

ADAMS STATE COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2007 and 2006

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**ADAMS STATE COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

Authority, Purpose and Scope

The audit of Adams State College was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all State agencies. The 2007 audit was conducted under contract with Wall, Smith, Bateman and Associates, Inc. The audit was made in accordance with audit standards generally accepted in the United States of America. Audit work was performed June through October 2007.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Adams State College for the year ended June 30, 2007 and to express an opinion on the financial statements. This included 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 and regulations governing the expenditures of federal and State funds.
- Express an opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2007.
- Evaluate progress in implementing prior audit recommendations.
- The Schedule of Expenditures of Federal Awards for Adams State College and applicable audit opinions are included in the June 30, 2007 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

Audit Results and Summary of Major Audit Findings

Wall, Smith, Bateman and Associates, Inc. expressed an unqualified opinion on the financial statements for the years ended June 30, 2007 and 2006. Wall, Smith, Bateman and Associates, Inc. also expressed an unqualified opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2007.

Required Auditor Communications to the Legislative Audit Committee

An independent auditor is required to communicate to the Audit Committee certain matters related to the conduct of the audit and to ensure that the Audit Committee receives additional information regarding the scope and results of the audit that may assist the Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee in this report and include among other items, that no audit adjustments were required and that there were no difficulties encountered in performing the audit.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

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

We noted that the College did not always refund Title IV funds in the required thirty day timeframe when a student that had received financial aid withdrew from College. We also noted that the financial information submitted in the SURDS report was not complete and accurate.

Recommendations and College Responses

A summary of the recommendations for the above comments is included in the Recommendation Locator included at the end of this summary. The Recommendation Locator also shows the College's responses to the audit recommendations. A detailed description of the audit comments and recommendations is contained in the findings and recommendations section of the report.

Summary of Progress in Implementing Prior Audit Findings

There were two recommendations made in the prior year audit. One of the recommendations was implemented and one of the recommendations was not implemented. A detailed description and the disposition are contained in the disposition of prior year audit recommendations.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	5	Adams State College should improve the timeliness of the return of unearned Title IV funds and ensure federal timeframes are met.	Agree	July 01, 2007
2	6	Adams State College should develop policies and procedures to improve the accuracy and completeness of the financial information submitted in the SURDS report.	Agree	January 01, 2008

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Description of Adams State College

House Bill 03-1093 authorized independent governance for Adams State College effective July 1, 2003 and a new Board of Trustees was appointed to govern the College.

The Board of Trustees of Adams State College is the governing board for Adams State College. The Board of Trustees has oversight and responsibility in the areas of finance, resources, academic programs, admissions, role and mission and personnel policies.

The Board consists of nine members appointed by the Governor to serve four-year terms. An elected member of the faculty of the College serves for a two-year term and an elected member of the student body of the College serves for a one-year term. The President of Adams State College is responsible for providing leadership for the College and administering the policies and procedures of the Board of Trustees. The Board conducts its business at regular monthly meetings and special meetings, all of which are open to the public.

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

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

	2005	2006	2007
Resident Students	1,893.9	1,933.2	1,822.0
Nonresident Students	280.3	245.8	228.4
Total Students	<u>2,174.2</u>	<u>2,179.0</u>	<u>2,050.4</u>
Faculty FTEs	158.0	156.2	157.2
Staff FTEs	124.5	116.8	128.1
Total Staff and Faculty FTEs	<u>282.5</u>	<u>273.0</u>	<u>285.3</u>

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FINDINGS AND RECOMMENDATIONS SECTION

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Findings and Recommendations

Financial Aid

Withdrawals and the Return of Title IV Funds

Adams State College received approximately \$16.7 million under Title IV during Fiscal Year 2007 for federal student financial assistance programs. The College refunds, on a pro rata basis, tuition, fees, room and meal plans for complete withdrawals initiated up through the eighth week of the semester. A withdrawal occurs when a student goes to Student Affairs to get an "Official Withdrawal Form." The date the student last attended class is the withdrawal date. The student then must take the form around to various departments, such as Records, Business Office, Student Affairs, Computing Services, Housing and Financial Aid, for sign off on the form. After the sheet is completed and all applicable departments have signed off, the form is given to the Financial Aid Office, which then calculates the return of Title IV funds.

