DALBY, WENDLAND & CO., P.C.

INDEPENDENT AUDITORS' REPORT

WESTERN STATE COLLEGE OF COLORADO FINANCIAL AND COMPLIANCE AUDIT

FISCAL YEAR ENDED JUNE 30, 2005

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Deputy State Auditor

DALBY, WENDLAND & CO., P.C.

Certified Public Accountants & Consultants

Members of the Legislative Audit Committee:

This report contains the results of our financial and compliance audit of Western State College of Colorado. The audit was conducted under contract with the Office of the State Auditor pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions, and agencies of state government. The audit included examinations of the basic financial statements and the statements of state-funded student assistance programs. This report includes the financial statements as well as the independent auditors' report issued as part of the audit.

Dalby, Wendland & Co., P.C.

DALBY, WENDLAND & CO., P.C.

September 30, 2005

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REPORT SUMMARY - FINANCIAL AND COMPLIANCE AUDIT
Year Ended June 30, 2005

PURPOSE AND SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged Dalby, Wendland & Co., P.C. to conduct an audit of Western State College of Colorado (the College) for its fiscal year ended June 30, 2005. Dalby, Wendland & Co., P.C. performed the audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related field work from June through September 2005.

The purpose and scope of the audit were to:

- Express an opinion on the financial statements of the College as of and for the year ended June 30, 2005. 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 expenditures of federal and state funds.

- Report on the College's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.

- Express an opinion on the Statement of Appropriations, Expenditures, and Reversions of the State-Funded Student Assistance Programs of the College for the year ended June 30, 2005.

- Evaluate progress in implementing prior audit findings and recommendations.

Audit Opinions and Reports

We expressed unqualified opinions on the College's financial statements as of and for the years ended June 30, 2005 and 2004, and the Statement of Appropriations, Expenditures, and Reversions of the State-Funded Student Assistance Programs as of and for the years ended June 30, 2005 and 2004.

We issued a report on the College's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. We did not note any material weaknesses or any material instances of noncompliance with legal or regulatory requirements based on our audit of the financial statements.

The College's Schedule of Expenditures of Federal Awards and applicable opinions thereon of the Office of the State Auditor, State of Colorado are included in the June 30, 2005, Statewide Single Audit Report issued under separate cover.

We also issued certain required communications related to the conduct of an audit including our responsibility under auditing standards generally accepted in the United States of America, significant accounting policies, audit adjustments, and accounting estimates. No delays or disagreements reported.

SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

Current Audit Recommendations

There were no recommendations for the year ended June 30, 2005.

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2004 included two recommendations. One of the recommendations was implemented, and the other was partially implemented.

DESCRIPTION OF WESTERN STATE COLLEGE OF COLORADO

Founded in 1911 as Colorado State Normal School, Western State College of Colorado (the College) is Colorado's oldest college west of the Continental Divide. Originally planned as a preparatory college for teachers, the College remained a Normal School until 1923 when it was renamed Western State College. The College is an undergraduate college of liberal arts and sciences. Section 23-56-101, C.R.S, provides that the College be a general baccalaureate institution with moderately selective admission standards. The College is to provide a limited number of professional, educational, and traditional arts and sciences programs. The College cannot offer any two-year programs.

Through June 30, 2003, the College was a member of the State Colleges in Colorado and, as such, was governed by the Board of Trustees of the Office of State Colleges. Effective July 1, 2003, the State Colleges in Colorado were dissolved in accordance with House Bill 03-1093 and each member became an independent entity. As a result of the dissolution of the State Colleges in Colorado, the College has a separate Board of Trustees comprised of 9 members appointed by the Governor, with consent of the Senate, for 4 year terms, one faculty member elected by the faculty and one student member elected by the student body.

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

	2003	2004	2005
Resident Students	1,549.9	1,617.6	1,544.6
Nonresident Students	591.4	547.1	513.4
Total Students	2,141.3	2,164.7	2,058.0
Faculty FTEs	103.2	103.5	104.5
Staff FTEs	130.8	123.3	122.6
Total Staff and Faculty FTEs	234.0	226.8	227.1

DESCRIPTION OF WESTERN STATE COLLEGE FOUNDATION

Western State College Foundation (the Foundation) was incorporated on August 22, 1975 under the laws of the state of Colorado. The purpose of the Foundation is to aid, directly and indirectly, Western State College of Colorado in fulfilling its education purposes. The Foundation is supported primarily through donor contributions.

FINDINGS AND RECOMMENDATIONS
REPORT SECTION

WESTERN STATE COLLEGE OF COLORADO
AUDITORS' FINDINGS AND RECOMMENDATIONS

There are no audit findings or recommendations for the year ended June 30, 2005.

WESTERN STATE COLLEGE OF COLORADO
DISPOSITION OF PRIOR AUDIT FINDINGS

Following are the audit recommendations for the year ended June 30, 2004 and their dispositions as of September 30, 2005.

Recommendation No. 1:

Western State College of Colorado should improve controls over accounting department functions through separation of duties involving check signing and reconciliation of bank statements by providing for the Budget Director to access the manual check-signing machine instead of the current accountant.

Disposition: Implemented

Recommendation No. 2:

Western State College of Colorado should improve its information technology controls by finalizing its disaster recovery plan and obtaining approval of the plan by the Cabinet. Once the plan is completed and approved, periodic testing should be scheduled.

Disposition: Partially Implemented

In April 2005, the Chief Information Officer retired from Western State College of Colorado. While the Computer Services staff has updated the disaster recovery plan, the Cabinet prefers to wait until the new Chief Information Officer begins his duties in late September 2005 to finalize and test the plan. Implementation date June 30, 2006.

FINANCIAL STATEMENT SECTION

DALBY, WENDLAND & CO., P.C.

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying Statements of Net Assets of Western State College of Colorado, a blended component unit of the State of Colorado, as of June 30, 2005 and 2004, and the related Statements of Revenues, Expenses, and Changes in Net Assets, and Cash Flows for the years then ended. We have also audited the Statements of Financial Position of Western State College Foundation, a discretely presented component unit of Western State College of Colorado, as of June 30, 2005 and 2004, and the related Statements of Activities for the years then ended. These basic financial statements are the responsibility of the management of Western State College of Colorado. 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. The financial statements of Western State College Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing* Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Western State College of Colorado and its discretely presented component unit as of June 30, 2005 and 2004, and the changes in financial position and cash flows, where applicable, 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 our report dated September 30, 2005 on our consideration of Western State College of Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This 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.

Management's Discussion and Analysis on pages 8 through 14 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.

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

Dalby, Wendland & Co., P.C.

DALBY, WENDLAND & CO., P.C.

September 30, 2005

WESTERN STATE COLLEGE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
Years Ended June 30, 2005 and 2004

This section of Western State College of Colorado's (the College) financial report presents management's discussion and analysis of the financial performance of the College during the year ended June 30, 2005. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes. A comparative analysis is presented for the years ended June 30, 2004 and 2003.

Using the Consolidated Financial Report

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". In November 1999, GASB issued Statement No. 35 "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities" which amended Statement No. 34 to include public colleges and universities. Several significant changes in accounting and financial reporting standards were required such as recording depreciation on capital assets, allocating summer session revenues and expenses between fiscal years, presenting financial statements from an entity-wide perspective (all funds in aggregate), and producing cash flow statements.

