure that GOS recipients agree to not take out a student loan while receiving GOS awards. In addition, there is no documentation in the student records to indicate work study awards were offered to all students receiving the GOS awards.
Questioned Costs:	\$5,500
Context:	In a sample of thirty students (four from TSJC, two of whom received GOS awards), TSJC could not provide documentation that two GOS recipients agreed to not take out a student loan while receiving the award. In addition, of the two students receiving the GOS awards, one accepted work study but the second did not, which was not documented as being offered to or denied by the student.
Effect:	Not having GOS recipients agree to not take out a student loan or support the offer of work study is noncompliant with CCHE’s guidelines.

***Recommendation No. 18***

CCCS should ensure TSJC establishes procedures to ensure that GOS recipients agree to not take out a student loan while receiving GOS awards and to ensure that this agreement is documented. Further, offers for work study, whether accepted by the student or not, should be documented in the student’s records.

***CCCS Response***

The System will work with the college to ensure compliance with the Governor’s Opportunity Scholarship guidelines. TSJC will establish procedures to ensure that GOS recipients agree not to take out a student loan while receiving the award and to document whether offers for work study are accepted or not.

**State Student Financial Assistance**

Criteria:	Colleges that receive state funding are required to comply with the Colorado Commission on Higher Education’s (CCHE) policy on filing reports. Per this policy, institutions must file the required reports to maintain eligibility to participate in the state-funded financial aid programs. These requirements must be met to provide adequate documentation of the use of state funds for purposes of auditing and reporting to the legislature. One of the required reports is the Student Unit Record Data System (SURDS) Financial Aid File. One part of this report
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**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2003

	shows an institution's disbursements for the year for each state-funded financial aid program. ( <i>CCHE Guidelines for Administering State-Funded Student Assistance Programs, Appendix A, November 1, 2002</i> ).
Condition:	Adequate procedures are not in place at Trinidad State Junior College (TSJC) to ensure that the SURDS report is submitted with accurate and complete data.
Questioned Costs:	None
Context:	TSJC submitted their SURDS report for fiscal year 2002 – 2003 with Governor's Opportunity Scholarship (GOS) expenditures reported as \$0, which is inaccurate. As a result of the audit, TSJC has resubmitted its SURDS report with the correct GOS disbursement amounts of \$365,000.
Effect:	TSJC submitted inaccurate data for GOS expenditures to CCHE on its original fiscal year 2002 – 2003 SURDS report.

***Recommendation No. 19***

CCCS should ensure TSJC establishes procedures to ensure that reported amounts are reconciled between the general ledger, the Fiscal Report of Expenditures, and the SURDS report for each state-funded financial aid program to ensure accurate reports and records.

***CCCS Response***

The System will work with the college to ensure compliance with CCHE policy regarding reports on financial aid and reconciliation with the general ledger of the college.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2003

Following are the audit recommendations made for the year ended June 30, 2003, and their disposition as of October 3, 2003.

<b>Recommendation</b>	<b>Disposition</b>
1. CCCS should reevaluate its financial reporting process to improve its efficiency and effectiveness.	Partially implemented. CCCS made substantial improvements to its financial reporting process specifically related to reviewing CCCS policies and procedures, evaluating staff resources required for financial reporting, training college accounting personnel, and ensuring state exhibits are accurate and complete and in accordance with state instructions. However, CCCS still needs to improve its consolidation process including automating footnotes to ensure financial statement preparation is less prone to error.
2. CCCS should evaluate its key business processes for consistency and commonality.	Implemented.
3. CCCS should evaluate logical access controls.	Partially implemented. CCCS still needs to improve access to the payroll system and review security violation reports to identify security weaknesses.
4. CCCS should implement standards to document program change activities.	Implemented.
5. CCCS should implement procedures to rotate incremental backup tapes to a secure off-site location and update its business continuity plan.	Partially implemented. CCCS continues to update its business continuity plan.
6. CCCS should begin to evaluate GASB Statement No. 39 and its impact on CCCS's financial reporting.	Implemented.
7. TSJC should implement a formal plan to recover its unrestricted net asset deficit and make changes to its operations on a go-forward basis to ensure its auxiliary activities operate on a break-even basis.	Partially implemented. See current year recommendation No. 1.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2003

<b>Recommendation</b>	<b>Disposition</b>
8. Pikes Peak Community College (PPCC) should establish procedures to ensure that professional judgments are clearly based on the supporting documentation received from the students and that the professional judgments are adequately documented, providing a clear audit trail.	Implemented.
9. FRCC should establish procedures to ensure that all graduating Federal Direct Loan borrowers who do not complete exit counseling before graduating receive written exit counseling materials within thirty days after their graduation. FRCC and TSJC should establish procedures to ensure that exit counseling is provided to borrowers who cease at least half-time attendance.	Implemented.
10. TSJC should establish procedures to ensure that the withdrawal dates of students who withdraw without providing notification are determined by thirty days after the end of the term, at the latest.	Not implemented. See current year recommendation No. 12.
11. FRCC should establish procedures to ensure that the institution's portion of a student's unearned Title IV funds are returned within thirty days after the school has determined a student has withdrawn.	Not implemented. See current year recommendation No. 11.
12. FRCC–Westminster should establish procedures to ensure students are requested to repay required grant overpayments.	Implemented.
13. CCD should establish procedures to ensure that Return of Title IV Funds calculations are made properly and to ensure that the school's portion of the unearned aid is returned.	Implemented.
14. FRCC should establish procedures to ensure that the proper institutional charges are used in the Return of Title IV Funds calculations.	Implemented.
15. PPCC should establish procedures to ensure that the ECAR is kept available for review by auditors.	Implemented.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2003

<b>Recommendation</b>	<b>Disposition</b>
16. CCD, PPCC, PCC, and FRCC-Larimer should establish procedures to ensure that spring break is properly excluded from the Return of Title IV Funds calculations.	Implemented.
17. PPCC should establish procedures to ensure that its Colorado Merit Award recipients meet the additional eligibility requirements per their Institutional Plan.	Implemented.
18. TSJC should clarify within its Institutional Plan for Merit Awards that state funds are used only for those Merit Awards are made to students who maintain a GPA of 3.0, while the institutional funds Merit Awards are made to students who maintain a GPA of less than 3.0.	Implemented.
19. TSJC should consider the need to automate the award packaging process and consider the need for additional mitigating controls to ensure proper segregation of duties for carrying out the SFA programs.	Not implemented. TSJC began to evaluate this change; however, this is a long-term business process change that will require time.
20. CCCS should evaluate the student financial aid findings noted above and ensure all colleges are in compliance and have adequate internal control over the areas noted. CCCS should also develop system-wide policies to address key student financial requirements such as return of Title IV funds and professional judgments.	Partially implemented. The system office appointed a central student financial aid coordinator to work with colleges to address findings and compliance issues. However, we noted a number of student financial aid findings this year.
21. CCCS should ensure funds are disbursed to subrecipients only on an as-needed basis and only reimburse subrecipients for amounts expended on allowable costs, where the expenditures are adequately documented.	Implemented.
22. CCCS should strengthen monitoring procedures and the documentation thereof over subrecipients receiving funds for the Carl Perkins – Vocational Education program.	Implemented.
23. CCCS should strengthen controls over its cash management process to ensure requests for reimbursement are for costs incurred.	Implemented.





Suite 2700  
707 Seventeenth Street  
Denver, CO 80202

## Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying statements of net assets of the Colorado Community College System (CCCS), a blended component unit of the state of Colorado, as of June 30, 2003 and 2002, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These basic financial statements are the responsibility of the management of CCCS. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the CCCS as of June 30, 2003 and 2002, and the changes in its financial position and its cash flows for the years 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 a report dated October 3, 2003 on our consideration of the CCCS's internal control over financial reporting and on 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 audits.

The management's discussion and analysis on pages 39 to 47 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

October 3, 2003







## COLORADO COMMUNITY COLLEGE SYSTEM

### Financial and Compliance Audit

#### Management's Discussion and Analysis – (Unaudited)

Years ended June 30, 2003 and 2002

The following discussion and analysis provides management's view of the financial position of the Colorado Community College System (CCCS or the System) as of June 30, 2003 and 2002, and the results of operations for the years then ended. This analysis should be read in conjunction with the System's financial statements and notes thereto, which are also presented in this document.

The CCCS comprises 13 public community colleges throughout the state that served approximately 110,000 students during the fiscal year ended June 30, 2003. The System has approximately 5,500 employees, of which approximately two thirds are faculty. The colleges offer a wide variety of both academic and career programs leading either to degrees and certificates, or otherwise enhancing personal and professional growth. In addition to the 13 community colleges, the System also assists the State Board for Community Colleges and Occupational Education in exercising certain curriculum and funding authority over four area vocational schools, two local district colleges, and secondary career and technical programs in over 150 school districts throughout the state.

#### Financial Highlights

At June 30, 2003, CCCS's assets of \$404,862,677 exceeded its liabilities of \$95,847,180 by \$309,015,498. At June 30, 2002, CCCS's assets of \$382,097,915 exceeded its liabilities of \$68,693,946 by \$313,403,969. The resulting net assets are summarized into the following categories:

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Invested in capital assets, net of related debt	\$ 254,366,247	262,801,013
Restricted, expendable	19,994,698	17,522,461
Unrestricted	34,654,553	33,080,495
Total net assets	<u>\$ 309,015,498</u>	<u>313,403,969</u>

The restricted, expendable net assets may be expended, but only for the purposes for which the donor or grantor or other external party intended. Unrestricted net assets are not externally restricted; however, they are often internally designated by the college's administration for a number of purposes including capital and equipment expansion and repair funds; new program funds; and compensated absence liabilities.

The System's total net assets decreased by \$4,388,471 during 2003. This decrease in net assets is primarily due to lower state appropriations resulting from state budget cuts. These budget cuts resulted in the CCCS being assessed a 15% or \$24 million dollar reduction in its general fund appropriation, which included \$6.6 million dollars in budget cuts related to the state shifting the June pay day for state employees from June 30, 2003 to July 1, 2003 (Fiscal Year 2004). These reductions were offset by a 10.7% increase in enrollment, tuition increases, and careful fiscal management.

#### The Basic Financial Statements

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

## COLORADO COMMUNITY COLLEGE SYSTEM

### Financial and Compliance Audit

#### Management's Discussion and Analysis – (Unaudited)

Years ended June 30, 2003 and 2002

The *Statements of Net Assets* present information on all of the System's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Net Assets* present information showing how the System's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payment for accrued for compensated absences, or the receipt of amounts due from students and others for services rendered).

The *Statements of Cash Flows* are reported on the direct method. The direct method of cash flows reporting portrays cash flows from operations, noncapital financing, capital, and related financing and investing activities.

The CCCS reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. The System is a component of the state of Colorado. Therefore, the net assets and results of the System's operations are also summarized in the state's Comprehensive Annual Financial Report in its government-wide financial statements.

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

#### **Financial Analysis**

The assets of CCCS exceeded liabilities resulting in net assets at June 30, 2003 and 2002 of \$309,015,498 and \$313,403,969. The majority (82% and 84% respectively) of CCCS's net assets are invested in capital assets (e.g., land, buildings, and equipment), net of related debt. These assets are used to provide services to students, faculty, and administration. Consequently, these assets are not available to fund future spending.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Management's Discussion and Analysis – (Unaudited)

Years ended June 30, 2003 and 2002

**Condensed Summary of Net Assets**

	<b>June 30</b>	
	<u><b>2003</b></u>	<u><b>2002</b></u>
Current assets	\$ 115,337,940	90,717,299
Noncurrent assets, including capital assets of \$286,661,960 and \$288,414,419, respectively	<u>289,524,737</u>	<u>291,380,616</u>
Total assets	<u><u>\$ 404,862,677</u></u>	<u><u>382,097,915</u></u>
Current liabilities	\$ 49,046,500	32,871,629
Noncurrent liabilities	<u>46,800,680</u>	<u>35,822,317</u>
Total liabilities	<u><u>\$ 95,847,180</u></u>	<u><u>68,693,946</u></u>
Net assets:		
Invested in capital assets, net of related debt	\$ 254,366,247	262,801,013
Restricted, expendable	19,994,698	17,522,461
Unrestricted	<u>34,654,553</u>	<u>33,080,495</u>
Total net assets	<u><u>\$ 309,015,498</u></u>	<u><u>313,403,969</u></u>

Restricted net assets (6% and 5% respectively) are subject to external restriction on how they must be used. CCCS's restricted net assets are primarily restricted for auxiliary programs, scholarships, loans, capital projects, community training programs, and the Employee Benefit Trust Fund.