Federal Student Aid includes all Title IV grant and loan funds that were disbursed or that could have been disbursed to a student for the period of time for which the refund calculation is being performed. The College has 30 days from the date the student withdrew to return to the federal government all unearned Title IV funds for which it is responsible. Due to the manual process necessary to complete the withdrawal form by obtaining the signatures of the various departments, the College is unable to comply with the 30 day requirement for all instances. For Fiscal Year 2007 we noted that out of the fifteen refunds we tested, five did not comply with the 30 day return of Title IV funds requirement. Three refunds took 89 to 98 days, one refund took 56 days and one refund took 32 days to be processed. This was also a finding in fiscal year 2006.

Recommendation No. 1:

Adams State College should improve the timeliness of the return of unearned Title IV funds and ensure federal timeframes are met.

Adams State College Response:

Agree.

The College will re-evaluate its new policies and procedures regarding the complete withdrawal of regular students enrolled in an eligible program of study and the subsequent Return of Title IV Funds. The College has implemented a redefined policy and procedures that will address the timeliness and accuracy of the institutional complete withdrawal process as well as the Return of Title IV Refund calculation. The current award year will be closely monitored to ensure the timeliness and accuracy of the calculations. In addition, the College's timeliness in developing a new policy for the 2007 award year was delayed by scheduling conflicts and procedural complications. Implementation date: July 1, 2007.

Student Unit-Record Data System (SURDS)

The Commission on Higher Education developed the Student Unit Record Data System (SURDS) to support the development of statewide admission standards. The data collected from Colorado institutions includes enrollment, undergraduate applicant, degrees awarded, financial aid, remediation, teacher education and verification of lawful presence. The primary purpose of the SURDS is to report the most complete data possible about student aid awards for a fiscal year. Student aid includes all need-based aid, non-need based aid, including no-need work-study, state, or institutional and private merit awards, merit awards, loans, and any other forms of aid included in the Financial Aid File Data Dictionary. While the Financial Aid Department performed the necessary reconciliation process to ensure all awards specified in the Financial Aid File Data Dictionary are included, we noted that the Financial Aid Department inadvertently miscoded various institutional or private merit awards, which resulted in an incomplete SURDS report. For Fiscal Year 2007 we noted that out of the twenty five student files tested, ten institutional or private merit awards within nine student files, were not listed on the SURDS report as a result of the miscoded awards.

Recommendation No. 2:

Adams State College should analyze the policies and procedures to better ensure the accuracy and completeness of the financial information submitted in the SURDS Report.

Adams State College Response:

Agree.

The College will perform an internal audit to identify specific policy and procedure modifications to address this finding. Implementation date: January 1, 2008.

Disposition of Prior Audit Recommendations

Listed below are the recommendations included in the audit report for Adams State College for the year ended June 30, 2006, and their disposition as of October 25, 2007.

Recommendation	Disposition
1. Adams State College should improve the timeliness of the return of unearned Title IV funds and ensure federal timeframes are met.	Not Implemented. See current year recommendation No. 1.
2. Adams State College should improve controls over additional authorizations of Federal Work Study by implementing the policy currently in place to ensure that appropriate documentation is maintained for request and authorizations for increases in student work-study funding.	Implemented.

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FINANCIAL STATEMENTS SECTION

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INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business type activities of Adams State College (College), a blended component unit of the State of Colorado, as of June 30, 2007 and 2006, which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the financial statements of Adams State College Foundation, a discretely presented component unit of Adams State College, as of June 30, 2007 and 2006. These financial statements are the responsibility of the College's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Adams State College Foundation were not audited in accordance with the *Government Auditing Standards*. 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 respective financial position of the business type activities and the discretely presented component unit of the College as of June 30, 2007 and 2006, and the changes in its financial position and its 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 October 25, 2007 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Management's Discussion and Analysis is not a required part of the 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 financial statements taken as a whole. The Schedule of Revenues and Expenses for Enterprise Revenue Bonds is presented for purposes of additional analysis and is not a required part of the financial statements of Adams State College. Such information, which is the responsibility of the College's management, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Certified Public Accountants

October 25, 2007

**ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report presents a discussion and analysis of the financial performance of Adams State College for the fiscal year ended June 30, 2007, with selected comparative information for the years ended June 30, 2006 and 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 for the reporting entity of the College that includes Adams State College and the Adams State College Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.)

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2007

The College's total net assets decreased by \$0.5 million during fiscal year 2007 compared to a \$0.2 million increase in net assets during fiscal year 2006.

The College had a ratio of current assets to current liabilities of 2.7. This current ratio demonstrates the liquidity of college assets and the relative availability of working capital to fund current operations.