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a format more comparable to that used by for-profit colleges and universities. The statements are prepared under the accrual basis of accounting. Revenues and assets are recognized when service is provided, and expenses and liabilities are recognized when others provide the goods or service, regardless of when cash is exchanged.

Financial Highlights

- The College's financial position declined during the fiscal year ended June 30, 2005 as evidenced by a decrease in net assets of $1 million, from $37.6 million at June 30, 2004 to $36.6 million. In 2004, net assets decreased by $1.2 million from $38.8 million at June 30, 2003.

- The College's current assets of $8.7 million (2005), $12.2 million (2004) and $14.8 million (2003) were sufficient to cover current liabilities of $3.6 million (2005), $4.3 million (2004) and $3.3 million (2003). The current ratio of 2.38 (2005), 2.84 (2004) and 4.48 (2003) (current assets/current liabilities) demonstrates the liquidity of College assets and the relative availability of working capital to fund current operations.

- An operating deficit of $7.9 million (2005), $6.8 million (2004) and $6.5 million (2003) resulted from the College's dependence on state appropriations because the financial reporting model classifies state appropriations as non-operating revenues.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of the College's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities.

Condensed Statements of Net Assets
June 30, 2005, 2004 and 2003
(in thousands)

		2005	2004	2003
Assets				
Current Assets		$8,676	$11,596	$14,822
Noncurrent Assets		48,742	48,597	46,642
	Total Assets	57,418	60,193	61,464
Liabilities				
Current Liabilities		3,637	4,253	3,307
Noncurrent Liabilities		17,200	18,329	19,336
	Total Liabilities	20,837	22,582	22,643
Net Assets				
Invested in Capital Assets		28,046	29,965	31,558
Restricted		5,072	5,777	5,753
Unrestricted		3,463	1,869	1,510
	Total Net Assets	$36,581	$37,611	$38,821

At June 30, the College's total assets were $57.4 million (2005), $60.2 million (2004) and $61.5 million (2003). The largest asset category, the $45.9 million (2005), $45.7 million (2004) and $44.9 million (2003) in capital assets, includes land, buildings, equipment, library holdings, and construction in process. The capital asset amount is net of accumulated depreciation of $31.2 million (2005), $28.2 million (2004) and $25.3 million (2003). Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal years 2005, 2004 and 2003 the College's current assets of $8.7 million (2005), $12.2 million (2004) and $14.8 million (2003) were sufficient to cover current liabilities of $3.6 million (2005), $4.3 million (2004) and $3.3 million (2003) producing current ratios of 2.38 (2005), 2.84 (2004) and 4.48 (2003). Cash and cash equivalents (bank deposits, pooled cash with the State Treasurer, and highly liquid investments) comprised almost $7.5 million (2005), $10.5 million (2004) and $11.7 million (2003) in assets.

Bonds payable of $17.2 million (2005), $17.8 million (2004) and $18.3 million (2003) represent almost 83% (2005), 79% (2004) and 81% (2003) of the College's total liabilities of $20.8 million (2005) and $22.6 million (2004 and 2003). Current portion of the bonds payable is $650,000 (2005), $640,000 (2004) and $540,000 (2003).

The College's financial position declined during the fiscal year as evidenced by the decrease in net assets of $1 million (see the Statement of Revenues, Expenses and Changes in Net Assets) from $37.7 million at June 30, 2004 to $36.6 million at June 30, 2005. $28 million (2005), $30 million (2004) and $31.6 million (2003) in net assets is invested in capital assets net of related debt, $5.1 million (2005) and $5.8 million (2004 and 2003) is externally restricted for specific purposes, and $3.5 million (2005), $1.9 million (2004) and $1.5 Million (2003) is unrestricted and available for any lawful purpose of the College.

Statement of Revenue, Expenses and Changes in Net Assets

The Statement of Revenue, Expenses and Changes in Net Assets presents the results of operations during the year. Activities are reported as either operating or non-operating. Operating revenues and expenses generally result from providing goods and services for instruction, research, public service and related support services to an individual or entity separate from the College. Non-operating revenues and expenses are those other than operating and include, but are not limited to: state appropriations, investment income and expenses, interest expense on capital debt, state capital construction and controlled maintenance appropriations, and transfers.

Tuition and fee revenues in 2005 accounted for $8.1 million (a $157 thousand increase from 2004) of the $20.7 million in operating revenues. Tuition and fee revenue in 2004 was $7.9 million, a $525 thousand increase from 2003. The tuition and fee amount is net of scholarship allowances of $2.4 million (2005 and 2004) and $2.3 million (2003). Scholarship allowances are defined as the financial aid awarded to students by the colleges that is used to pay college charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense, as previously reported.

Operating expenses totaled $28.5 million (2005), $27.5 million (2004) and $26.6 million (2003). Of that total, $8.4 million (2005), $7.7 million (2004) and $7.5 million (2003) was for instruction, $6.7 million (2005), $6.8 million (2004) and $6.4 million (2003) for auxiliary enterprises, $4.2 million (2005), $4.1 million (2004) and $3.9 million (2003) for student services, $2.4 million (2005), $2.3 million (2004) and $1.9 million (2003) for institutional support, and $1 million (2005 and 2004) and $0.9 million (2003) for academic support.

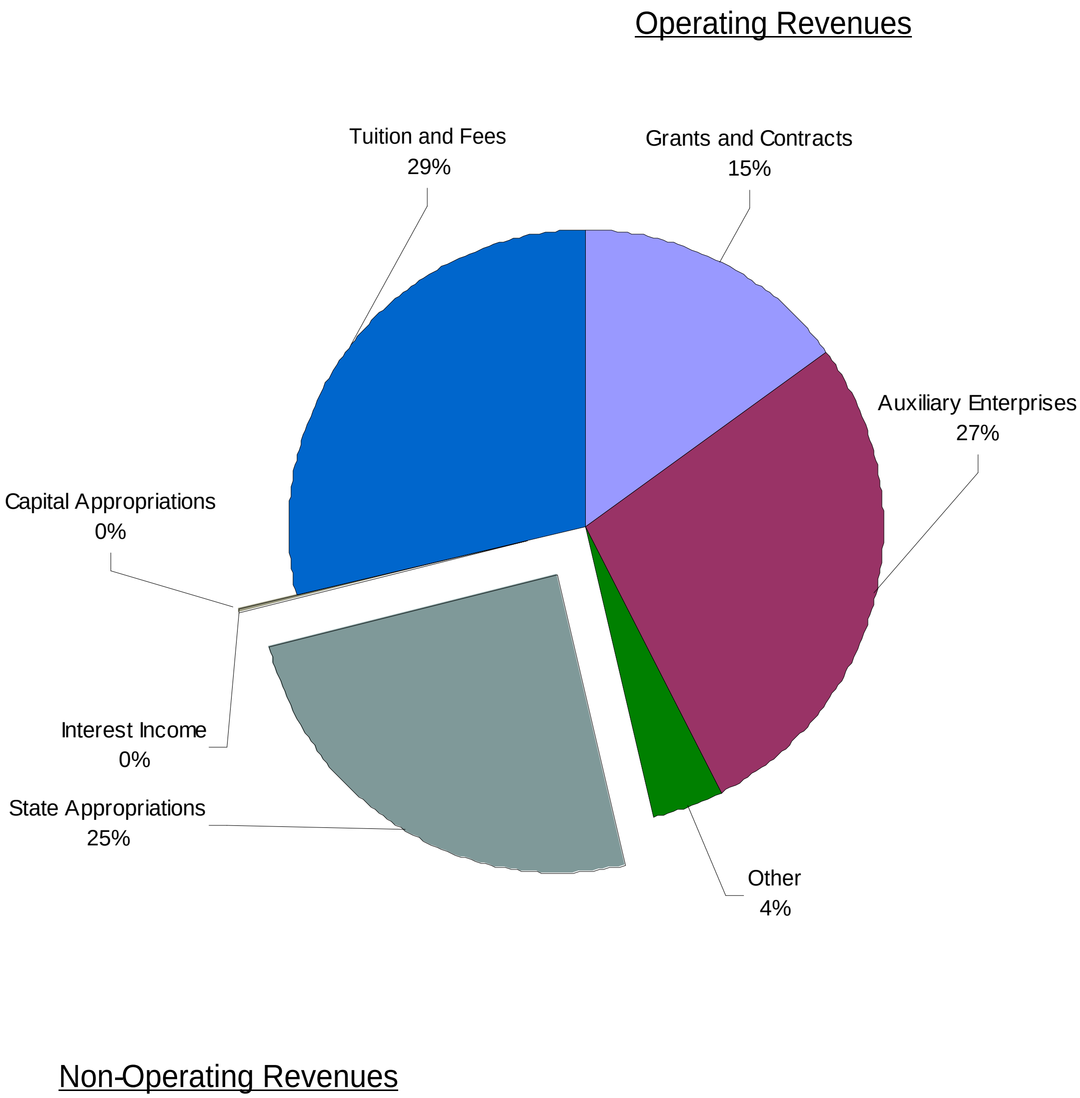
The College's dependency on state appropriations produced an operating deficit of $7.9 million in fiscal year 2005, $6.8 million in fiscal year 2004 and $6.5 million in fiscal year 2003 because the financial reporting model classifies state appropriations as non-operating revenues. The College had ending net assets at June 30, 2005 of $36.6 million, a decrease of $1 million from the previous year-end. Ending net assets at June 30, 2004 were $37.6 million, a decrease of $1.2 million from the previous year-end.