Unrestricted net assets (12% and 11% respectively) are not externally restricted and may be used for general operations; however, they are often internally designated by the college's administration for a number of purposes including capital and equipment expansion and repair funds; new program funds; and compensated absence liabilities.

*The Statement of Revenues, Expenses, and Changes in Net Assets* reports the results of operating and nonoperating revenues and expenses during the year and the resulting increase or decrease in net assets at the end of the year.

The state of Colorado experienced general fund revenue shortfalls of 1.7% in FY 2003 and 15% in FY 2002. These shortfalls resulted in the CCCS being assessed a 15% reduction in its general fund appropriation during fiscal year 2003. This amounted to just over \$24 million, of which the colleges were assessed approximately \$22 million and occupational education programs were assessed approximately \$2 million. The reduction was offset by an 11% growth in student FTE (1 full-time equivalent [FTE] equals 30 credit hours) enrollment. This was the highest rate of enrollment growth for the CCCS in nearly ten years.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Management's Discussion and Analysis – (Unaudited)

Years ended June 30, 2003 and 2002

**Condensed Summary of Revenues, Expenses, and Changes in Net Assets**

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Operating revenues:		
Tuition and fees, net	\$ 83,175,146	78,221,601
Grants and contracts	111,051,145	98,637,261
Auxiliary services, net	25,352,015	27,693,631
Other	7,212,847	7,752,498
Total operating revenues	<u>226,791,153</u>	<u>212,304,991</u>
Operating expenses:		
Instruction	177,446,584	161,581,731
Public service	2,596,578	3,433,085
Academic support	26,071,203	27,078,751
Student services	31,220,403	28,507,033
Institutional support	36,615,513	42,934,365
Operation and maintenance of plant	40,563,953	40,039,088
Scholarships and fellowships	25,925,497	23,315,349
Auxiliary enterprises	28,838,065	31,927,022
Depreciation	15,008,950	13,323,628
Total operating expenses	<u>384,286,746</u>	<u>372,140,052</u>
Operating loss	<u>(157,495,593)</u>	<u>(159,835,061)</u>
Nonoperating revenues:		
State appropriations	164,357,792	173,996,434
Distributions to local district colleges and area vocational schools	(23,311,739)	(25,010,111)
Other net nonoperating revenues	4,861,952	4,658,680
Net nonoperating revenues	<u>145,908,005</u>	<u>153,645,003</u>
Loss before other revenues, expenses, gains, or losses	(11,587,588)	(6,190,058)
State capital contributions	7,151,160	22,721,036
Capital grants and gifts	47,957	566,985
Increase (decrease) in net assets	(4,388,471)	17,097,963
Net assets:		
Net assets, beginning of year	<u>313,403,969</u>	<u>296,306,006</u>
Net assets, end of year	<u>\$ 309,015,498</u>	<u>313,403,969</u>

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

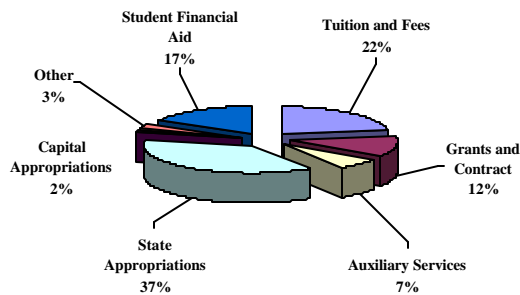
# COLORADO COMMUNITY COLLEGE SYSTEM

## Financial and Compliance Audit

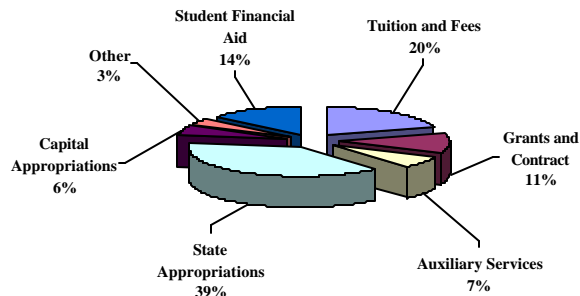
### Management's Discussion and Analysis – (Unaudited)

Years ended June 30, 2003 and 2002

#### Sources of Revenue Fiscal Year 2003



#### Sources of Revenue Fiscal Year 2002



As the above charts demonstrate, state appropriations are the largest revenue source for CCCS. The operating loss of approximately \$157 million in FY 2003 and \$160 million in FY 2002 noted above are the result of state appropriations being classified as nonoperating rather than operating revenue.

Revenue activity highlights for the FY 2003 include:

- Tuition and fee revenue increased, net of the effect of scholarship allowances, by approximately \$4.9 million or 6.3%. This increase was due to increases of approximately 10.7% in FTE enrollments and an increase in tuition rates of approximately 4.7%.

# COLORADO COMMUNITY COLLEGE SYSTEM

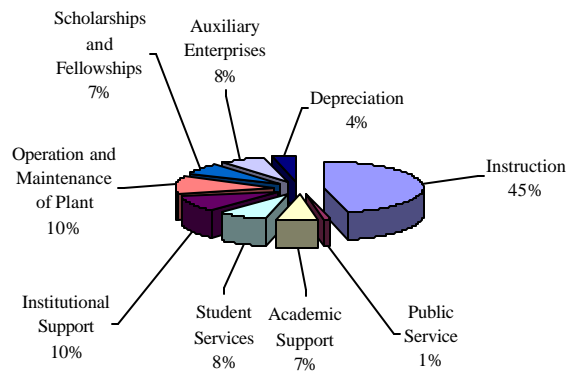
## Financial and Compliance Audit

### Management's Discussion and Analysis – (Unaudited)

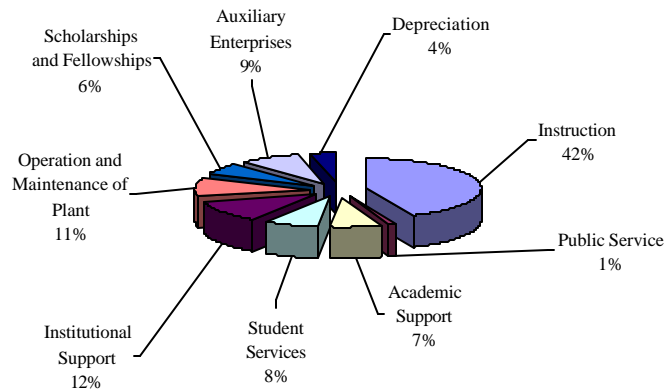
Years ended June 30, 2003 and 2002

- General state appropriations decreased by \$9.6 million or 5.5%, after budget cuts of \$24 million or 15%.
- State capital appropriations decreased by \$15.5 million or 68% as a result of state revenue shortfalls limiting the state's ability to fund capital projects.
- Grants and contracts revenue increased approximately \$12.4 million or 12.5% primarily due to increased student financial aid resulting from increased enrollments.

**Expenses  
Fiscal Year 2003**



**Expenses  
Fiscal Year 2002**



**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Management's Discussion and Analysis – (Unaudited)

Years ended June 30, 2003 and 2002

Expense activity highlights for the year include:

- Increases of approximately \$15.8 million or 9.8% in instructional expenses and increases of \$2.7 million or 9.5% in student services. Both these increases in spending are closely tied to enrollment increases of 10.7%.
- Decreases of approximately \$6.3 million or 14.7% in institutional support resulting from reductions of spending in response to state budget cuts.
- Scholarship and fellowship expenses increased by approximately \$2.6 million or 11% as a result of increased enrollments.
- Auxiliary enterprise expenses decreased by approximately \$3 million or 9.7% due to reduction in some auxiliary services due to slow economic growth, reclassification of some auxiliary expenses offset by expenses related to enrollment growth.
- Depreciation expense of \$15 million was recorded during FY 2003.

It is the nature of public higher education institutions to incur a loss from operations because the loss is reported before the state appropriation is taken into consideration. The System experienced a \$157 million loss from operations in FY 2003 and a \$160 million loss from operations in FY 2002. In FY 2003 this operating loss was offset by net state appropriations of \$141 million dollars and other nonoperating net revenues of \$12 million, including \$7.1 million of capital appropriations. In FY 2002 the operating loss was offset by net state appropriations of \$149 million and other nonoperating net revenues of \$28 million, including \$22.7 million of capital appropriations.

**Capital Assets**

At June 30, 2003, CCCS had \$286,661,960 of capital assets, net of accumulated depreciation of \$168,727,654, including current year depreciation of \$15,008,950. At June 30, 2002, CCCS had \$288,414,419 of capital assets net of accumulated depreciation of \$162,035,056, including depreciation expense of \$13,323,628. A breakdown of assets by category, net of accumulated depreciation, is provided below.

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Land	\$ 19,731,203	19,731,203
Land improvements	6,226,242	5,625,915
Buildings and improvements	232,861,396	200,758,957
Leasehold improvements	1,501,600	1,538,313
Construction in progress	8,841,494	48,480,792
Equipment	12,253,257	7,446,528
Library materials	4,648,580	4,294,523
Collections	598,188	538,188
Total capital assets	<u>\$ 286,661,960</u>	<u>288,414,419</u>



**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Management's Discussion and Analysis – (Unaudited)

Years ended June 30, 2003 and 2002

Major capital additions completed this year are as follows:

<u>College</u>	<u>Project</u>	<u>Cost (in millions)</u>	<u>Source of funding</u>
Arapahoe Community College	Education Technology Equipment/Renovation	\$ 1.95	State capital construction
Lamar Community College	Wellness Center	4.90	State capital construction
Lamar Community College	Betz Building Renovation	4.60	State capital construction
Lowry Campus	Conference Center & Site Renovations	1.40	State capital construction
Lowry Campus	Building 959 Renovation	7.90	Capital lease
Morgan Community College	Auto Program Relocation (Elm and Spruce Hall Renovations)	4.39	State capital construction
Pikes Peak Community College	Downtown Studio Campus North Bldg. Remodel	1.01	Cash funds exempt
Pueblo Community College	Industrial Technology Education Center Renovation	6.33	State capital construction
Trinidad State Jr. College	Boyd Electronic Center	1.80	State capital construction

The following new buildings were being constructed as follows at June 30, 2003:

<u>College</u>	<u>Project</u>	<u>Cost (in millions)</u>	<u>Source of funding</u>
Pikes Peak Community College	Childcare Centers	\$4.3	Cash funds (revenue bonds)

**Debt**

CCCS had \$35,370,953 and \$25,608,800 in debt outstanding at June 30, 2003 and 2002, respectively. The breakdown of the debt follows:

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Auxiliary revenue bonds	\$ 20,953,530	18,320,000
Capital lease obligations	14,417,423	7,288,800
Total debt	\$ 35,370,953	25,608,800

## **COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Management's Discussion and Analysis – (Unaudited)

Years ended June 30, 2003 and 2002

The capital lease obligations were entered into during fiscal year 2002 and 2003 to obtain additional space at two of the colleges and the System Office.