An operating deficit of \$4.1 million is the result from the College's dependence on gifts and donations and other non-operating revenue. The College received no state appropriations, but received \$8.8 million in fee for service contract revenue from the Colorado Commission on Higher Education and \$3.7 million in College Opportunity Fund stipends during fiscal year 2007.

Year Ended June 30, 2006

The College's total net assets increased by \$0.2 million during fiscal year 2006 compared to a \$3.0 million decrease in net assets during fiscal year 2005.

The College had a ratio of current assets to current liabilities of 2.6. This current ratio demonstrates the liquidity of college assets and the relative availability of working capital to fund current operations.

Operating revenues were not sufficient to cover operating expenses, resulting in an operating deficit of \$2.8 million. The College received no state appropriations, but received \$8.8 million in fee for service contract revenue from the Colorado Commission on Higher Education and \$3.4 million in College Opportunity Fund stipends during fiscal year 2006.

STATEMENTS OF NET ASSETS

The Statements of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when services are received, regardless of when cash is exchanged. Over time, increases and decreases in net assets (the difference between assets and liabilities) is 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.

**ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

A summarized comparison of the College's assets, liabilities and net assets at June 30, 2007, 2006 and 2005 follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
		(in thousands)	
Assets			
Current Assets	\$15,397	\$13,806	\$11,649
Noncurrent Assets	<u>52,275</u>	<u>54,534</u>	<u>56,616</u>
Total Assets	<u>67,672</u>	<u>68,340</u>	<u>68,265</u>
Liabilities			
Current Liabilities	5,625	5,337	5,050
Noncurrent Liabilities	<u>10,619</u>	<u>11,114</u>	<u>11,567</u>
Total Liabilities	<u>16,244</u>	<u>16,451</u>	<u>16,617</u>
Net Assets			
Invested in Capital Assets, net of related debt	40,555	42,311	44,225
Restricted	3,809	3,714	3,911
Unrestricted	<u>7,064</u>	<u>5,864</u>	<u>3,512</u>
Total Net Assets	<u>\$51,428</u>	<u>\$51,889</u>	<u>\$51,648</u>

At June 30, 2007 the College's total assets were \$67.7 million. The largest asset category is the \$50.9 million in capital assets, net of accumulated depreciation of \$35.7 million. These assets include land, buildings, equipment, library holdings, and construction in process. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal year 2007, the College's current assets of \$15.4 million were sufficient to cover current liabilities of \$5.6 million (producing a current ratio of 2.7). Cash and cash equivalents (bank deposits, certificates of deposits, pooled cash with the State Treasurer) comprised over \$13.9 million in assets per the Statement of Net Assets.

Capital lease and bonds payables of \$10.3 million represent almost 64% of the College's total liabilities of \$16.2 million. The current portion of the capital lease and bonds payable liability is \$0.54 million.

The College's financial position decreased during the fiscal year as evidenced by the decrease of \$0.5 million in net assets (see the Statement of Revenues, Expenses and Changes in Net Assets) to \$51.4 million. Net Assets is composed of \$40.6 million invested in capital assets net of related debt, \$3.8 million externally restricted for specific purposes, and \$7.0 million unrestricted and available for any lawful purpose of the College.

**ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses and Changes in Net Assets present the result 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, 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, interest expense on capital debt, gain/loss on disposal of assets, State capital construction and controlled maintenance appropriations, transfers and other non-operating revenue.

Tuition and fee revenues accounted for \$10.5 million of the \$32.8 million in operating revenues. The tuition and fee amount is net of scholarship allowances of \$5.9 million. Scholarship allowances are defined as the financial aid awarded to students by the College 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.

Operating expenses totaled \$36.9 million. Of that total, \$13.1 million was for instruction, \$1.8 million for academic support, \$2.6 million for student services, \$3.1 million for institutional support, \$2.8 million for operations of plant, \$1.3 million for scholarships and fellowships and \$8.9 million for auxiliary enterprises.

**ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

A summarized comparison of the College's revenues, expenses and changes in net asset at June 30, 2007, 2006 and 2005 follows:

	<u>2007</u>	<u>2006</u> (in thousands)	<u>2005</u>
Operating Revenues			
Tuition and Fees, net	\$10,522	\$10,078	\$7,286
Grants and Contracts	15,869	16,062	8,110
Auxiliary Enterprises	5,950	5,768	5,293
Other	447	425	532
	<u>32,788</u>	<u>32,333</u>	<u>21,221</u>
Operating Expenses	<u>36,896</u>	<u>35,099</u>	<u>36,363</u>
Net operating (Loss)	<u>(4,108)</u>	<u>(2,766)</u>	<u>(15,142)</u>
Nonoperating Revenue(Expense)			
State Appropriations	0	0	10,317
Gifts and Donations	1,943	1,997	1,630
Interest Income	555	200	191
Other Nonoperating	714	685	(569)
Net Nonoperating Revenue	<u>3,212</u>	<u>2,882</u>	<u>11,569</u>
Income(Loss) Before Other Revenue, Expenses, Gains or Losses	(896)	116	(3,573)
State Appropriations, Capital	524	0	621
Other	(89)	125	(23)
Increase(Decrease) In Net Assets	<u>(461)</u>	<u>241</u>	<u>(2,975)</u>
Net Assets			
Net Assets-Beginning of Year	<u>51,889</u>	<u>51,648</u>	<u>54,623</u>
Net Assets-End of Year	<u>\$51,428</u>	<u>\$51,889</u>	<u>\$51,648</u>

**ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

CAPITAL ASSETS

At June 30, 2007 the College had approximately \$50.9 million invested in capital assets, net of accumulated depreciation of \$35.7 million. Depreciation charges were \$3.3 million for the current year compared to \$3.3 million in 2006 and \$3.3 million in 2005. Details of these assets for the three years are shown below.

Capital Assets, Net of Depreciation, at Year End

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land	\$170,210	\$170,210	\$170,210
Land Improvements	2,219,599	2,483,102	2,752,666
Buildings	46,118,818	47,950,429	49,992,671
Construction in Progress	625,193	674,391	139,567
Equipment	926,477	1,040,371	1,259,573
Library Materials	844,220	851,099	854,890
Total	<u>\$50,904,517</u>	<u>\$53,169,602</u>	<u>\$55,169,577</u>

Major capital additions completed this year and the source of resources that funded their acquisition included:

Housing Door Package, funded by Bond Proceeds	\$ 541,722
Elevator Upgrades, funded by State Appropriations	<u>171,612</u>
	<u>\$ 713,334</u>

DEBT

On February 18, 2004, the College issued Auxiliary Facilities Refunding and Improvement Revenue Bonds Series 2004A in the amount of \$11.6 million for the purpose of refunding \$9.1 million of Series A 1994 Bonds and to obtain addition funds in the amount of \$2.1 million for improvement projects (see Note 7 of the financial statements for more information on this refinancing). The improvement projects consist of roof repairs to Rex Gym and the College Center and completing the renovation of Coronado Hall.

At June 30, 2007, the College had approximately \$10.3 million in debt outstanding compared to \$10.9 million at June 30, 2006 and \$11.5 million at June 30, 2005. The table below summarizes these amounts by type of debt.

Outstanding Debt, at Year End

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Enterprise Revenue Bonds	\$10,208,860	\$10,620,830	\$11,107,800
Capital Lease	99,659	236,731	373,367
Notes Payable	41,409	50,432	54,877
Total	<u>\$10,349,928</u>	<u>\$10,907,993</u>	<u>\$11,536,044</u>

**ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

ECONOMIC OUTLOOK

The economic position of the College is closely tied to that of the State. For fiscal years 2007 and 2006, the College received no operating State appropriations. For fiscal year 2005, the General Assembly appropriated the College \$10.3 million in noncapital appropriations.

In 2004, Governor Owens signed Senate Bill 04-189, which created the Colorado Opportunity Fund. This legislation created a first-in-the-nation funding mechanism for higher education. The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. In addition, the bill provides higher education institutions the opportunity to become enterprises under TABOR. Because funding is provided to students through the stipends and to the institutions through fee-for-service arrangements, the bill allows all qualifying public institutions to be designated as "enterprises" if approved by the Legislative Audit Committee. The Legislative Audit Committee approved the designation of the College as an enterprise for fiscal years 2007 and 2006. The College must meet the requirements of a TABOR enterprise on an annual basis.

This has had a significant impact on how higher education is funded in Colorado. The purpose of S.B. 04-189, or the College Opportunity Fund bill, is to bring awareness to students that funding from the State of Colorado does help cover their educational expenses. The trust fund's monies are administered by the College Student Loan Program dba College Assist. The student can direct their stipend funding to a particular institution by applying for the program and registering at the institution of their choice.

The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. For fiscal years 2008, 2007 and 2006, the stipend is \$2,670, \$2,580 and \$2,400, respectively, for a full-time student attending a public institution.