Condensed Statements of Revenue, Expenses, and Changes in Net Assets
June 30, 2005, 2004 and 2003
(in thousands)

	2005	2004	2003
Operating Revenue			
Tuition and Fees, net	$8,072	$7,915	$7,390
Grants and Contracts	4,509	4,172	4,453
Auxiliary Enterprises	6,812	7,565	7,422
Other	1,265	1,056	831
Total Operating Revenue	20,658	20,708	20,096
Operating Expenses	28,528	27,487	26,600
Net Operating Loss	(7,870)	(6,779)	(6,504)
Nonoperating Revenue (Expense)			
State Appropriations	6,897	6,897	6,002
Interest Income	233	(1)	607
Other Nonoperating	(638)	(1,360)	(715)
Net Nonoperating Revenue	6,492	5,536	5,894
Loss Before Other Revenue, Expenses, Gains, or Losses	(1,378)	(1,243)	(610)
State Appropriations, Capital	0	30	899
Other	348	3	164
Decrease in Net Assets	(1,030)	(1,210)	453
Net Assets:			
Net Assets-Beginning of Year	37,611	38,821	38,368
Net Assets-End of Year	$36,581	$37,611	$38,821

The following is a graphic illustration of total revenue by source for the College for fiscal year 2005. It clearly depicts the College's dependence on state appropriations and other non-operating revenue sources that comprise approximately 25% of total revenues. Each major revenue component is displayed relative to its proportionate share of total revenues.

Revenue by Source – Fiscal Year 2005



Statement of Cash Flows

The Statement of Cash Flows presents relevant information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related investing activities. It also helps statement users identify the need for external financing as well as assess the College's ability to generate cash flows and meet financial obligations as they mature.

June 30, 2005, 2004 and 2003
(in thousands)

	2005	2004	2003
Net Cash Provided (Used) by:			
Operating Activities	($5,275)	($3,710)	($2,417)
Non-Capital Financing Activities	6,885	6,117	6,133
Capital and Related Financing Activities	(4,757)	(4,149)	5,810
Investing Activities	140	547	(1,305)
Decrease in Cash	(3,007)	(1,195)	8,221
Cash & Cash Equivalents:			
Beginning of Year	10,530	11,725	3,504
End of Year	$7,523	$10,530	$11,725

The College's overall liquidity declined during the fiscal year 2005 with a decrease in cash and cash equivalents of $3 million (in 2004, liquidity declined by $1.9 million). In 2005, the net cash outflow from operating activities was $5.3 million ($3.7 million in 2004 and $2.4 million in 2003). $8.1 million in student tuition and fees (an increase of $258 thousand from 2004 which had an increase of $478 thousand from 2003), $5.5 million in sales of services (a decrease of $660 thousand from 2004 which had an increase of $19 thousand from 2003) and $4.4 million in contracts and grants (an increase of $227 thousand from 2004 which had a decrease of $270 thousand from 2003) were the major sources of cash. Payments to or for employees of $15.1 million (an increase of $534 thousand from 2004 which had an increase of $1.3 million from 2003) and payments to suppliers of $9.9 million (an increase of $906 thousand from 2004 which had an increase of $558 thousand from 2003) were the primary uses of funds.

Economic Outlook

In November 2005, voters of the state will be asked to approve a measure (Referendum C) that will allow the State to retain all tax revenue collected beyond the TABOR limitations for the next 5 years. With the passage of this referendum, it is projected that there will be, at a minimum, restoration of state support for higher education, which has experienced significant decreases in funding over the last few years. From fiscal year 2001 to fiscal year 2005, state support for higher education was reduced by more then 20%.

Beyond the outlook of state support for higher education, the State has changed the process of funding higher education institutions as directed by Senate Bill 04-189. General fund monies are no longer directly appropriated to higher education governing boards. Instead, stipends for tuition assistance are provided to eligible undergraduate students through the College Opportunity Fund, and the Department of Higher Education purchases educational services through fee-for-service contracts. For fiscal year 2006, the College is projected to receive $1.4 million more in funds from the College Opportunity Fund program and fee-for-service contracts than it did in State appropriations for fiscal year 2005.

Enrollments for the College are projected to be slightly down in fiscal year 2006. However, tuition rate increases of 8.9% for full time Colorado resident students and 0.9% for nonresident students and the closure of the tuition window by one credit hour (resulting in an effective increase of 18.8% for full-time Colorado residents and 10.1% for full-time nonresidents) are projected to generate an additional $500,000 in tuition revenue beyond fiscal year 2005 levels. Over the last two years, the College has consolidated its tuition window from 10-18 credits to 12-18 credits, essentially reducing the number of free credit hours allowed to full-time students.