### **Colorado Community College System Future**

The state's economic picture has improved somewhat with general fund revenue projected to grow in FY 04 between 2.3% and 4.3%. For FY 05, revenue growth is projected to be between 4.5% and 6.8%. Due to structural issues within the state's general fund budget, there may be the need for additional budget reductions in FY 04. These reductions, however, would be minimal, assuming revenues grow as projected, and the System has plans in place should such reductions occur.

Even with positive general fund revenue growth projected for the state, it appears that increased general fund support for the System will be minimal at best given all the competing demands facing the state. Enrollment growth, however, still appears quite healthy with preliminary estimates for the fall 2003 semester reflecting student enrollment growth of over 8%. The System budget plans for the future will assume small increases from state general funds and increased reliance on other sources of revenue to sustain operations.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Statements of Net Assets

June 30, 2003 and 2002

Assets	2003	2002
Current assets:		
Cash and cash equivalents	\$ 78,268,808	58,969,137
Restricted cash and cash equivalents	4,001,097	719,406
Accounts receivable, net	25,346,740	22,133,143
Inventories	2,835,021	2,737,203
Prepaid expenses	4,886,274	6,158,410
Total current assets	115,337,940	90,717,299
Noncurrent assets:		
Restricted cash and cash equivalents	101,025	92,057
Restricted investments	2,623,222	2,874,140
Other assets	138,530	—
Capital assets, net	286,661,960	288,414,419
Total noncurrent assets	289,524,737	291,380,616
Total assets	\$ 404,862,677	382,097,915
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 7,893,218	8,956,573
Accrued liabilities	23,437,804	7,953,191
Deferred revenue	9,023,164	8,518,741
Deposits held for others	7,135,585	6,442,075
Bonds payable, current portion	950,000	905,000
Capital leases payable, current portion	289,188	39,800
Other long-term liabilities, current portion	198,576	—
Compensated absence liabilities	118,965	56,249
Total current liabilities	49,046,500	32,871,629
Noncurrent liabilities:		
Bonds payable	20,003,530	17,415,000
Capital lease payable	14,128,235	7,249,000
Other long-term liabilities	2,020,471	14,883
Compensated absence liabilities	10,648,444	11,143,434
Total noncurrent liabilities	46,800,680	35,822,317
Total liabilities	95,847,180	68,693,946
Net assets:		
Invested in capital assets, net of related debt	254,366,247	262,801,013
Restricted for expendable purposes:		
Auxiliary pledged revenue	12,207,104	10,570,401
Scholarships/fellowships	243,209	24,378
Loans	1,237,897	1,068,339
Capital projects	40,000	30,858
Training programs	2,926,248	2,119,459
Employee benefit trust	3,184,427	3,558,494
Other	155,813	150,532
Total expendable	19,994,698	17,522,461
Unrestricted	34,654,553	33,080,495
Total net assets	\$ 309,015,498	313,403,969

See accompanying notes to basic financial statements.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
**Statements of Revenue, Expenses, and Changes in Net Assets**  
**Years ended June 30, 2003 and 2002**

	<b>2003</b>	<b>2002</b>
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$33,293,860 in 2003 and \$27,210,412 in 2002	\$ 83,175,146	78,221,601
Grants and contracts	111,051,145	98,637,261
Gifts	289,129	516,346
Sales and services of educational activities	2,163,414	2,952,771
Auxiliary enterprises, net of scholarship allowances of \$5,826,195 in 2003 and \$4,751,940 in 2002	25,352,015	27,693,631
Other operating revenues	4,760,304	4,283,381
Total operating revenues	226,791,153	212,304,991
Operating expenses:		
Instruction	177,446,584	161,581,731
Public service	2,596,578	3,433,085
Academic support	26,071,203	27,078,751
Student services	31,220,403	28,507,033
Institutional support	36,615,513	42,934,365
Operation and maintenance of plant	40,563,953	40,039,088
Scholarships and fellowships	25,925,497	23,315,349
Auxiliary enterprises	28,838,065	31,927,022
Depreciation	15,008,950	13,323,628
Total operating expenses	384,286,746	372,140,052
Operating loss	(157,495,593)	(159,835,061)
Nonoperating revenues (expenses):		
State appropriations	164,357,792	173,996,434
Distributions to Local District College and Area Vocation Schools	(23,311,739)	(25,010,111)
Gifts	533,113	410,696
Investment income	5,307,676	5,308,294
Interest expense on capital debt	(1,243,137)	(1,081,086)
Loss on disposal of assets	(2,630,206)	—
Other nonoperating revenues	2,894,506	20,776
Net nonoperating revenues (expenses)	145,908,005	153,645,003
Loss before other revenues, expenses, gains, or losses	(11,587,588)	(6,190,058)
Other revenues, expenses, gains, or losses		
State capital contributions	7,151,160	22,721,036
Capital grants	—	69,636
Capital gifts	47,957	497,349
(Decrease) increase in net assets	(4,388,471)	17,097,963
Net assets, beginning of year	313,403,969	296,306,006
Net assets, end of year	\$ 309,015,498	313,403,969

See accompanying notes to basic financial statements.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Statements of Cash Flows

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Cash received:		
Tuition and fees	\$ 87,635,299	84,770,787
Student loans collected	137,085	258,613
Sales of products	13,756,648	12,829,628
Sales of services	29,747,633	24,206,606
Grants, contracts, and gifts	113,015,879	97,121,422
Other operating receipts	4,901,207	4,277,947
Cash payments:		
Scholarships disbursed	(28,902,590)	(24,628,165)
Student loans disbursed	(240,938)	(278,624)
Payments for employees	(203,833,281)	(217,810,246)
Payments to suppliers	(131,340,206)	(108,012,411)
Other operating payments	(7,300,406)	(20,645,401)
Net cash used by operating activities	<u>(122,423,670)</u>	<u>(147,909,844)</u>
Cash flows from noncapital financing activities:		
State appropriations – noncapital	164,357,792	173,996,434
Distributions to Local District College and Area Vocation Schools	(23,311,739)	(25,010,111)
Gifts and grants for other than capital purposes	683,314	527,745
Agency (direct lending inflows)	11,630,424	7,739,849
Agency (direct lending outflows)	(11,569,585)	(7,788,875)
Other agency (inflows)	14,193,024	9,833,800
Other agency (outflows)	(13,445,219)	(8,244,692)
Net cash provided by noncapital financing activities	<u>142,538,011</u>	<u>151,054,150</u>
Cash flows from capital and related financing activities:		
State appropriations – capital	3,529,951	9,791,724
Capital grants, contracts, and gifts	46,384	497,349
Proceeds from capital debt	3,526,000	—
Proceeds from sale of capital assets	34,669	1,824
Acquisition and construction of capital assets	(7,982,675)	(10,496,750)
Principal paid on capital debt	(981,221)	(1,437,879)
Interest on capital debt	(1,255,713)	(1,112,222)
Net cash used by capital and related financing activities	<u>(3,082,605)</u>	<u>(2,755,954)</u>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	250,918	(277,507)
Investment earnings	5,307,676	6,192,304
Net cash provided by investing activities	<u>5,558,594</u>	<u>5,914,797</u>
Net increase in cash and cash equivalents	22,590,330	6,303,149
Cash and cash equivalents, beginning of the year	59,780,600	53,477,451
Cash and cash equivalents, end of the year	\$ <u>82,370,930</u>	<u>59,780,600</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (157,495,593)	(159,835,061)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	15,008,950	13,323,628
Increase in other nonoperating assets	8,550,564	1,394,612
Decrease (increase) in assets:		
Receivables, net	(2,420,850)	2,244,293
Inventory and prepaids	1,175,890	1,398,933
Increase (decrease) in liabilities:		
Accounts payable	(2,102,254)	(1,674,336)
Accrued liabilities	16,164,566	(1,508,246)
Deferred revenues	1,625,101	(4,103,339)
Deposits held for others	(306,772)	371,150
Compensated absence liabilities	(519,725)	659,275
Other liabilities	(2,103,547)	(180,753)
Net cash used by operating activities	\$ <u>(122,423,670)</u>	<u>(147,909,844)</u>
Noncash investing, capital, and noncapital financing activities:		
State funded acquisitions of capital assets	\$ 3,621,209	13,312,312
Equipment donations and capital gifts	1,575	627,673
Capital leases	7,172,679	7,288,800

See accompanying notes to basic financial statements.

# COLORADO COMMUNITY COLLEGE SYSTEM

## Financial and Compliance Audit

### Notes to Basic Financial Statements

June 30, 2003 and 2002

#### (1) Governance and Reporting Entity

The Colorado Community College System (CCCS or the System) is governed by the State Board for Community Colleges and Occupational Education (SBCCOE). The nine board members are appointed for staggered four-year terms by the Governor with consent of the State Senate. The SBCCOE governs the 13 state system colleges, Lowry Campus, and administers vocational-technical education funds distributed to the two local district colleges, legislated area vocational schools, and school districts offering vocational programs.

The CCCS is an institution of higher education of the state of Colorado. Thus, for financial reporting purposes, the CCCS is included as part of the state of Colorado's primary government. CCCS's operations and activities are funded primarily through state appropriations, federal, state and local grants, and tuition revenue. Pursuant to Colorado Revised Statute (CRS) 23-1-104, state appropriations for the operation of the CCCS are made to the SBCCOE, which is responsible for the allocation to the individual colleges. In addition, the SBCCOE receives and distributes state appropriations for local district colleges, area vocational schools, and school districts in Colorado.

Accordingly, the accompanying basic financial statements contain the operations of the system office, Lowry Campus, and the following 13 colleges. All significant intercampus accounts and transactions have been eliminated in the consolidation.

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

As an institution of higher education in the state of Colorado, the income of CCCS is generally exempt from income taxes under Section 115 of the Internal Revenue Code. However, income unrelated to the exempt purpose of CCCS would be subject to tax under Section 511(a)(2)(B). CCCS management does not believe there is any material unrelated income in the years ended June 30, 2003 or 2002.

## COLORADO COMMUNITY COLLEGE SYSTEM

### Financial and Compliance Audit

#### Notes to Basic Financial Statements

June 30, 2003 and 2002

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial reporting entity of the CCCS includes the combined operations of the individual community colleges and the system office.

The SBCCOE Employee Benefit Trust Fund (the Trust) is included in the accompanying basic financial statements as a component unit. The Trust was established on February 1, 1983 as a legally and financially independent entity whose governing committee is appointed by the SBCCOE. The Trust was established to provide benefits under the Health & Welfare Program, which benefits may include, as determined by the Trust committee, life, accidental death and dismemberment, short-term and/or long-term disability, basic or major medical, dental, or other sick or accident benefits, and any other benefits as determined by the Trustee committee, provided that such other benefits are permissible under Section 501(c)(9) of the Internal Revenue Code for employees and their dependent families; whether through self-funded or insured programs, or both. The Trust is a 501(c)(3) not-for-profit corporation. The appointment of the governing committee and the benefits provided to employees require that the financial activities of the Trust be blended into the basic financial statements of CCCS under GASB Statement No. 14. Separate unaudited financial statements of the Trust are available upon request.

#### **(2) Basis of Presentation**

The CCCS applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with, or contradict, GASB pronouncements.

Any effort to reconcile this report with presentations made for other purposes such as data submitted with the legislative budget requests of the CCCS must take into consideration differences in the basis of accounting and other requirements for the preparation of such other presentations.

#### **(3) Measurement Focus, Basis of Accounting, and Summary of Significant Accounting Policies**

For financial reporting purposes, the CCCS is considered a special-purpose government engaged only in business-type activities. Accordingly, the CCCS's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Presentation is also in accordance with the state of Colorado Higher Education Accounting Standard No. 17 (HEAS#17). Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when obligations are incurred. All significant intracampus accounts and transactions have been eliminated.