The college has budgeted for \$3.9 million in College Opportunity Fund stipends for fiscal year 2008. The college received \$3.7 and \$3.4 million in COF stipends in fiscal years 2007 and 2006, respectively. In fiscal year 2008 \$9.9 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The college received \$8.8 million and \$8.8 million in fee for service revenue in fiscal years 2007 and 2006, respectively. The bill institutes fee-for-service contract arrangements between each institution and the CDHE to provide graduate education, rural education, and basic education services to the State. These fee-for-service contracts must be negotiated annually with the CDHE.

Adams State College has restructured its tuition rate structure to align with the stipend reimbursement model.

ADAMS STATE COLLEGE
Statements of Net Assets
As of June 30, 2007 and June 30, 2006

	FY 2007	FY 2006
	TOTAL	TOTAL
Assets:		
<u>Current Assets</u>		
Cash & cash equivalents	\$ 13,585,977	\$ 11,914,355
Student accounts receivable, net	515,412	668,862
Other accounts receivable	585,576	490,946
Student loans receivable, net	205,386	212,031
Inventories	463,130	490,253
Prepaid expenses	36,511	25,497
Other current assets	4,500	4,500
Total current assets	15,396,492	13,806,444
<u>Noncurrent Assets</u>		
Restricted cash & cash equivalents	328,250	328,250
Student loans receivable, net	726,679	701,211
Deferred charges-bond issuance costs	315,595	334,578
	1,370,524	1,364,039
Non-depreciable capital assets:		
Land	170,210	170,210
Construction in progress	625,193	674,391
Total non-depreciable capital assets	795,403	844,601
Depreciable capital assets, net:		
Buildings	46,118,818	47,950,429
Land improvements	2,219,599	2,483,102
Furniture & equipment	926,477	1,040,371
Library books	844,220	851,099
Total depreciable capital assets, net	50,109,114	52,325,001
Total noncurrent assets	52,275,041	54,533,641
Total Assets	67,671,533	68,340,085
 Liabilities:		
<u>Current Liabilities</u>		
Accounts payable	747,715	609,936
Accrued liabilities	3,636,778	3,336,776
Deferred revenue	255,810	338,596
Deposits held for others	386,751	402,329
Bonds payable, current	440,000	425,000
Notes payable, current	11,960	11,960
Capital leases payable, current	99,659	137,072
Compensated absences liability	46,745	75,273
Total current liabilities	5,625,418	5,336,942
<u>Noncurrent Liabilities</u>		
Compensated absences liability	820,111	780,455
Notes payable	29,449	38,472
Capital leases payable	-	99,659
Bonds payable	9,768,860	10,195,830
Total noncurrent liabilities	10,618,420	11,114,416
Total Liabilities	16,243,838	16,451,358

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE
Statements of Net Assets (Continued)
As of June 30, 2007 and June 30, 2006

Net Assets:		
Invested in capital assets, net of related debt	40,554,589	42,310,918
Restricted for		
Non-expendable Endowments	28,250	28,250
Expendable		
Endowments	36,811	35,314
Loans	1,120,277	1,138,213
Capital Projects	300,000	300,000
Other Purposes	2,324,162	2,211,881
Total Restricted	<u>3,809,500</u>	<u>3,713,658</u>
Unrestricted	<u>7,063,604</u>	<u>5,864,151</u>
Total Net Assets	<u>\$ 51,427,693</u>	<u>\$ 51,888,727</u>

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE FOUNDATION
Statements of Financial Position
Discretely Presented Component Unit
June 30, 2007 and 2006

ASSETS

	2007	2006
Cash	\$ 82,142	\$ 16,866
Certificates of deposit	698,208	698,208
Investments, at fair value	12,749,927	6,903,872
Notes receivable, net of allowance of \$-0-	255,490	262,986
Pledges Receivable net of allowance of \$2,500	5,170	5,170
Inventories	13,640	13,640
Land – available for sale	3,650	3,650
Art collection	220,750	220,750
	Total Assets	Total Assets
	\$ 14,028,977	\$ 8,125,142

NET ASSETS

Net assets		
Unrestricted		
Unreserved	\$ 1,681,180	\$ 1,840,732
Board designated	23,500	21,800
	1,704,680	1,862,532
Temporarily restricted net assets	1,774,755	1,745,942
Permanently restricted net assets	10,549,542	4,516,668
	Total net assets	Total net assets
	\$ 14,028,977	\$ 8,125,142

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ending June 30, 2007 and 2006