The College was granted enterprise status for fiscal year 2006. To qualify for enterprise status, the College had to meet three criteria including, 1) receiving less than 10% of annual revenue from state or local grants, 2) qualifying as a government-owned business, and 3) having the authority to issue revenue bonds. As an enterprise, the College's tuition revenue will not count against statewide TABOR limitations and the College will be provided more flexibility in managing its operations.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATEMENTS OF NET ASSETS
As of June 30, 2005 and 2004

	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 7,522,847**	$ 10,529,893
Short-term investments	**8,591**	10,891
Student accounts receivable, net	**231,839**	215,689
Other accounts receivable, net	**313,235**	173,945
Student loans receivable, net	**176,659**	239,975
Inventories	**383,367**	373,146
Prepaid expenses	**39,585**	52,869
Total Current Assets	**8,676,123**	11,596,408
Non-current Assets		
Restricted investments	**1,706,132**	1,706,133
Student loans receivable, net	**611,386**	633,579
Other long-term assets	**552,967**	590,508
Total Non-Current Assets	**2,870,485**	2,930,220
Non-depreciable Capital Assets		
Land	**695,416**	695,416
Land improvements	**1,904,083**	1,904,083
Construction in progress	**-**	3,483,107
Total Non-Depreciable Capital Assets	**2,599,499**	6,082,606
Depreciable Capital Assets, Net		
Buildings and improvements, less accumulated depreciation of $25,753,911 (2005) and $23,003,266 (2004)	**42,034,201**	38,233,734
Furniture and equipment, less accumulated depreciation of $1,287,552 (2005) and $1,218,028 (2004)	**450,208**	561,487
Library materials, less accumulated depreciation of $4,125,004 (2005) and $3,963,188 (2004)	**787,734**	788,415
Total Depreciable Capital Assets, Net	**43,272,143**	39,583,636
Total Non-current Assets	**48,742,127**	48,596,462
Total Assets	**57,418,250**	60,192,870
LIABILITIES		
Current Liabilities		
Accounts payable	**497,501**	1,350,636
Accrued liabilities	**1,477,655**	1,380,938
Deferred revenue	**297,811**	289,044
Student deposits	**178,240**	152,417
Bonds payable,current portion	**650,000**	640,000
Capital leases payable, current portion	**414,938**	397,849
Compensated absence liabilities, current portion	**120,541**	42,272
Total Current Liabilities	**3,636,686**	4,253,156
Non-current Liabilities		
Bonds payable	**16,546,411**	17,154,862
Capital leases payable	**214,105**	629,043
Compensated absence liabilities	**439,556**	544,437
Total Non-current Liabilities	**17,200,072**	18,328,342
Total Liabilities	**20,836,758**	22,581,498
NET ASSETS		
Invested in capital assets, net of related debt	**28,046,198**	29,965,310
Restricted for expendable purposes:		
Loans	**1,216,734**	1,175,140
Other purposes	**3,855,259**	4,601,587
Unrestricted	**3,463,301**	1,869,335
Total Net Assets	**$ 36,581,492**	$ 37,611,372

See accompanying notes.

STATE OF COLORADO
WESTERN STATE COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2005 and 2004

	2005	2004
Assets		
Cash and cash equivalents	**$ 283,199**	$ 254,964
Certificates of deposit	**66,782**	65,571
Investments	**10,366,734**	8,387,911
Contributions receivable, net	**474,360**	198,478
Due from Western State College	**8,845**	13,634
Other assets	**34,918**	29,768
Property and equipment, net of depreciation	**645,120**	625,437
Total Assets	**$ 11,879,958**	$ 9,575,763
Liabilities		
Accounts payable	**$ 318,579**	$ 81
Net Assets		
Unrestricted	**749,744**	734,909
Temporarily restricted	**4,172,022**	3,691,527
Permanently restricted	**6,639,613**	5,149,246
Total Net Assets	**11,561,379**	9,575,682
Total Liabilities and Net Assets	**$ 11,879,958**	$ 9,575,763

See accompanying notes.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2005 and 2004

	2005	2004
OPERATING REVENUE		
Tuition and fees, including pledged for bonds of $836,000 (2005) and $883,859 (2004)	**$ 10,490,703**	$ 10,353,708
Less: scholarship allowances	**(2,418,617)**	(2,439,055)
Net Tuition and Fees	**8,072,086**	7,914,653
Federal, state, private grants and contracts	**4,509,309**	4,172,136
Sales and services of auxiliary enterprises, including revenue pledged for bonds of $6,926,238 (2005) and $7,652,705 (2004)	**7,108,302**	7,874,730
Less: scholarship allowances	**(296,508)**	(309,739)
Net Auxiliary Sales and Services	**6,811,794**	7,564,991
Other operating revenue, including $70,172 (2005) and $92,694 (2004) of revenue pledged for bonds	**1,264,801**	1,056,461
Total Operating Revenue	**20,657,990**	20,708,241
OPERATING EXPENSES		
Instruction	**8,431,051**	7,653,494
Research	**58,931**	92,860
Academic support	**948,864**	989,883
Student services	**4,179,921**	4,053,934
Institutional support	**2,390,236**	2,255,694
Operation and maintenance of plant	**1,903,779**	1,730,707
Scholarships and fellowships	**879,919**	983,517
Auxiliary enterprises	**6,676,805**	6,824,140
Depreciation	**3,058,837**	2,902,776
Total Operating Expenses	**28,528,343**	27,487,005
Operating Loss	**(7,870,353)**	(6,778,764)
NON-OPERATING REVENUE (EXPENSES)		
State appropriation, noncapital	**6,896,788**	6,896,788
Investment and interest income, including $218,817 (2005) and $216,449 (2004) of revenue pledged for bonds	**233,320**	(1,082)
Loss on disposal of assets	**(8,339)**	-
Interest expense on capital debt	**(616,654)**	(600,754)
Other nonoperating expenses	**(12,461)**	(758,667)
Net Non-operating Revenue	**6,492,654**	5,536,285
Loss Before Other Items	**(1,377,699)**	(1,242,479)
Other Revenue, Expenses, Gains, Losses, or Transfers		
State appropriation, capital	**-**	29,799
Capital grants	**347,819**	3,182
Decrease in Net Assets	**(1,029,880)**	(1,209,498)
Net Assets - Beginning of year	**37,611,372**	38,820,870
Net Assets - End of year	**$ 36,581,492**	$ 37,611,372

See accompanying notes.

STATE OF COLORADO
WESTERN STATE COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2005 and 2004

	2005	2004
Changes in Unrestricted Net Assets		
Revenues, gains and other support:		
Contributions	**$ 149,184**	$ 164,944
Investment income	**75,610**	101,755
Rental income	**14,482**	14,482
	239,276	281,181
Net assets released from restrictions:		
Satisfaction of program restrictions	**2,150,507**	1,369,801
Total Revenue, Gains and Other Support	**2,389,783**	1,650,982
Expenses:		
Programs	**2,019,079**	1,275,075
Management and general	**134,132**	119,829
Fund-raising	**190,884**	106,975
Total Expenses	**2,344,095**	1,501,879
Transfers	**(30,853)**	(24,063)
Increase in Unrestricted Net Assets	**14,835**	125,040
Changes in Temporarily Restricted Net Assets		
Revenues and gains:		
Contributions	**2,077,794**	2,161,250
Investment income	**478,830**	702,122
Royalties	**97,935**	85,324
	2,654,559	2,948,696
Net assets released from restrictions:		
Satisfaction of program restrictions	**(2,150,507)**	(1,369,801)
Transfers	**(23,557)**	(89,730)
Increase in Temporarily Restricted Net Assets	**480,495**	1,489,165
Changes in Permanently Restricted Net Assets		
Revenues and gains:		
Contributions	**1,435,957**	310,130
Transfers	**54,410**	113,793
Increase in Permanently Restricted Net Assets	**1,490,367**	423,923
Increase in Net Assets	**1,985,697**	2,038,128
Net Assets – beginning of year	**9,575,682**	7,537,554
Net Assets – end of year	**$ 11,561,379**	$ 9,575,682