##### **(a) Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash on hand, cash in checking accounts, demand deposits, certificates of deposit (disregarding maturity date) with financial institutions, pooled cash with the State Treasurer, and all highly liquid investments with an original maturity of three months or less.

##### **(b) Accounts Receivable**

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

## COLORADO COMMUNITY COLLEGE SYSTEM

### Financial and Compliance Audit

#### Notes to Basic Financial Statements

June 30, 2003 and 2002

**(c) Investments**

Investments are reported at fair value, which is determined based on quoted market prices.

**(d) Restricted Cash and Cash Equivalents and Restricted Investments**

Restricted cash and cash equivalents and restricted investments primarily represent monies restricted for Trust benefits and excess pledged revenues.

**(e) Inventories**

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

**(f) Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The CCCS uses a capitalization threshold of \$5,000 and estimated useful lives in accordance with the State Fiscal Procedures Manual. The CCCS's estimated useful lives are as follows: 20-40 years for buildings, 20-40 years for improvements other than buildings, 3-10 years for equipment, and 10-15 years for library materials. Depreciation expense was not allocated among functional categories.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life.

**(g) Deposits Held for Others**

Deposits held for others include accounts payable to third parties (on behalf of others), and balances representing the net assets owed to the individual or organization for which CCCS is acting as custodian.

CCCS participates in the federal government's Direct Loan Program, which provides loans to qualifying students. While CCCS assists students in obtaining these loans, CCCS is not a party to the loans and is not responsible for collection of monies owed or for default by borrowers. The U.S. Department of Education performs these functions.

CCCS accounts for its direct loans in the agency fund. The amount of direct loans for the 13 CCCS colleges participating in the program were approximately \$11,200,000 in 2003 and \$8,200,000 in 2002.

**(h) Accrued Liabilities**

Accrued liabilities primarily represent accrued payroll and benefits due to the State shifting the June pay day for state employees from June 30, 2003 to July 1, 2003 (Fiscal Year 2004).



## COLORADO COMMUNITY COLLEGE SYSTEM

### Financial and Compliance Audit

#### Notes to Basic Financial Statements

June 30, 2003 and 2002

**(i) *Compensated Absence Liabilities***

The current portion of compensated absence liabilities is the portion that will be paid out within one year. The CCCS only records the portion of compensated absences associated with individuals who have formally given notice, but have not yet been paid at June 30, 2003 as the current portion of the compensated absence liabilities.

**(j) *Net Assets***

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.
- Restricted – expendable: Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the college or by the passage of time.
- Restricted – nonexpendable: Net assets subject to externally imposed conditions that CCCS must maintain them in perpetuity. CCCS has no restricted – nonexpendable net assets as of June 30, 2003 and 2002.
- Unrestricted: All other categories of net assets. Unrestricted net assets may be designated by actions of the SBCCOE.

**(k) *Classification of Revenues and Expenses***

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

- Operating revenues and expenses: Operating revenues and expenses generally result from providing goods and services for instruction, public service, or related support services to an individual or entity separate from the CCCS.
- Nonoperating revenues and expenses: Nonoperating revenues and expenses are those that do not meet the definition of operating. Nonoperating revenues include state appropriations for operations, gifts, investment income, and insurance reimbursement revenue. Nonoperating expense includes interest expense.
- Other revenues, expenses, gains, and losses include state capital construction and controlled maintenance appropriations, gifts, and grants primarily designated for capital purposes.

**(l) *Summer Session Revenues and Related Expenses***

The CCCS prorates the summer session revenues and direct instructional expenses based on percentage of total calendar days before June 30 to total calendar days in the selected primary summer term.

## COLORADO COMMUNITY COLLEGE SYSTEM

### Financial and Compliance Audit

#### Notes to Basic Financial Statements

June 30, 2003 and 2002

**(m) *Application of Restricted and Unrestricted Resources***

The CCCS's policy is to apply an expense against restricted resources first, then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

**(n) *Scholarship Allowances***

The CCCS calculates scholarship allowances on a student-by-student basis.

**(o) *Use of Estimates***

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

**(p) *Reclassifications***

Prior year amounts have been reclassified to conform to the current year presentation.

**(4) Appropriations**

The Colorado State Legislature establishes spending authority for CCCS in its annual Long Appropriations Bill. Appropriated funds include an amount from the state of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various revenue categories, as appropriate, in the accompanying statements of revenue, expenses, and changes in net assets. Nonappropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, and other revenue sources.

For the years ended June 30, 2003 and 2002, respectively appropriated expenditures were within authorized spending authority. The CCCS received a total general fund appropriation of \$164,357,792 and \$173,996,434, respectively, for 2003 and 2002. Included in the General Fund appropriations are \$23,311,739 and \$25,010,111 of state appropriations specified to be passed through to two Local District Colleges and four Area Vocational Schools: \$13,115,457 and \$14,105,528 for Local District Colleges and \$10,196,282 and \$10,904,583 for Area Vocational Schools. The CCCS also received capital appropriations of \$7,151,160 in 2003 and \$22,721,036 in 2002.

**(5) Tuition, Fees, and Auxiliary Revenue**

The CCCS receives revenue from several sources that is restricted for student scholarships and financial aid. In addition, CCCS allocates unrestricted revenue for student financial aid. To the extent that these resources are used to pay student charges, the CCCS records a scholarship allowance against tuition, fees, and auxiliary revenue.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Notes to Basic Financial Statements

June 30, 2003 and 2002

Tuition, fee, and auxiliary revenue and the related scholarship allowance for the year ended June 30, 2003 were as follows:

	<u>Tuition fee</u>	<u>Auxiliary revenue</u>	<u>Total</u>
Gross revenue	\$ 116,469,006	31,178,210	147,647,216
Scholarship allowances:			
Federal	(20,661,264)	(3,045,871)	(23,707,135)
State	(9,341,715)	(1,482,365)	(10,824,080)
Private	(514,141)	(71,533)	(585,674)
Institutional	<u>(2,776,740)</u>	<u>(1,226,426)</u>	<u>(4,003,166)</u>
Total allowances	<u>(33,293,860)</u>	<u>(5,826,195)</u>	<u>(39,120,055)</u>
Net revenue	\$ <u>83,175,146</u>	<u>25,352,015</u>	<u>108,527,161</u>

Tuition, fee, and auxiliary revenue and the related scholarship allowance for the year ended June 30, 2002 were as follows:

	<u>Tuition fee</u>	<u>Auxiliary revenue</u>	<u>Total</u>
Gross revenue	\$ 105,432,013	32,445,571	137,877,584
Scholarship allowances:			
Federal	(16,350,184)	(2,781,567)	(19,131,751)
State	(7,758,489)	(1,230,474)	(8,988,963)
Private	(377,223)	(115,150)	(492,373)
Institutional	<u>(2,724,516)</u>	<u>(624,749)</u>	<u>(3,349,265)</u>
Total allowances	<u>(27,210,412)</u>	<u>(4,751,940)</u>	<u>(31,962,352)</u>
Net revenue	\$ <u>78,221,601</u>	<u>27,693,631</u>	<u>105,915,232</u>

**(6) Deposits and Investments**

**(a) Cash Deposits**

The CCCS deposits cash with the State Treasurer as required by CRS. The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. CCCS reports its share of the Treasurer's unrealized gains and losses based on its 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, 2003 and 2002. 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. Additional information on the Treasurer's pool may be obtained in the State's Comprehensive Annual Financial Report.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Notes to Basic Financial Statements

June 30, 2003 and 2002

CCCS accounts for investments held with the State Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The net unrealized gain for fiscal years 2003 and 2002 of \$3,296,003 and \$1,897,212, respectively, is included in cash and cash equivalents on the statements of net assets.

At June 30, 2003 and 2002, the CCCS had \$77,115,347 and \$56,682,257, respectively, on deposit with the State Treasurer that is net of Colorado Financial Reporting System (COFRS) warrants payable. This amount is net of any deficit cash balances of individual colleges with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. Custodial credit risk classifications for amounts held by the State Treasurer is not available at the CCCS level. In addition, at June 30, 2003 and 2002, respectively, the CCCS had other cash or cash equivalents on deposit in banks or savings and loans with carrying amounts of \$988,994 and \$350,832 and bank balances of \$1,006,729 and \$461,943. Of the bank balances, \$819,285 and \$337,805 was covered by collateral held in the pledging institution's trust department in the name of the public deposit pool as required by the Colorado Public Deposit Protection Act, and \$187,444 and \$124,138 was uninsured and uncollateralized. CCCS also has cash on hand of \$367,436 and \$130,893, respectively, at June 30, 2003 and 2002. In addition, the Trust has cash and cash equivalents of \$603,150 and \$719,406 and bank balances of \$7,383 and \$8,250, at June 30, 2003 and 2002, respectively. Of the bank balances, all amounts were covered by collateral held in the Trust's name.

**(b) Investments**

The Trust holds category three investments of \$2,623,222 and \$2,874,140 as of June 30, 2003 and 2002, respectively, which includes \$196,750 and \$286,518 of U.S. government securities, \$1,425,731 and \$1,621,000 of corporate bonds, and \$1,000,741 and \$974,872 of common stocks. Category 3 investments include uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in CCCS's name.

**(7) Accounts Receivable, Accounts Payable, and Accrued Liabilities**

Accounts receivable at June 30, 2003 are as follows:

	<b>Gross receivables</b>	<b>Allowance for uncollectible accounts</b>	<b>Net receivables</b>
Student accounts receivable	\$ 14,848,923	(4,204,835)	10,644,088
Due from other governments	9,574,494	—	9,574,494
Other receivables	5,345,579	(217,421)	5,128,158
Total receivables	\$ <u>29,768,996</u>	<u>(4,422,256)</u>	<u>25,346,740</u>

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Notes to Basic Financial Statements

June 30, 2003 and 2002

Accounts receivable at June 30, 2002 are as follows:

	<u>Gross receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
Student accounts receivable	\$ 14,270,414	(3,602,217)	10,668,197
Due from other governments	5,640,131	—	5,640,131
Other receivables	<u>6,051,729</u>	<u>(226,914)</u>	<u>5,824,815</u>
Total receivables	\$ <u>25,962,274</u>	<u>(3,829,131)</u>	<u>22,133,143</u>

Accounts payable and accrued liabilities at June 30, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Accounts payable, vendors	\$ 7,893,218	8,956,573
Salaries and benefits payable	23,042,644	6,925,952
Accrued interest payable	132,064	23,151
Other payables	<u>263,096</u>	<u>1,004,088</u>
Total payables	\$ <u>31,331,022</u>	<u>16,909,764</u>

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Notes to Basic Financial Statements

June 30, 2003 and 2002

**(8) Capital Assets**

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2003:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2003</u>
Nondepreciable capital assets:					
Land	\$ 19,731,203	—	—	—	19,731,203
Construction in progress	48,480,792	11,024,261	(5,430,656)	(45,232,903)	8,841,494
Collections	<u>538,188</u>	<u>60,000</u>	<u>—</u>	<u>—</u>	<u>598,188</u>
Total nondepreciable capital assets	<u>68,750,183</u>	<u>11,084,261</u>	<u>(5,430,656)</u>	<u>(45,232,903)</u>	<u>29,170,885</u>
Depreciable capital assets:					
Land improvements	9,789,621	118,615	—	1,012,388	10,920,624
Buildings and improvements	329,236,178	9,145,499	(8,149,252)	37,355,242	367,587,667
Leasehold improvements	1,723,219	—	—	—	1,723,219
Equipment	27,910,607	1,417,606	(2,741,304)	6,814,399	33,401,308
Library materials	<u>13,039,667</u>	<u>677,838</u>	<u>(1,182,468)</u>	<u>50,874</u>	<u>12,585,911</u>
Total depreciable capital assets	<u>381,699,292</u>	<u>11,359,558</u>	<u>(12,073,024)</u>	<u>45,232,903</u>	<u>426,218,729</u>
Less accumulated depreciation:					
Land improvements	4,163,706	530,676	—	—	4,694,382
Buildings and improvements	128,477,221	10,254,911	(4,005,861)	—	134,726,271
Leasehold improvements	184,906	36,713	—	—	221,619
Equipment	20,464,079	3,787,380	(3,103,408)	—	21,148,051
Library materials	<u>8,745,144</u>	<u>399,270</u>	<u>(1,207,083)</u>	<u>—</u>	<u>7,937,331</u>
Total accumulated depreciation	<u>162,035,056</u>	<u>15,008,950</u>	<u>(8,316,352)</u>	<u>—</u>	<u>168,727,654</u>
Net depreciable capital assets	<u>219,664,236</u>	<u>(3,649,392)</u>	<u>(3,756,672)</u>	<u>45,232,903</u>	<u>257,491,075</u>
Total capital assets, net	\$ <u><u>288,414,419</u></u>	<u><u>7,434,869</u></u>	<u><u>(9,187,328)</u></u>	<u><u>—</u></u>	<u><u>286,661,960</u></u>

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Notes to Basic Financial Statements

June 30, 2003 and 2002

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2002.