See accompanying notes.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received		
Tuition and fees	**$ 8,127,463**	$ 7,869,397
Sales of services	**5,509,210**	6,169,280
Sales of product	**1,244,103**	1,256,508
Grants, contracts and gifts	**4,395,580**	4,168,382
Student loans collected	**277,811**	417,501
Other operating receipts	**1,216,842**	1,052,089
Cash Payments		
Payments to or for employees	**(15,100,285)**	(14,566,001)
Payments to suppliers	**(9,892,082)**	(8,986,487)
Scholarships disbursed	**(880,164)**	(983,381)
Student loans disbursed	**(173,415)**	(107,063)
Net Cash Used by Operating Activities	**(5,274,937)**	(3,709,775)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations - noncapital	**6,896,788**	6,896,788
Other agency inflows	**226,870**	-
Other agency (outflows)	**(239,331)**	(780,483)
Net Cash Provided by Noncapital Financing Activities	**6,884,327**	6,116,305
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations - capital	**-**	29,799
Capital grants, contracts and gifts	**347,819**	3,182
Acquisition or construction of capital assets	**(3,507,177)**	(2,684,079)
Principal paid on capital debt	**(1,037,850)**	(921,465)
Interest on capital debt	**(559,478)**	(576,921)
Net Cash Used by Capital and Related Financing Activities	**(4,756,686)**	(4,149,484)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	**657,814**	553,244
Investment earnings (interest/dividends)	**233,320**	5,273
Purchase of investments	**(750,884)**	(10,891)
Net Cash Provided by Investing Activities	**140,250**	547,626
Net Decrease in Cash and Cash Equivalents	**(3,007,046)**	(1,195,328)
Cash and cash equivalents - beginning of year	**10,529,893**	11,725,221
Cash and cash equivalents - end of year	**$ 7,522,847**	$ 10,529,893
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	**$ (7,870,353)**	$ (6,778,764)
Adjustments to reconcile:		
Depreciation	**3,067,177**	2,902,776
Decrease (increase) in assets	**283,698**	(18,906)
Increase (decrease) in liabilities	**(755,459)**	185,119
Net Cash Used by Operating Activities	**$ (5,274,937)**	$ (3,709,775)

See accompanying notes.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
Western State College of Colorado (the College) is a public institution of higher education of the state of Colorado. Operations are funded largely through student tuition and fees and through annual state appropriations.

As an institution of the state of Colorado, the College's operations and activities are funded partially through state appropriations. In accordance with Section 23-1-104, C.R.S., unspent revenue earned by the College in excess of appropriated amounts are retained by the College for future use.

Reporting Entity
The accompanying financial statements reflect the financial activities of the College for the fiscal year ended June 30, 2005. The College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the state Comprehensive Annual Financial Report may be obtained from the State Controller's Office, Department of Personnel and Administration, Denver, Colorado.

The financial statements of the College include all of the integral parts of the College's operations. The College applied required criteria to determine whether any organization should be included in the College's reporting entity. Management has determined that the Western State College Foundation (the Foundation) meets the criteria to be included in the College's financial statements as a discretely presented component unit. The Foundation was incorporated on August 22, 1975 under the laws of the State of Colorado. The purpose of the Foundation is to aid, directly or indirectly, the College in fulfilling its educational purposes. The Foundation is supported primarily through donor contributions. A full copy of the Foundation's financial statements may be obtained from the Western State College Foundation, 909 East Escalante Drive, P.O. Box 1264, Gunnison, CO 81230.

Basis of Accounting
For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

The College applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, regardless of issue date, 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.

The Foundation's financial statements have been presented on the accrual basis and pronouncements of the Financial Accounting Standards Board (FASB) have been applied. Net assets of the Foundation are classified as unrestricted, temporarily restricted and permanently restricted. Contributions including unconditional promises to give are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. All unconditional promises to give are due within the next year.

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

Cash and Cash Equivalents
For the purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the state treasurer and all highly liquid investments with an original maturity of three months or less.

Investments
Investments are carried at market value (GASB 31).

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

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

Inventories
Inventories consist primarily of bookstore inventory and consumable supplies and are stated at the lower of cost or market as determined by the FIFO (first-in, first-out) method. The valuation of the bookstore inventory is determined by the retail FIFO method which involves pricing items at current selling prices reduced to the lower of cost or market by the application of an average markup ratio.

Restricted Cash and Cash Equivalents
Restricted cash and cash equivalents include amounts restricted for project construction and bond debt service reserves.

Capital Assets
Capital assets are stated at cost at date of acquisition or fair market value at date of donation. The College capitalizes only those assets with an initial cost or fair market value greater than or equal to $5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 20 to 40 years for buildings and building improvements and 3 to 10 years for equipment and library materials. State capital construction revenues are recognized only to the extent of current expenditures. Controlled maintenance (corrective repairs or replacements to existing facilities) funded by the state is recorded as state appropriated revenue and the assets are recorded to the extent that expenditures qualify for capitalization.

Deferred Revenue
Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences
Employees' compensated absences are accrued at year-end for financial statements purposes. The liability and expense incurred are recorded at year-end as accrued compensated absence in the statement of net assets and as a component of compensation and benefit expense in the statement of revenue, expenses and changes in net assets.

Classification of Revenue
The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenue – Operating revenue generally results from providing goods and services for instruction, public service or related support services to an individual or entity separate from the College such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) interest on student loans.

Non-operating Revenue – Non-operating revenue is that revenue that does not meet the definition of operating revenue. Non-operating revenue includes state appropriations for operations, gifts, investment income and insurance reimbursement revenue.

Scholarship Allowances
Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship allowances in the Statement of Revenue, Expenses and Changes in Net Assets. Scholarship allowances are the differences between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenue in the College's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing for the years ended June 30 were $2,715,125 (2005) and $2,748,794 (2004)

Net Assets
The College's net assets are classified as follows:

Invested in capital assets, net of related debt – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable – Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Net assets of the Foundation are classified as unrestricted, temporarily restricted and permanently restricted. Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are due within the next year.

Application of Restricted and Unrestricted Resources
The College's policy is to first apply an expense against restricted resources then to unrestricted resources, when both restricted and unrestricted resources are available.

Reconciliation to Other Reports
Any effort to reconcile this report with presentations made for other purposes, such as data submitted with the legislative budget request for the College, must take into consideration any differences in the basis of accounting and other requirements for the preparation of such other presentations.

Financial Statement Presentation and Changes in Accounting Principles
GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, (Statement No. 40), an amendment to Statement No. 3, in June 2003. Statement No. 40 established and modified disclosure requirements related to investment risks, credit risk, interest rate risk and foreign currency risk. To comply with Statement No. 40, the College reclassified $742,293 of funds held in a money market account to cash and cash equivalents, previously classified as a short-term investment.

New Accounting Pronouncements
GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, (Statement No. 42) in November 2003. Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and is effective for fiscal years beginning after December 15, 2004.

GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (OPEB) (Statement No. 43) in April 2004. Statement No. 43 establishes uniform financial reporting standards for OPEB plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans.* The implementation of Statement No. 43 is effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. The effective date for the state of Colorado will be for financial statements for periods beginning after December 15, 2005.

GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)* (Statement No. 44) in May 2005. Statement No. 44 is effective for periods beginning after June 15, 2005 and amends the information required to be presented in the statistical section of a comprehensive annual financial report.

GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions* (OPEB) (Statement No. 45) in July 2004. Statement No. 45 is effective in the three phases required for Statement No. 43 and establishes standards for the measurement, recognition and display of OPEB expenses and related liabilities and note disclosures.

GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)* (Statement No. 46), in December 2004. Statement No. 46 is effective for periods beginning after June 15, 2005 and clarifies the definition of "legally enforceable enabling legislation restrictions" and specifies the accounting and financial reporting requirements related to such legislation.

Management does not believe the adoption of the new Statements will have a significant effect on the College's financial statements.

Income Taxes
The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Reclassifications
Certain 2004 balances have been reclassified to agree with current year presentation.

NOTE 2 - CASH AND INVESTMENTS

Cash
At June 30, 2005, the College had $6,396,558 (2005) and $9,707,394 (2004) on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

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

	2005	2004
Cash on hand	$ 345,203	$ 58,629
Cash in checking accounts at bank	781,086	763,870
	$1,126,289	$822,499

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk. The carrying amount of the College's cash on deposit was $781,086 (2005) and $763,870 (2004) and the bank balance was $1,127,365 (2005) and $20,131 (2004). Of this bank balance, $1,080,599 (2005) and $20,131 (2004) was covered by federal note depository insurance or by collateral held by the institution's agent in the institution's name.

Investments
At June 30, 2005, the College had investments with a carrying value of $1,714,723 and a market value of $1,714,723 (2005) and $1,717,024 (2004), which are categorized to give an indication of the level of risk assumed. Of this total, $1,714,723 (2005) and $1,717,024 (2004) was uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent in the college's name. Yield on investments was 4.12% (2005 and 2004).

At June 30, the Foundation had investments with a cost of $9,291,355 (2005) and $7,564,842 (2004) and a market value of $10,366,734 (2005) and $8,387,911 (2004).

NOTE 3 - RECEIVABLES AND PAYABLES

At June 30, receivable balances were as follows:

2005	Gross Receivable	Allowance for Uncollectible Amounts	Net Receivable
Student accounts receivable	$369,637	$(137,798)	$231,839
Other accounts receivable	$313,235	$ -	$313,235
Student loans receivable	$271,591	$ (94,932)	$176,659
2004			
Student accounts receivable	$348,935	$(133,246)	$215,689
Other accounts receivable	$173,945	$ -	$173,945
Student loans receivable	$366,638	$(126,663)	$239,975

At June 30, accrued liabilities balances were as follows:

	2005	2004
Accrued payroll	$1,387,664	$1,289,627
Accrued interest payable	89,991	91,311
Accrued liabilities	$1,477,655	$1,380,938

NOTE 4 - CAPITAL ASSETS

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Non-depreciable Capital Assets				
Land	$ 695,416	$ -	$ -	$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	3,483,107	3,068,005	(6,551,112)	-
Total Non-Depreciable Capital Assets	$ 6,082,606	$3,068,005	$(6,551,112)	$ 2,599,499
Depreciable Capital Assets				
Buildings and improvements	$61,237,000	$6,551,112	$ -	$67,788,112
Furniture and equipment	1,779,515	41,903	(83,658)	1,737,760
Library materials	4,751,603	162,669	(1,534)	4,912,738
Total Depreciable Capital Assets	67,768,118	6,755,684	(85,192)	74,438,610
Less: accumulated depreciation				
Buildings and improvements	(23,003,266)	(2,750,645)	-	(25,753,911)
Furniture and equipment	(1,218,028)	(153,182)	83,658	(1,287,552)
Library materials	(3,963,188)	(163,350)	1,534	(4,125,004)
Total Accumulated Depreciation	(28,184,482)	(3,067,177)	85,192	(31,166,467)
Net Depreciable Capital Assets	$39,583,636	$3,688,507	$ -	$43,272,143

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Non-depreciable Capital Assets				
Land	$ 695,416	$ -	$ -	$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	8,463	3,474,644	-	3,483,107
Total Non-depreciable Capital Assets	$ 2,607,962	$3,474,644	$ -	$ 6,082,606
Depreciable Capital Assets				
Buildings and improvements	$61,237,000	$ -	$ -	$61,237,000
Furniture and equipment	1,785,394	56,171	(62,050)	1,779,515
Library materials	4,597,516	154,455	(368)	4,751,603
Total Depreciable Capital Assets	67,619,910	210,626	(62,418)	67,768,118
Less: accumulated depreciation				
Buildings and improvements	(20,416,398)	(2,586,868)	-	(23,003,266)
Furniture and equipment	(1,123,803)	(156,275)	62,050	(1,218,028)
Library materials	(3,803,923)	(159,633)	368	(3,963,188)
Total Accumulated Depreciation	(25,344,124)	(2,902,776)	62,418	(28,184,482)
Net Depreciable Capital Assets	$42,275,786	$(2,692,150)	$ -	$39,583,636

Property and equipment for the Foundation consist of the following as of June 30:

	2005	2004
Land	$ 38,225	$ 38,225
Buildings and improvements	1,050,311	1,053,778
Furniture and equipment	83,628	145,538
Construction in progress	47,264	-
	1,219,428	1,237,541
Less: accumulated depreciation	(574,308)	(612,104)
	$ 645,120	$ 625,437

NOTE 5 - REVENUE BONDS PAYABLE

On May 28, 2003, the College issued $12,470,000 in Auxiliary Facilities System Refunding Bonds, Series 2003A with an average interest rate of 4.08%. The 2003A bonds mature in increasing amounts through May 15, 2019. Interest rates range from 1.5% on bonds maturing May 15, 2005 to 4.650% on bonds maturing on May 15, 2019. The bonds are collateralized by a first lien on and pledge of all revenues of the auxiliary facilities system.

Additionally, on May 28, 2003, the College issued $6,270,000 in Auxiliary Facilities System Improvement Bonds, Series 2003B with an average interest rate of 4.74%. The 2003B bonds begin to mature on May 15, 2019 in increasing amounts through May 15, 2025. Interest rates range from 4.250% on bonds maturing May 15, 2019 to 5.000% on bonds maturing on May 15, 2025. The 2003B bonds, along with the 2003A bonds, are collateralized by a first lien on and pledge of all revenues of the auxiliary facilities system.

Debt Service Reserve Requirement

Under the terms of the bond agreement the College is required to maintain in a Debt Service Reserve Fund an amount equal to the lesser of (1) the combined maximum annual principal and interest payments on all bonds outstanding, (2) the combined average annual principal and interest payments on all bonds outstanding, or (3) ten percent of the original principal amount of each issue outstanding. The debt service reserve requirement of $1,706,133 was established from bond proceeds.

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

	2005	2004
Retirement of Indebtedness	$ 1,933,486	$2,054,221
Renewal and Replacement	$ 361,765	$ 593,821

Principal and interest requirements to maturity are as follows:

Year Ending June 30	Series A	Series B	Total
2006	$1,074,800	$ 295,125	$ 1,369,925
2007	1,077,125	295,125	1,372,250
2008	1,075,833	295,125	1,370,958
2009	1,077,132	295,125	1,372,257
2010	1,075,433	295,125	1,370,558
2011-2015	5,379,665	1,475,625	6,855,290
2016-2020	4,309,060	3,042,263	7,351,323
2021-2025	-	5,386,375	5,386,375
Total Principal and Interest	15,069,048	11,379,888	26,448,936
Less interest	3,779,048	5,109,888	8,888,936
Total Principal	$11,290,000	$6,270,000	$17,560,000

NOTE 6 - EXTINGUISHMENT OF DEBT

In fiscal year 1994, the College defeased 1992 series bonds by placing the proceeds of the 1994 series plus a portion of the 1992 series debt service reserve funds in an irrevocable trust to provide for all future debt service payments on the 1992 bonds. Accordingly, the trust-account assets and liabilities for the defeased bonds are not included in the College's financial statements. On June 30, 2005, $8,700,000 of 1992 bonds outstanding is considered defeased.