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2002</u>
Nondepreciable capital assets:					
Land	\$ 17,840,732	2,261,200	(370,729)	—	19,731,203
Land improvement					
Construction in progress	73,183,401	20,809,264	(6,973,161)	(38,538,712)	48,480,792
Collections	318,809	219,379	—	—	538,188
	<u>91,342,942</u>	<u>23,289,843</u>	<u>(7,343,890)</u>	<u>(38,538,712)</u>	<u>68,750,183</u>
Total nondepreciable capital assets					
Depreciable capital assets:					
Land improvements	432,991	—	(26,139)	9,382,769	9,789,621
Buildings and improvements	295,015,086	6,565,200	(1,500,051)	29,155,943	329,236,178
Leasehold improvements	4,072,850	—	(2,349,631)	—	1,723,219
Equipment	27,557,441	2,258,565	(1,905,399)	—	27,910,607
Library materials	12,809,891	800,814	(571,038)	—	13,039,667
	<u>339,888,259</u>	<u>9,624,579</u>	<u>(6,352,258)</u>	<u>38,538,712</u>	<u>381,699,292</u>
Total depreciable capital assets					
Less accumulated depreciation:					
Land improvements	3,786,651	403,194	(26,139)	—	4,163,706
Buildings and improvements	119,733,344	9,146,307	(402,430)	—	128,477,221
Leasehold improvements	119,937	64,969	—	—	184,906
Equipment	18,010,661	3,211,916	(758,398)	—	20,464,179
Library materials	8,818,940	497,242	(571,038)	—	8,745,144
	<u>150,469,533</u>	<u>13,323,628</u>	<u>(1,758,005)</u>	<u>—</u>	<u>162,035,156</u>
Total accumulated depreciation					
Net depreciable capital assets	<u>189,418,726</u>	<u>(3,699,049)</u>	<u>(4,594,253)</u>	<u>38,538,712</u>	<u>219,664,136</u>
Total capital assets, net	\$ <u>280,761,668</u>	<u>19,590,794</u>	<u>(11,938,143)</u>	<u>—</u>	<u>288,414,319</u>

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**(9) Long-Term Liabilities**

The following presents changes in long-term liabilities at June 30, 2003:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Current</u> <u>portion</u>
Revenue bonds payable	\$ 18,320,000	4,900,000	(2,266,470)	20,953,530	950,000
Capital leases payable	7,288,800	7,164,685	(36,062)	14,417,423	289,188
Other long-term liabilities	* 14,883	2,404,164	(200,000)	2,219,047	198,576
Compensated absence liabilities	11,199,683	222,525	(654,799)	10,767,409	118,965

The following presents changes in long-term liabilities at June 30, 2002:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>	<u>Current</u> <u>portion</u>
Revenue bonds payable	\$ 19,280,000	—	(960,000)	18,320,000	905,000
Capital leases payable	494,582	7,249,000	(454,782)	7,288,800	39,800
Other long-term liabilities	28,031	—	(13,148)	14,883	—
Compensated absence liabilities	10,570,757	840,397	(211,471)	11,199,683	56,249

**(10) Bonds Payable**

**(a) Systemwide Revenue Bonds**

The State's Department of Higher Education, through the SBCCOE, issued revenue bonds in 1992, 1995, 1996, 1997, 1998, 1999, and 2003 known as Systemwide Revenue Bonds. A total of \$35,435,000 of Systemwide Revenue Bonds have been issued.

**Series 1992 Bonds**

The Series 1992 revenue bonds, for \$5,680,000, were issued on August 19, 1992 and dated July 1, 1992. Interest is payable semiannually on May 1 and November 1. The final maturity of the bonds is November 1, 2016. The Pueblo Community College portion was advance refunded on February 18, 1999 (see Series 1999 bonds).

The principal of the Series 1992 issue was distributed among the colleges as follows:

Arapahoe Community College	\$ 775,000	*
Pikes Peak Community College	1,085,000	
Pueblo Community College	<u>3,820,000</u>	
	\$ <u><u>5,680,000</u></u>	

\* \$775,000 has been paid off by Arapahoe Community College as of June 30, 2002.



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**Series 1995 Bonds – Front Range Community College – Westminster Campus Project**

The Series 1995 Front Range Community College – Westminster Campus Project revenue bonds, for \$3,900,000, were issued on June 27, 1995 and dated June 15, 1995. Interest is payable semiannually on May 1 and November 1. The final maturity of the bonds is November 1, 2015.

The Series 1995, Red Rocks Community College project revenue bonds for \$3,080,000 were issued on March 7, 1995 and dated March 1, 1995. Interest is payable semi annually on May 1 and November 1. The bonds were advance refunded on February 18, 1999.

Front Range Community College	\$	3,900,000
Red Rocks Community College		<u>3,080,000</u>
	\$	<u><u>6,980,000</u></u>

**Series 1996 Bonds**

The Series 1996 revenue bonds, for \$4,150,000, were issued on June 27, 1996 and dated June 15, 1996. Interest is payable semiannually on May 1 and November 1. The final maturity of the bonds is November 1, 2015. Pikes Peak Community College’s portion of \$1,175,000 was refunded in June 2003. The principal of the Series 1996 November issue was distributed between the colleges as follows:

Front Range Community College – Larimer Campus Project	\$	2,595,000
Pikes Peak Community College – North Campus Project		<u>1,555,000</u>
	\$	<u><u>4,150,000</u></u>

**Series 1997 (March) Bonds – Northeastern Junior College**

The Series 1997 Northeastern Junior College dormitory project, for \$2,465,000, were issued on March 6, 1997 and dated March 1, 1997. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2019. In December 1997, a total of \$495,000 was refunded. The refunding reduced the bond liability to \$1,970,000.

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**Series 1997 (December) Bonds**

The Series 1997 revenue bonds for \$2,880,000 were issued on December 18, 1997 and dated December 15, 1997. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2019. The principal of the Series 1997 issue was distributed among the colleges as follows:

Community College of Aurora	\$	1,295,000
Northeastern Junior College		540,000
Trinidad State Junior College		1,045,000
	\$	<u>2,880,000</u>

**Series 1998 Bonds**

The Series 1998 revenue bonds for \$1,630,000 were issued on June 17, 1998 and dated June 1, 1998. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2018. The principal of the Series 1998 issue was distributed between the colleges as follows:

Morgan Community College	\$	580,000
Northeastern Junior College		1,050,000
	\$	<u>1,630,000</u>

**Series 1999 Bonds**

The Series 1999 revenue bonds for \$6,750,000 were issued on February 18, 1999. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2019. The principal of the Series 1999 issue was distributed between the colleges as follows:

Pueblo Community College	\$	3,490,000
Red Rocks Community College		3,260,000
	\$	<u>6,750,000</u>

**Series 2003 Bonds**

The Series 2003 revenue bonds for \$4,900,000 were issued on June 19, 2003. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2030. The principal of the Series 2003 issue was used to refund the Pikes Peak Community College portion of the Series 1996 bonds and to build two new Child Development Centers for Pikes Peak Community College.

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**(b) *Advance Refunding***

In fiscal year 1999, Pueblo Community College and Red Rocks Community College systemwide revenue bonds were advance refunded. Proceeds of the new bonds were placed in an escrow fund for all future debt service payments on the old bonds. On June 30, 2002, \$5,490,000 of bonds outstanding are considered advance refunded and not included in the accompanying basic financial statements.

In fiscal year 2003, Pikes Peak Community College systemwide revenue bonds were advance refunded. A portion of the Series 2003 bonds was placed in an escrow fund for all future debt service payments on the old bonds. On June 30, 2003 \$1,175,000 of bonds outstanding are considered advance refunded and not included in the accompanying basic financial statements.

**(c) *Security***

The bonds are special obligations of the CCCS payable from certain Net Pledged Revenues as defined in the bond indentures. The bonds are payable solely out of and secured by an irrevocable pledge of all income or monies derived from the Auxiliary Facilities (defined below) after deduction of operating and maintenance expenses, including, without limitation, student fees and other fees, rates, and charges pertaining thereto and for the development thereof and may include, at the System Board's discretion, any grants, appropriations, or other donations from the United States or its agencies or from any other donor, except the state or its agencies or political subdivisions.

Auxiliary Facilities include housing facilities; food service facilities; student union and other student activities facilities; store or other facilities for the sale or lease of books, supplies, etc.; recreational or athletic facilities; parking lots or facilities; properties providing heat or other utility; and other miscellaneous unrestricted sources of income related to the Auxiliary Facilities.

**(d) *Earnings Requirement***

Under the terms of the bond indentures, the CCCS must adopt fees, rates, rents, and charges sufficient to budget annual Net Pledged Revenues of at least 125% of the debt service due that fiscal year. For the year ended June 30, 2003 and 2002, Net Pledged Revenues of the CCCS were \$4,811,954 and \$4,063,734, which exceeded the System's debt service of \$1,724,998 and \$1,888,814, respectively.

Total gross revenue pledged for bonds was \$28,897,293 and \$22,658,927 for fiscal year 2003 and 2002, respectively. These amounts consisted of \$3,621,946 and \$3,081,772 of student tuition and fees, \$25,166,678 and \$19,577,155 of auxiliary enterprise revenue, and \$108,669 and \$0 of other revenues, respectively.

**(e) *Minimum Bond Reserve Requirement***

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

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resolution and guarantees the minimum bond reserve requirement for all issues. At June 30, 2003 and 2002, the average annual principal and interest payment was \$1,956,725 and \$1,538,685, respectively.

**(f) *Mandatory Sinking Fund Redemption***

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

**(g) *Bond Accounting***

The bond accounts are maintained by each of the participating colleges. Each college maintains accounts for its portion of the bonds. All financial transactions have been recorded and reported in the basic financial statements. All of the System's colleges maintain separate accounts for the auxiliary facilities whose revenues are pledged to bond issues. The individual college accounts are consolidated for the systemwide basic financial statements and bond reporting.

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**(h) Long-Term Bond Principal Maturities**

Bond principal payments to be made during fiscal year 2004 through 2008 are enumerated in the following tables.