In fiscal year 2003, the College defeased 1994 series bonds by placing the proceeds of the 2003A series in an irrevocable trust to provide for all future debt service payments on the 1994 bonds. Accordingly, the trust-account assets and liabilities are not included in the College's financial statements. On June 30, 2005, $9,110,000 of 1994 bonds outstanding is considered defeased.

NOTE 7 - LEASE OBLIGATIONS

Summary of changes in capital lease obligations:

Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
$1,026,892	$ -	$(397,849)	$629,043

A capital lease for an Energy Management System was refinanced following the June 2002 payment. The lease requires semi-annual payments of $218,655 (saving $8,890 annually) which include interest at 4.25%. The number of payments remains the same. Title to the equipment passed to the College at the beginning of the lease term.

Principal and interest requirements to maturity on the lease are as follows:

Year Ending June 30,	
2006	$437,310
2007	218,655
Total Principal and Interest Payments	655,965
Less amount representing interest	(26,922)
Principal Outstanding	$629,043

NOTE 8 - COMPENSATED ABSENCE LIABLITY FOR ANNUAL AND SICK LEAVE

College employees may accrue annual and sick leave, based on length of service, and subject to certain limitations regarding the amount to be paid upon termination. The estimated cost of compensated absences for which employees are vested for the year ended June 30, 2005 is $560,097. Current expenses include $(26,612) for the decrease in the estimated compensated absence liability. The recording of the liability for compensated absences may result in fund-balance deficits, which will be funded by state appropriation, self-supporting funds, or other sources available in future years when the liability is paid.

NOTE 9 - EMPLOYEE PENSION PLANS

A. Optional Retirement Plan

On September 10, 1993, the Board of Trustees adopted an Optional Retirement Plan (ORP) for faculty and exempt-administrative staff under the authority of Senate Bill 92-127. The implementation date was May 1, 1994; on that date, eligible employees were offered the choice of remaining in Public Employees' Retirement Association (PERA) or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

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

The College’s contributions to the ORP for fiscal years ending June 30, 2005, 2004, and 2003 were $664,418, $589,544, and $564,685, respectively. These contributions were equal to the required contributions for each year. All ORP contributions are immediately invested in the employee's account. Normal retirement for the ORP is age 65, with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

Some exempt employees of the College have elected to continue as members with PERA; the rest participate in the ORP.

B. Public Employees Retirement Association

1. Plan Description

The rest of the College’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, as well as the other divisions’ plans, is included in PERA’s financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver CO 80203, by calling PERA at 303-832-9550 or 1-800-729-PERA (7372), or by visiting www.copera.org.

Plan members vest after five years of service and most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit. Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, 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.

2. Funding Policy

Employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42) to an individual account in the plan. During the fiscal years ending June 30, 2005 and 2004, the College contributed 10.15 percent of the employee’s salary. Effective July 1, 2004, 1.02 percent of the total contribution was allocated to the Health Care Trust Fund.

Salary subject to PERA contribution is the gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan as 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 College’s contributions to the three programs described above for the fiscal years ending June 30, 2005, 2004, and 2003 were $532,321, $535,199, and $537,722, respectively. These contributions were equal to the required contributions for each year.

C. Student-Employees Defined Contribution Plan
Beginning in fiscal year 1993, in accordance with the provisions of CRS 24-54.6 and as provided in IRC 403(b), the State of Colorado Department of Higher Education established the Colorado Student-Employees Defined Contribution Pension Plan administered by TIAA-CREF. Student-employees not currently attending classes are required to participate. The plan requires a 7.5 percent employee contribution and no employer contribution. For the fiscal year ended June 30, total payroll covered by the plan was $208,562 (2005) and $234,622 (2004).

NOTE 10 - VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

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 403(b) or 401(a) plans. Members who contribute to any of these plans also receive the State match, when available.

In January 2001, the MatchMaker Program established a state match for PERA member’s voluntary contributions to tax-deferred retirement plans. For the calendar year 2003, the match was 100 percent of up to 2 percent of employee’s gross wages. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. The match is only available when the actuarial value of the defined benefit plan assets is 110 percent of actuarially accrued plan liabilities. This condition was not met during Fiscal Year 2005.

NOTE 11 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program
PERACare (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 Trust Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During the fiscal years ending June 30, 2005 and 2004, the subsidy was $115 for those with 20 years of service credit ($230 for members under age 65), and reduced by 5 percent for each year of service fewer than 20. The Health Care Trust Fund is maintained by an employer contribution as discussed above in Note 9-B2. Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical and prescription benefit plans, and with health maintenance organizations providing services in Colorado. As of December 31, 2004, there were 39,668 enrollees in the plan.

Life Insurance Program
During fiscal year 2005, PERA provided its members access to two group decreasing term life insurance plans offered by Prudential Insurance Company and Anthem Life. Effective April 1, 2005, PERA consolidated the two plans, and UnumProvident became the administrator. Members who transition to the new plan may continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means.

NOTE 12 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

The College is subject to risks of loss from liability from accident or acts of nature. Such risks for all agencies and institutions of the State of Colorado (University of Colorado excepted) are managed under statutory authority by the State Office of Risk Management (an agency formed by statute and funded by the Long Bill). The College does not retain risk of loss except for damage incurred to property belonging to the College, limited to a $1000 deductible per occurrence.

NOTE 13 - SCHOLARSHIP ALLOWANCE

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

2005	Tuition and Fees	Auxiliary Revenue	Total
Gross revenue	$10,490,703	$7,108,302	$17,599,005
Scholarship allowances:			
Federal	(1,042,424)	(127,795)	(1,170,219)
State	(454,700)	(55,744)	(510,444)
Private	(505,491)	(61,970)	(567,461)
Institutional	(416,002)	(50,999)	(467,001)
Total Allowances	(2,418,617)	(296,508)	(2,715,125)
Net Revenue	$ 8,072,086	$6,811,794	$14,883,880

2004	Tuition and Fees	Auxiliary Revenue	Total
Gross revenue	$10,353,708	$7,874,730	$18,228,438
Scholarship allowances:			
Federal	(1,100,014)	(139,692)	(1,239,706)
State	(458,542)	(58,231)	(516,773)
Private	(395,127)	(50,178)	(445,305)
Institutional	(485,372)	(61,638)	(547,010)
Total Allowances	(2,439,055)	(309,739)	(2,748,794)
Net Revenue	$ 7,914,653	$7,564,991	$15,479,644

NOTE 14 - LEGISLATIVE APPROPRIATION

Appropriated Funds

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

For the years ended June 30, funds appropriated to the College were $6,896,788 (2005 and 2004). Actual appropriated revenue earned, including capital appropriations, totaled $6,896,788 (2005) and $6,926,587 (2004). Actual appropriated expenditures and transfers totaled $13,085,617 (2005) and $12,377,948 (2004).

Non-Appropriated Funds

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

SUPPLEMENTAL INFORMATION
SCHEDULES OF REVENUE AND EXPENSES
FOR
ENTERPRISE REVENUE BONDS

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
SCHEDULES OF REVENUE AND EXPENSES
FOR ENTERPRISE REVENUE BONDS
For Years Ended June 30, 2005 and 2004

	2005	2004
REVENUE		
College Service Fees	**$ 836,000**	$ 883,860
Bookstore Sales	**1,244,103**	1,256,508
Rental Income	**3,275,754**	3,480,819
Food Service Income	**1,809,076**	2,200,533
Sales/Service Auxiliaries	**667,502**	807,539
Interest Income	**218,817**	216,449
Total Revenues	**8,051,252**	8,845,708
EXPENSES		
Employee Compensation	**999,101**	943,410
Costs of Goods	**921,967**	904,405
Utilities	**567,620**	541,121
Rental	**20,166**	16,187
Contract Food	**1,173,223**	1,353,217
Travel	**12,429**	13,100
Supplies	**126,054**	159,029
Purchased Services-Personal	**73,838**	25,210
Financial Aid	**102,746**	94,957
Administrative Cost Allowance	**1,841,460**	1,633,236
Furniture & Equipment	**20,315**	56,485
Other Operating Expenses	**509,874**	587,472
Total Expenses	**6,368,793**	6,327,829
Net Revenues before Transfers	**1,682,459**	2,517,879
TRANSFERS		
Mandatory Transfers	**(1,160,018)**	(1,230,665)
Non-mandatory Transfers	**(599,703)**	(1,133,570)
Total Transfers	**(1,759,721)**	(2,364,235)
Net Revenue (Loss)	**$ (77,262)**	$ 153,644

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

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Western State College of Colorado, a blended component unit of the state of Colorado and its discretely presented component unit, as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated September 30, 2005. 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. The financial statements of the discretely presented component unit, Western State College Foundation, were not audited in accordance with *Government Auditing Standards*.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of the Legislative Audit Committee and management of Western State College of Colorado and is not intended to be and should not be used by anyone other than those specified parties.

Dalby, Wendland & Co., P.C.

DALBY, WENDLAND & CO., P.C.
September 30, 2005

DALBY, WENDLAND & CO., P.C.

Certified Public Accountants & Consultants

Members of the Legislative Audit Committee:

We have audited the financial statements of Western State College of Colorado, a blended component unit of the state of Colorado, for the years ended June 30, 2005 and 2004, and have issued our report thereon dated September 30, 2005. As required by professional auditing standards, we are providing you with information related to our audit.

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

Our responsibility under professional standards is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Western State College of Colorado. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Western State College of Colorado's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Western State College of Colorado's significant accounting policies are described in the notes to the financial statements. There was one new accounting policy adopted in 2005. There were two new policies adopted in 2004. The application of existing policies was not changed during 2005 or 2004.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements and are based on management's judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The significant accounting estimates affecting the financial statements are the allowance for uncollectible receivables, accrued compensated absences, scholarship allowances, and the depreciation of capital assets. We evaluated the factors and assumptions used to develop these estimates and determined they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Western State College of Colorado's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed one adjustment related to the reclassification of the non-current portion of bond issuance costs in the amount of $552,967. The adjustment has been recorded by Western State College of Colorado and is reflected in the accompanying statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

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

This information is intended solely for the use of the Legislative Audit Committee and management of Western State College of Colorado and is not intended to be and should not be used by anyone other than these specified parties.

Dalby, Wendland & Co., P.C.

DALBY, WENDLAND & CO., P.C.

September 30, 2005

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the Years Ended June 30, 2005 and 2004

INTRODUCTION

Western State College of Colorado (the College) is a state-supported institution of higher education located in Gunnison, Colorado.

Our financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2005, was directed toward the objectives and criteria set forth in CCHE's Financial Aid Policy, adopted April 2004. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the two years ended June 30, 2005 and 2004.

STATE-FUNDED ASSISTANCE PROGRAMS

The various state-funded student assistance programs at the College include the Colorado Grant Program, Merit Program, Colorado Work-Study Program, Governor's Opportunity Scholarship, Perkins Student Loan Matching Program, Colorado Leveraging Educational Assistance Partnership Grant Programs (CLEAP and SLEAP).

The state-funded student assistance awards made by the College were $878,434 during the fiscal year ended June 30, 2005 and $905,722 during the fiscal year ended June 30, 2004.

The Director of Financial Aid 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 College in federal and state financial aid programs. The College Controller is responsible for the programs' financial management, general ledger accounting, payments, and collections.

During the audit period, the College obtained authorizations to award federal student financial aid funds of $1,446,130 in the Pell Grant Program, $85,760 in the Supplemental Educational Opportunity Grant Program, $187,283 in the College Work-Study Program, and $16,358 in the Perkins Student Loan Program.

During the audit period, the College was authorized to award Colorado student financial aid funds of $46,818 in student incentive grants (the CLEAP and SLEAP Programs) $418,422 in student grant programs (the Colorado Need-based Grant Program) $209,487 in under-graduate merit ($105,548 in the Colorado Merit Program, $103,939 in Governor's Opportunity Scholarship), and $203,707 in Colorado Work Study.

DALBY, WENDLAND & CO., P.C.

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, AND REVERSIONS OF THE STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Appropriations, Expenditures, and Reversions of the State-Funded Student Assistance Programs for Western State College of Colorado, a blended component unit of the state of Colorado, for the year ended June 30, 2005. This statement is the responsibility of Western State College of Colorado'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 financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The statement was prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2005 revision. The statement is a summary of cash activity of the state-funded student financial assistance program with the exception of the College Work Study Program and the Perkins Loan Program, and does not present certain transactions that would be included in the statements of the state-funded student financial assistance programs if presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying statement is not intended to present the financial position or changes in financial position of Western State College of Colorado, 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 Assistance Programs of Western State College of Colorado for the year ended June 30, 2005, in conformity with the provisions of the Colorado Commission on Higher Education's *Colorado Handbook for State-Funded Financial Assistance Programs.*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, on our consideration of Western State College of Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Dalby, Wendland & Co., P.C.

DALBY, WENDLAND & CO., P.C.

September 30, 2005

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND REVERSIONS
Year Ended June 30, 2005

	Student Incentive Grants	Student Grant Program	Work-Study Program	Part-time Student Grants	Under-Graduate Merit	Perkins Loan Match	Total
Appropriations	$46,818	$418,422	$203,707	$ -	$209,487	$ -	$878,434
Expenditures	$46,818	$418,422	$203,707	$ -	$209,487	$ -	$878,434
Reversions	$ -	$ -	$ -	$ -	$ -	$ -	$ -

See accompanying note.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
NOTE TO THE STATEMENT
Year Ended June 30, 2005

Basis of Accounting

Western State College of Colorado's accounting system is structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Offices in their revised publication *College and University Business Administration*, as supplemented by the American Institute of Certified Public Accountants industry audit guide *Audits of Colleges and Universities*.

The Statement of Appropriations, Expenditures, and Reversions has been prepared in accordance with the format set forth in the Colorado Commission on Higher Education's publication, 2004-05 Audit Guide, *Colorado Funded Student Aid*.

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

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

NOTE A

Colorado CLEAP and SLEAP consist of state funds and federal funds. The amount shown is the combined total.

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www.state.co.us/auditor

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