Bond issue	Principal maturing in next five years by year				
	FY04	FY05	FY06	FY07	FY08
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds:					
Series 1992:					
Pikes Peak Community College	\$ 110,000	—	—	—	—
Series 1995:					
Front Range Community College – Westminster	160,000	170,000	180,000	190,000	200,000
Series 1996:					
Front Range – Larimer	105,000	115,000	120,000	125,000	130,000
Series 1997:					
Northeastern Junior College	65,000	65,000	70,000	75,000	80,000
Community College of Aurora	45,000	45,000	45,000	50,000	50,000
Northeastern Junior College	20,000	20,000	20,000	20,000	20,000
Trinidad State Junior College	40,000	45,000	45,000	45,000	50,000
Series 1998:					
Morgan Community College	20,000	20,000	25,000	25,000	25,000
Northeastern Junior College	40,000	40,000	40,000	45,000	45,000
Series 1999:					
Pueblo Community College	165,000	165,000	165,000	175,000	185,000
Red Rocks Community College	115,000	120,000	125,000	130,000	135,000
Series 2003:					
Pikes Peak Community College	65,000	135,000	135,000	135,000	140,000
Total revenue bonds payable	950,000	940,000	970,000	1,015,000	1,060,000
Interest	955,771	938,864	899,378	857,544	812,623
Total annual debt service	\$ 1,905,771	1,878,864	1,869,378	1,872,544	1,872,623

Bond debt service payments from 2009 to maturity are:

	Principal	Interest	Total
2009-2013	\$ 6,065,000	3,253,208	9,318,208
2014-2018	6,310,000	1,640,835	7,950,835
2019-2023	2,145,000	598,045	2,743,045
2024-2028	1,250,000	221,773	1,471,773
2029-2031	435,000	18,253	453,253

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	<b>Revenue bonds outstanding June 30, 2003</b>	<b>Interest rate</b>	<b>Maximum annual principal</b>	<b>Callable</b>	<b>Call premium</b>	<b>Final payment</b>
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds:						
Series 1992:						
Pikes Peak Community College	\$ 110,000	2.6% to 5.2%	\$ 110,000	YES	NONE	\$ 37,926
Series 1995:						
Front Range – Westminster	2,950,000	4.0% to 5.7%	310,000	YES	NONE	42,309
Series 1996:						
Front Range – Larimer	1,960,000	3.75% to 5.87%	210,000	YES	NONE	42,309
Series 1997:						
Northeastern Junior College	* 1,690,000	3.75% to 5.5%	150,000	YES	NONE	43,770
Community College of Aurora	1,095,000	3.85% to 5.125%	95,000	YES	NONE	43,770
Northeastern Junior College	465,000	3.85% to 5.125%	40,000	YES	NONE	43,770
Trinidad State Junior College	865,000	3.85% to 5.125%	80,000	YES	NONE	43,040
Series 1998:						
Morgan Community College	500,000	3.90% to 5.0%	45,000	YES	NONE	43,405
Northeastern Junior College	880,000	3.75% to 5.0%	75,000	YES	NONE	43,405
Series 1999:						
Pueblo Community College	2,890,000	3.2% to 4.5%	265,000	YES	NONE	42,675
Red Rocks Community College	2,835,000	2.0% to 4.125%	235,000	YES	NONE	43,770
Series 2003:						
Pikes Peak Community College	* 4,900,000	2.0% to 4.125%	285,000	YES	NONE	11,504
Deferred loss on refundings	(169,420)					
Discount	<u>(17,050)</u>					
	<u>\$ 20,953,530</u>					

\* Excludes refunded debt of \$1,670,000.

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**(11) Leases**

The CCCS has acquired land, buildings, and equipment under leases and lease/purchase arrangements that are classified as capital leases. Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life. Capitalized assets relating to these leases includes approximately \$14,494,379 in 2003 and \$7,200,000 in 2002 with amortization expenses of \$401,879 at June 30, 2003 and \$120,190 at June 30, 2002, respectively. Future minimum payments under capital leases are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 289,188	715,941	1,005,129
2005	303,145	701,668	1,004,813
2006	317,921	686,073	1,003,994
2007	326,944	668,911	995,855
2008	300,225	652,558	952,783
2009-2013	1,710,000	3,053,354	4,763,354
2014-2018	2,200,000	2,575,570	4,775,570
2019-2023	2,860,000	1,918,107	4,778,107
2024-2028	3,695,000	1,093,356	4,788,356
2029-2033	2,415,000	272,375	2,687,375
<b>Total</b>	<b>\$ 14,417,423</b>	<b>12,337,913</b>	<b>26,755,336</b>

The CCCS has building and equipment operating leases. Total rent expense for operating leases for the years ended June 30, 2003 and 2002 were \$4,683,791 and \$4,948,138, respectively. Future minimum rental payments, exclusive of real estate taxes and other expenses, under operating leases are as follows:

Year ending June 30:	
2004	\$ 4,054,427
2005	3,815,547
2006	3,127,047
2007	2,890,363
2008	2,455,371
2009-2013	7,420,069

The minimum rentals are subject to adjustment based on increases in the cost of maintenance, insurance, utilities, and operating costs. The leases may be renewed for additional periods of various lengths. All leases are subject to cancellation in the event the State General Assembly does not appropriate funds for the annual lease payments.

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**(12) Other Long-Term Liabilities**

At June 30, 2003, Lowry Campus has other long-term liabilities due to the Lowry Redevelopment Authority to pay its share of the infrastructure improvements and Pueblo Community College (PCC) has acquired equipment and building additions with the use of funds borrowed from the PCC foundation. The payment schedules are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 260,956	9,817	270,773
2005	213,073	17,849	230,922
2006	793,473	112,419	905,892
2007	256,724	49,168	305,892
2008	245,454	59,947	305,401
2009-2013	<u>449,368</u>	<u>150,632</u>	<u>600,000</u>
Total	<u>\$ 2,219,048</u>	<u>399,832</u>	<u>2,618,880</u>

**(13) Compensated Absences for Annual and Sick Leave**

Employees of the CCCS may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The estimated total liability for compensated absences at June 30, 2003 and 2002 are \$10,767,409 and \$11,199,683, respectively.

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

At June 30, 2003 and 2002, Public Employees' Retirement Association of Colorado (PERA) estimated that 58% and 57% of the State's employees would remain until retirement. This percentage is used to calculate the amount of compensated absence liability to establish for sick leave.

**(14) Retirement Plan**

**(a) Plan Description**

Virtually all of the CCCS's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple employer plan administered by 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 and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-729-PERA (7372).

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



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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 salaries on which contributions were paid, associated with 3 periods of 12 consecutive months of service credit.

Members disabled, who have five or more years of service, six months of which have 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, their spouse or their eligible children under the age of 18 (23 if a full-time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

**(b) Funding Policy**

Employees contribute 8.0% of their gross covered wages to an individual account in the plan. During FY02-03, the state contributed 10.04% of the employee's gross covered wages. Before January 1, 2003, 1.64% was allocated to the Health Care Trust Fund, and after January 1, 2003, 1.1% was allocated to the Health Care Trust Fund. Throughout the fiscal year, the amount needed to meet the match requirement established by the PERA board of trustees was allocated to the Matchmaker program (see note 13 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 is the gross earnings less any reduction in pay to offset employer contributions to the state-sponsored Internal Revenue Code 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 CCCS's contributions to the three programs described above for the fiscal years ended June 30, 2003, 2002, and 2001 were \$15,951,087, \$15,756,107, and \$15,960,663, respectively. These contributions met the contribution requirements for each year.

**(15) Voluntary Tax-Deferred Retirement Plans**

Beginning on January 1, 2001, the Matchmaker program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100% of up to 3% of the employees' gross covered wages paid during the month. For calendar year 2003, the match was 100% up to 2% of employee's gross covered wages paid during the month. The PERA board of trustees sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. 2% of gross salary plus 50% of any reduction in the overall contribution rate due to overfunding of the pension plan was available for the match. While the plan was not overfunded, the maximum one year change in the match rate is statutorily limited to 1%, and therefore, the match changed from 3% to 2%. PERA offers a voluntary 401(k) 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 403(b) plan. Members who contribute to any of these plans also receive the state match.

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#### **(16) Postretirement Health care and Life Insurance Benefits**

##### **(a) Health care Program**

The PERA Care (formerly known as 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 healthcare coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During fiscal year 2003, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230.00 for members under age 65), and it was reduced by 5% for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy.

The Health Care Fund is maintained by an employer's contribution as discussed above in note 14.

Monthly premium costs for participants depend on the healthcare plan selected, the number of persons 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 providing services within Colorado. As of December 31, 2002, there were 35,418 participants, including spouses and dependents from all contributors to the plan.

##### **(b) Life Insurance Program**

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

##### **(c) Other Programs**

Separate postretirement healthcare and life insurance benefit plans exist in some state colleges and universities but are small in comparison to the PERA plan for state employees. The state has no liability for any of these postretirement healthcare and life insurance plans.

CCCS's principal employee pension plan is PERA (see note 14). Pursuant to SBCCOE Board Policy BP 3-60 (Retirement), employees who take early retirement under PERA regulations "shall be entitled to have the college/system continue to pay the employee's share of the group health and life insurance premium up to the amount paid for active employees until the employee reaches age 65." This is the only postretirement benefit offered to the CCCS employees.

The postretirement benefits described above are funded on a current basis.

#### **(17) Employee Benefit Trust Fund**

The Trust provides long-term disability benefits to all employees participating in the Employee Choice Flexible Benefit Plan sponsored by the SBCCOE. For fiscal year 2003 and 2002, CCCS made contributions to the Trust of approximately \$258,000 and \$283,000, respectively.

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**(18) Segment Information**

CCCS does not have any segments as defined by accounting principles generally accepted in the United States of America.

**(19) Foundations**

SBCCOE and all of the community colleges it governs are supported to some extent by foundations. Because these foundations are legally and financially independent (all are 501(c)(3) tax exempt organizations) of the SBCCOE and the colleges, their financial information is not included in the CCCS basic financial statements.

The foundations were created to promote the welfare and future development of the colleges by providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities. Their major sources of revenue include donations, interest and dividends earned on bank accounts and investments, leases, a matching grant from the Department of Education, and fund-raising events.

In May 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. GASB No. 39 establishes new criteria for evaluating the need to include the foundations as component units of CCCS. The foundations appear to meet this revised criteria and, accordingly, are expected to be included as component units in fiscal year 2004 (the effective date of the new standard).

Condensed information describing the foundations and the support provided to the colleges is summarized below. Current financial statements are available from the individual college foundations.

Foundation	Direct support	Most current	Direct support	Most current
	to college	balance sheet	to college	balance sheet
	FY03	assets	FY02	assets
	FY03	FY03	FY02	FY02
Arapahoe Community College	\$ 184,850	186,089	106,508	207,188
Community College of Aurora (CCA)	40,471	13,900,758	324,215	14,066,861
Colorado Northwestern Comm. College	11,174	70,581	3,731	71,269
Community College of Denver	244,780	651,451	—	579,862
Front Range Community College	203,587	962,384	114,138	780,423
Lamar Community College	151,334	222,915	120,128	330,395
Morgan Community College	215,294	507,947	101,692	602,092
Northeastern Junior College	67,592	1,296,993	44,309	1,263,418
Otero Junior College	—	170,072	—	168,152
Pikes Peak Community College	137,435	1,386,548	103,645	1,919,889
Pueblo Community College	456,764	6,418,999	842,155	11,471,726
Red Rocks Community College	179,377	1,826,813	341,475	1,916,882
Trinidad State Junior College (TSJC)	107,945	5,294,437	67,379	5,384,418
Colorado Community College System	8,504	930,242	356,012	1,248,004

## **COLORADO COMMUNITY COLLEGE SYSTEM**

### Financial and Compliance Audit

#### Notes to Basic Financial Statements

June 30, 2003 and 2002

- CCA has an operating lease with the CCA foundation with total operating lease commitments of approximately \$1,637,945 in fiscal year 2003 and \$1,671,082 in fiscal year 2002.
- TSJC has operating leases with the TSJC foundation with total operating lease commitments of approximately \$149,982 in fiscal year 2003 and \$90,462 in fiscal year 2002.

#### **(20) Risk Financing and Insurance-Related Activities**

The CCCS is subject to risks of loss from liability for accidents, 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 State Long Bill. Therefore, the CCCS is not required to obtain insurance and, accordingly, no reduction occurred in coverage, nor did any settlements exceed coverage. The CCCS does not retain risk of loss except for damage incurred to property belonging to the state limited to a \$1,000 deductible per incident.

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

#### **(21) Commitments and Contingencies**

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

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

#### **(22) Tax and Spending Limitations (Tabor Amendment)**

Certain state revenues, such as taxes and fees, are constitutionally limited. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. These limitations are applied to the state as a whole, not to each individual college, department, or agency of the state. The Colorado State Legislature establishes spending authority, within these constitutional limits, for the State Board for Community Colleges and Occupational Education in its annual Appropriations Long Bill. Appropriated funds include an amount from the General Fund as well as cash funds, such as tuition, certain fees, and other revenue sources. Nonappropriated funds are excluded from the annual appropriations bill. Nonappropriated funds include certain grants and contracts, gifts, indirect cost recoveries, designated auxiliary revenues, and other revenue sources.





Suite 2700  
707 Seventeenth Street  
Denver, CO 80202

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

Members of the Legislative Audit Committee:

We have audited the basic financial statements of the Colorado Community College System (CCCS), a component unit of the state of Colorado, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 3, 2003. 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.

**Compliance**

As part of obtaining reasonable assurance about whether CCCS's basic 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 basic 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered CCCS's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect CCCS's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. The reportable condition is described in the accompanying findings and recommendations section as recommendation No. 1, *Material Weakness Over Trinidad State Junior College's Accounting and Financial Reporting*.

A material weakness is a condition in which the design or operation of one or more 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 basic 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. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions



that are also considered to be material weaknesses. We believe that the reportable condition described above is a material weakness. We also noted other matters involving internal control over financial reporting, which we have reported to the management of CCCS in the findings and recommendations section of this report dated October 3, 2003.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the State Board for Community Colleges and Occupational Education, and CCCS management and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 3, 2003







Suite 2700  
707 Seventeenth Street  
Denver, CO 80202

October 3, 2003

Members of the Legislative Audit Committee:

We have audited the basic financial statements of the Colorado Community College System (CCCS) for the year ended June 30, 2003, and have issued our report thereon dated October 3, 2003. Under auditing standards generally accepted in the United States of America, we are providing you with information related to the conduct of our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

We have a responsibility to conduct our audit in accordance with auditing standards generally accepted in the United States of America. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, but not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected.

In addition, in planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

### **Significant Accounting Policies**

The significant accounting policies used by CCCS are described in the notes to the basic financial statements.

### **Management's Judgments and Accounting Estimates**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The significant accounting estimates included in the CCCS's basic financial statements are the allowance for uncollectible receivables, the period to depreciate capital assets owned by CCCS, and accrued compensated absences. We evaluated the key factors and assumptions in determining that these estimates are reasonable in relation to the basic financial statements taken as a whole.

### **Significant Audit Adjustments**

In connection with our audit of CCCS's basic financial statements, we have discussed with management certain financial statement misstatements that have not been accounted for in the basic financial statements as of and for the year ended June 30, 2003. Eight audit adjustments were not made to the basic financial statements totaling \$850,000. We have reported such misstatements to management on a Summary of Uncorrected Misstatements and have received written representation from management that management believes these misstatements are immaterial. We concur that these passed differences are not considered material to CCCS's basic financial statements.



In addition, audit adjustments were proposed and made to the basic financial statements totaling \$325,000.

**Disagreements With Management**

There were no disagreements with management on financial accounting and reporting matters.

**Consultation With Other Accountants**

To the best of our knowledge, management has neither consulted with nor obtained opinions, written or oral, from other independent accountants during the past year that are subject to the requirements of AU 625, *Reports on the Application of Accounting Principles*.

**Major Issues Discussed With Management Prior to Retention**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as CCCS's auditors. However, these discussions occur in the normal course of our professional relationship, and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

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

\* \* \* \* \*

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the State Board for Community Colleges and Occupational Education, and CCCS management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**



## **COLORADO COMMUNITY COLLEGE SYSTEM**

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

#### **Introduction**

**Year ended June 30, 2003**

The Colorado Community College System (CCCS) is a state-supported institution of higher education with colleges at 13 locations: Arapahoe Community College, Colorado Northwestern Community College, Community College of Aurora, Community College of Denver, Front Range Community College, Lamar Community College, Morgan Community College, Northeastern Junior College, Otero Junior College, Pikes Peak Community College, Pueblo Community College, Red Rocks Community College, and Trinidad State Junior College.

The financial and compliance audit of the state-funded student financial assistance programs at CCCS for the fiscal year ended June 30, 2003 was directed toward the objectives and criteria set forth in the *Colorado Handbook for State-Funded Student Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2003 revision.

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

The state-funded student financial assistance programs at CCCS colleges include the Student Incentive Grants program, Colorado Student Grant program, Colorado Work-Study program, Undergraduate Merit program, Governor's Opportunity Scholarship, Colorado Nursing Grant program, and Part-Time Student Grant program.

The state-funded student financial assistance expenditures made by the 13 campuses were \$1,240,718 during the fiscal year ended June 30, 2003. Of this amount, state-funded matching funds of \$8,628 for the fiscal year ended June 30, 2003 were transferred to the Perkins Loan and Health Professions Student Loan Funds.

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

During the fiscal year ended June 30, 2003, CCCS obtained authorizations to award federal student aid funds of \$40,215,195 in the Pell Grant program, \$3,067,518 in the Direct Loan program, \$1,099,721 in the Supplemental Educational Opportunity Grant program, \$2,058,831 in the College Work-Study program, and \$25,885 of new federal capital contributions in the Perkins Student Loan program.

During the year ended June 30, 2003, CCCS obtained authorizations to award Colorado student financial aid funds of \$267,411 in the Student Incentive Grants program, \$10,556,139 in the Colorado Student Grant program, \$4,398,306 in the Colorado Work-Study program, \$3,343,946 in the Undergraduate Merit program, \$1,757,345 in the Governor's Opportunity Scholarship, \$99,612 in the Colorado Nursing Grant program, \$68,784 in Colorado Supplemental Leveraging Education Assistance Program, and \$8,628 in the loan match.

The related Statement of Appropriations, Expenditures, Transfers, and Reversions of State Funded Student Financial Assistance Programs is presented on page 78 of this report, as well as individual colleges schedules of appropriations, expenditures, transfers, and reversions of State Funded Student Financial Assistance Programs on pages 80-92.





Suite 2700  
707 Seventeenth Street  
Denver, CO 80202

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

Members of the Legislative Audit Committee:

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance Programs (the Statement) of the Colorado Community College System (CCCS), a component unit of the state of Colorado, for the year ended June 30, 2003. The Statement is the responsibility of CCCS's management. Our responsibility is to express an opinion on the Statement 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 Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes to the Statement, the Statement was prepared in accordance with the format set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2003 revision. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study program and Perkins Loan Program, and does not present certain transactions that would be included in the Statement of the state-funded student financial assistance programs if it was presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America.

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

In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs of CCCS for the year ended June 30, 2003, in conformity with the provisions of the CCHE *Colorado Handbook for State-Funded Student Financial Assistance Programs*, as described in note 1 to the Statement.



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a member of KPMG International, a Swiss association.





In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2003 on our consideration of CCCS's internal control over financial reporting and on 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 conducted for the purpose of forming an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs. The accompanying individual colleges schedules of appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance Programs are presented for purposes of additional analysis and are not a required part of the basic Statement. The accompanying individual colleges' schedules have been subjected to the auditing procedures applied in the audit of the basic Statement and, in our opinion, are fairly stated, in all material respects, in relation to the basic Statement taken as a whole.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the State Board for Community Colleges and Occupational Education, and CCCS management and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 3, 2003



**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Statement of Appropriations, Expenditures, Transfers, and Reversions  
 Year ended June 30, 2003

	<u>Total Colorado Financial Aid</u>	<u>Student Incentive Grants</u>	<u>Student Grant Program</u>	<u>Work Study Program</u>	<u>Undergrad. Merit Awards</u>	<u>Governor's Opportunity Scholarship</u>	<u>Colorado Nursing Scholarship</u>	<u>Colorado Supplement Leveraging Educational Asst Pgm</u>	<u>Loan Match</u>
Appropriations:									
Original	\$ 20,608,770	267,411	10,556,139	4,483,306	3,343,946	1,758,233	122,323	68,784	8,628
Supplementals	(13,114)	—	—	(25,000)	—	11,912	(26)	—	—
Transfers	(95,485)	—	—	(60,000)	—	(12,800)	(22,685)	—	—
Total appropriations	20,500,171	267,411	10,556,139	4,398,306	3,343,946	1,757,345	99,612	68,784	8,628
Less expenditures	20,481,386	267,411	10,554,338	4,390,468	3,340,682	1,756,043	95,032	68,784	8,628
Reversions to State General Fund	\$ 18,785	—	1,801	7,838	3,264	1,302	4,580	—	—

See accompanying independent auditors' report.

## **COLORADO COMMUNITY COLLEGE SYSTEM**

State-Funded Student Financial Assistance Programs

Notes to Statement of Appropriations, Expenditures,  
Transfers, and Reversions

Year ended June 30, 2003

### **(1) Basis of Presentation and Accounting**

The accompanying statement of appropriations, expenditures, transfers, and reversions of State-Funded Student Financial Assistance Programs (the Statement) has been prepared in accordance with the format as set forth in the *Colorado Commission on Higher Education* publication, *Colorado Handbook for State-Funded Student Assistance Programs*. The purpose of the statement is to present, in summary form, the state-funded student financial assistance activities of CCCS's 13 campuses for the fiscal year ended June 30, 2003.

All state-funded student financial assistance is expended on a cash basis, except for the Perkins Loan program and the Colorado Work-Study program. Perkins student loans are recorded as loans receivable when the funds are disbursed. Colorado Work-Study wages are recorded on the accrual basis recognizing expenses when the services are performed.

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

### **(2) Student Incentive Grants**

Student incentive grants consist of nonfederal state funds and federal funds. The state must match 50% of the federal funds. The amount shown in the statement is a combined total of nonfederal and federal funds.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Arapahoe Community College  
 Year ended June 30, 2003

	<b>Total Colorado Financial Aid</b>	<b>Student Incentive Grants</b>	<b>Student Grant Program</b>	<b>Work Study Program</b>	<b>Undergrad. Merit Awards</b>	<b>Governor's Opportunity Scholarship</b>	<b>Colorado Nursing Scholarship</b>
Appropriations:							
Original	\$ 1,352,168	32,763	605,206	264,414	356,023	76,500	17,262
Supplementals	—	—	—	—	—	—	—
Transfers	(17,732)	—	—	—	—	(12,800)	(4,932)
Total appropriations	<u>1,334,436</u>	<u>32,763</u>	<u>605,206</u>	<u>264,414</u>	<u>356,023</u>	<u>63,700</u>	<u>12,330</u>
Less expenditures	<u>1,333,010</u>	<u>32,763</u>	<u>605,206</u>	<u>264,288</u>	<u>356,023</u>	<u>62,400</u>	<u>12,330</u>
Reversions to State General Fund	<u>\$ 1,426</u>	<u>—</u>	<u>—</u>	<u>126</u>	<u>—</u>	<u>1,300</u>	<u>—</u>

See accompanying independent auditors' report.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Community College of Aurora  
 Year ended June 30, 2003

	<u>Total Colorado Financial Aid</u>	<u>Student Incentive Grants</u>	<u>Student Grant Program</u>	<u>Work Study Program</u>	<u>Undergrad. Merit Awards</u>	<u>Governor's Opportunity Scholarship</u>
Appropriations:						
Original	\$ 1,101,945	5,628	530,377	221,242	249,764	94,934
Supplementals	—	—	—	—	—	—
Transfers	—	—	—	—	—	—
Total appropriations	<u>1,101,945</u>	<u>5,628</u>	<u>530,377</u>	<u>221,242</u>	<u>249,764</u>	<u>94,934</u>
Less expenditures	<u>1,101,945</u>	<u>5,628</u>	<u>530,377</u>	<u>221,242</u>	<u>249,764</u>	<u>94,934</u>
Reversions to State General Fund	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Community College Of Denver  
 Year ended June 30, 2003

	<b>Total Colorado Financial Aid</b>	<b>Student Incentive Grants</b>	<b>Student Grant Program</b>	<b>Work Study Program</b>	<b>Undergrad. Merit Awards</b>	<b>Governor's Opportunity Scholarship</b>	<b>Colorado Nursing Scholarship</b>
Appropriations:							
Original	\$ 2,813,802	34,892	1,600,077	663,998	405,553	104,350	4,932
Supplementals	3,011	—	—	—	—	5,477	(2,466)
Transfers	—	—	—	—	—	—	—
Total appropriations	<u>2,816,813</u>	<u>34,892</u>	<u>1,600,077</u>	<u>663,998</u>	<u>405,553</u>	<u>109,827</u>	<u>2,466</u>
Less expenditures	<u>2,816,813</u>	<u>34,892</u>	<u>1,600,077</u>	<u>663,998</u>	<u>405,553</u>	<u>109,827</u>	<u>2,466</u>
Reversions to State General Fund	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.



**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Colorado Northwestern Community College  
 Year ended June 30, 2003

	<u>Total Colorado Financial Aid</u>	<u>Student Incentive Grants</u>	<u>Student Grant Program</u>	<u>Work Study Program</u>	<u>Undergrad. Merit Awards</u>	<u>Governor's Opportunity Scholarship</u>	<u>Loan Match</u>
Appropriations:							
Original	\$ 364,080	10,237	178,068	68,403	58,514	40,230	8,628
Supplementals	—	—	—	—	—	—	—
Transfers	—	—	—	—	—	—	—
Total appropriations	<u>364,080</u>	<u>10,237</u>	<u>178,068</u>	<u>68,403</u>	<u>58,514</u>	<u>40,230</u>	<u>8,628</u>
Less expenditures	<u>364,080</u>	<u>10,237</u>	<u>178,068</u>	<u>68,403</u>	<u>58,514</u>	<u>40,230</u>	<u>8,628</u>
Reversions to State General Fund	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Front Range Community College  
 Year ended June 30, 2003

	<b>Total Colorado Financial Aid</b>	<b>Student Incentive Grants</b>	<b>Student Grant Program</b>	<b>Work Study Program</b>	<b>Undergrad. Merit Awards</b>	<b>Governor's Opportunity Scholarship</b>	<b>Colorado Nursing Scholarship</b>
Appropriations:							
Original	\$ 3,336,971	63,374	1,645,596	725,737	659,067	204,624	38,573
Supplementals	(18,891)	—	—	—	—	(14,562)	(4,329)
Transfers	—	—	—	—	—	—	—
Total appropriations	<u>3,318,080</u>	<u>63,374</u>	<u>1,645,596</u>	<u>725,737</u>	<u>659,067</u>	<u>190,062</u>	<u>34,244</u>
Less expenditures	<u>3,317,720</u>	<u>63,374</u>	<u>1,645,596</u>	<u>725,737</u>	<u>659,067</u>	<u>190,062</u>	<u>33,884</u>
Reversions to State General Fund	<u>\$ 360</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>360</u>

See accompanying independent auditors' report.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Lamar Community College  
 Year ended June 30, 2003

	<u>Total Colorado Financial Aid</u>	<u>Student Incentive Grants</u>	<u>Student Grant Program</u>	<u>Work Study Program</u>	<u>Undergrad. Merit Awards</u>	<u>Governor's Opportunity Scholarship</u>	<u>Colorado Nursing Scholarship</u>
Appropriations:							
Original	\$ 498,172	6,777	241,117	99,812	57,154	93,312	
Supplementals	(640)	—	—	—	—	(2,477)	1,837
Transfers	—	—	—	—	—	—	
Total appropriations	<u>497,532</u>	<u>6,777</u>	<u>241,117</u>	<u>99,812</u>	<u>57,154</u>	<u>90,835</u>	<u>1,837</u>
Less expenditures	<u>497,532</u>	<u>6,777</u>	<u>241,117</u>	<u>99,812</u>	<u>57,154</u>	<u>90,835</u>	<u>1,837</u>
Reversions to State General Fund	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Morgan Community College  
 Year ended June 30, 2003

	<b>Total Colorado Financial Aid</b>	<b>Student Incentive Grants</b>	<b>Student Grant Program</b>	<b>Work Study Program</b>	<b>Undergrad. Merit Awards</b>	<b>Governor's Opportunity Scholarship</b>	<b>Colorado Nursing Scholarship</b>
Appropriations:							
Original	\$ 533,279	4,156	266,824	110,174	74,910	73,021	4,194
Supplementals	(9,391)	—	—	—	—	(9,391)	—
Transfers	—	—	—	—	—	—	—
Total appropriations	<u>523,888</u>	<u>4,156</u>	<u>266,824</u>	<u>110,174</u>	<u>74,910</u>	<u>63,630</u>	<u>4,194</u>
Less expenditures	<u>523,888</u>	<u>4,156</u>	<u>266,824</u>	<u>110,174</u>	<u>74,910</u>	<u>63,630</u>	<u>4,194</u>
Reversions to State General Fund	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Northeastern Junior College  
 Year ended June 30, 2003

	<u>Total Colorado Financial Aid</u>	<u>Student Incentive Grants</u>	<u>Student Grant Program</u>	<u>Work Study Program</u>	<u>Undergrad. Merit Awards</u>	<u>Governor's Opportunity Scholarship</u>
Appropriations:						
Original	\$ 772,224	8,400	381,774	173,750	145,558	62,742
Supplementals	(22,500)	—	—	(25,000)	—	2,500
Transfers	—	—	—	—	—	—
Total appropriations	<u>749,724</u>	<u>8,400</u>	<u>381,774</u>	<u>148,750</u>	<u>145,558</u>	<u>65,242</u>
Less expenditures	<u>742,188</u>	<u>8,400</u>	<u>381,774</u>	<u>141,214</u>	<u>145,558</u>	<u>65,242</u>
Reversions to State General Fund	<u>\$ 7,536</u>	<u>—</u>	<u>—</u>	<u>7,536</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Pueblo Community College  
 Year ended June 30, 2003

	<b>Total Colorado Financial Aid</b>	<b>Student Incentive Grants</b>	<b>Student Grant Program</b>	<b>Work Study Program</b>	<b>Undergrad. Merit Awards</b>	<b>Governor's Opportunity Scholarship</b>	<b>Colorado Nursing Scholarship</b>
Appropriations:							
Original	\$ 2,513,552	43,719	1,464,399	611,412	266,654	95,326	32,042
Supplementals	25,000	—	—	—	—	25,000	—
Transfers	(77,753)	—	—	(60,000)	—	—	(17,753)
Total appropriations	<u>2,460,799</u>	<u>43,719</u>	<u>1,464,399</u>	<u>551,412</u>	<u>266,654</u>	<u>120,326</u>	<u>14,289</u>
Less expenditures	<u>2,460,706</u>	<u>43,719</u>	<u>1,464,399</u>	<u>551,319</u>	<u>266,654</u>	<u>120,326</u>	<u>14,289</u>
Reversions to State General Fund	<u>\$ 93</u>	<u>—</u>	<u>—</u>	<u>93</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Otero Junior College  
 Year ended June 30, 2003

	<b>Total Colorado Financial Aid</b>	<b>Student Incentive Grants</b>	<b>Student Grant Program</b>	<b>Work Study Program</b>	<b>Undergrad. Merit Awards</b>	<b>Governor's Opportunity Scholarship</b>	<b>Colorado Nursing Scholarship</b>
Appropriations:							
Original	\$ 833,569	13,587	442,963	183,312	91,887	76,500	25,320
Supplementals	—	—	—	—	—	—	—
Transfers	—	—	—	—	—	—	—
Total appropriations	<u>833,569</u>	<u>13,587</u>	<u>442,963</u>	<u>183,312</u>	<u>91,887</u>	<u>76,500</u>	<u>25,320</u>
Less expenditures	<u>829,349</u>	<u>13,587</u>	<u>442,963</u>	<u>183,312</u>	<u>91,887</u>	<u>76,500</u>	<u>21,100</u>
Reversions to State General Fund	<u>\$ 4,220</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,220</u>

See accompanying independent auditors' report.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Pikes Peak Community College  
 Year ended June 2003

	<u>Total Colorado Financial Aid</u>	<u>Student Grant Program</u>	<u>Work Study Program</u>	<u>Undergrad. Merit Awards</u>	<u>Governor's Opportunity Scholarship</u>	<u>Colorado Nursing Scholarship</u>	<u>Colorado Supplement Leveraging Ed Asst Pgm</u>
Appropriations:							
Original	\$ 3,496,590	1,740,313	755,085	486,098	446,310	—	68,784
Supplementals	10,297	—	—	—	5,365	4,932	—
Transfers	—	—	—	—	—	—	—
Total appropriations	<u>3,506,887</u>	<u>1,740,313</u>	<u>755,085</u>	<u>486,098</u>	<u>451,675</u>	<u>4,932</u>	<u>68,784</u>
Less expenditures	<u>3,503,909</u>	<u>1,738,512</u>	<u>754,908</u>	<u>485,098</u>	<u>451,675</u>	<u>4,932</u>	<u>68,784</u>
Reversions to State General Fund	<u>\$ 2,978</u>	<u>1,801</u>	<u>177</u>	<u>1,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.



**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Red Rocks Community College  
 Year ended June 30, 2003

	<u>Total Colorado Financial Aid</u>	<u>Student Incentive Grants</u>	<u>Student Grant Program</u>	<u>Work Study Program</u>	<u>Undergrad. Merit Awards</u>	<u>Governor's Opportunity Scholarship</u>
Appropriations:						
Original	\$ 1,384,524	21,266	671,774	288,849	377,257	25,378
Supplementals	—	—	—	—	—	—
Transfers	—	—	—	—	—	—
Total appropriations	<u>1,384,524</u>	<u>21,266</u>	<u>671,774</u>	<u>288,849</u>	<u>377,257</u>	<u>25,378</u>
Less expenditures	<u>1,384,524</u>	<u>21,266</u>	<u>671,774</u>	<u>288,849</u>	<u>377,257</u>	<u>25,378</u>
Reversions to State General Fund	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Financial Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Trinidad State Junior College  
 Year ended June 30, 2003

	<u>Total Colorado Financial Aid</u>	<u>Student Incentive Grants</u>	<u>Student Grant Program</u>	<u>Work Study Program</u>	<u>Undergrad. Merit Awards</u>	<u>Governor's Opportunity Scholarship</u>
Appropriations:						
Original	\$ 1,607,894	22,612	787,651	317,118	115,507	365,006
Supplementals	—	—	—	—	—	—
Transfers	—	—	—	—	—	—
Total appropriations	<u>1,607,894</u>	<u>22,612</u>	<u>787,651</u>	<u>317,118</u>	<u>115,507</u>	<u>365,006</u>
Less expenditures	<u>1,605,724</u>	<u>22,612</u>	<u>787,651</u>	<u>317,212</u>	<u>113,243</u>	<u>365,006</u>
Reversions to State General Fund	<u>\$ 2,170</u>	<u>—</u>	<u>—</u>	<u>(94)</u>	<u>2,264</u>	<u>—</u>

See accompanying independent auditors' report.



The electronic version of this report is available on the Web site of the  
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