	FY 2007	FY 2006
	TOTAL	TOTAL
Operating Revenues:		
Tuition & fees (including \$585,661 and \$588,179, respectively of revenues pledged for bonds and net of scholarship allowances of \$5,885,443 and \$5,473,910, respectively)	\$10,521,932	\$10,077,872
Sales & services of auxiliary enterprises (including \$6,082,391 and \$5,781,365, respectively of revenues pledged for bonds and net of scholarship allowances of \$569,242 and \$469,970, respectively)	5,950,044	5,768,235
Fee for Service Contract Revenue	7,601,686	7,585,859
Federal grants and contracts	6,539,587	6,774,578
State grants and contracts	1,727,989	1,701,244
Other operating revenues (including \$18,961 and \$18,912, respectively of revenues pledged for bonds)	446,727	424,766
Total operating revenues	32,787,965	32,332,554
Operating Expenses:		
Instruction	13,059,887	12,363,341
Academic support	1,816,231	1,707,441
Student services	2,587,754	3,039,812
Institutional support	3,149,102	3,237,928
Operation of plant	2,833,119	2,402,982
Scholarships and fellowships	1,298,337	1,153,737
Auxiliary enterprises expenditures	8,883,163	7,904,404
Depreciation	3,268,001	3,289,357
Total operating expenses	36,895,594	35,099,002
Operating Income (Loss)	(4,107,629)	(2,766,448)
Nonoperating Revenues (Expenses):		
Gifts and Donations	1,943,407	1,996,586
Investment & interest income (including \$57,797 and \$37,386, respectively of revenue pledged for bonds)	555,147	200,446
Interest on capital debt	(464,152)	(501,503)
Gain or Loss on Disposal of Assets	(1,338)	(359)
Other Non-operating Revenues	1,179,287	1,187,473
Net nonoperating revenue (expenses)	3,212,351	2,882,643
Income (Loss) before other revenues, expenses, gains, losses or transfers	(895,278)	116,195
Other Revenues, Expenses, Gains, Losses or Transfers:		
State appropriation, capital	524,208	-
Federal Grant - Capital	204	155,896
Transfers to Other Institutions	(90,168)	(31,382)
Increase (Decrease) in Net Assets	(461,034)	240,709
Net Assets at Beginning of Year	51,888,727	51,648,018
Net Assets at End of Year	\$51,427,693	\$51,888,727

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE FOUNDATION
Statement of Activities
Discretely Presented Component Unit
Year ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 100,677	\$ 782,181	\$ 6,019,584	\$ 6,902,442
Investment Income	175,135	191,797	-	366,932
Realized and unrealized gains on investments	556,551	-	-	556,551
Net assets released from restriction	972,069	(972,069)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,804,432	1,909	6,019,584	7,825,925
EXPENSES				
Program services	1,431,325	-	-	1,431,325
Supporting services				
Advertising	449	-	-	449
Professional fees and consulting	32,541	-	-	32,541
Insurance	3,004	-	-	3,004
General administration	2,078	-	-	2,078
Meetings	1,719	-	-	1,719
Real estate taxes	83	-	-	83
Salaries	89,976	-	-	89,976
Printing and Postage	39,869	-	-	39,869
Alumni	160,459	-	-	160,459
Fundraising	137,624	-	-	137,624
Support and maintenance	22,963	-	-	22,963
TOTAL EXPENSES	1,922,090	-	-	1,922,090
CHANGE IN NET ASSETS BEFORE TRANSFERS	(117,658)	1,909	6,019,584	5,903,835
Transfers:				
Transfers in	-	449,374	23,290	472,664
Transfers out	(40,194)	(422,470)	(10,000)	(472,664)
CHANGE IN NET ASSETS	(157,852)	28,813	6,032,874	5,903,835
Net assets, beginning of year	1,862,532	1,745,942	4,516,668	8,125,142
Net assets, end of year	\$ 1,704,680	\$ 1,774,755	\$ 10,549,542	\$ 14,028,977

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE FOUNDATION
Statement of Activities
Discretely Presented Component Unit
Year ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 154,956	\$ 1,147,518	\$ 950,913	\$ 2,253,387
Investment Income	229,239	-	-	229,239
Realized and unrealized gains on investments	282,699	-	-	282,699
Net assets released from restriction	781,377	(781,377)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,448,271	366,141	950,913	2,765,325
EXPENSES				
Program services	1,577,043			1,577,043
Supporting services				
Advertising	339			339
Professional fees and consulting	105,996			105,996
Insurance	3,235			3,235
General administration	12,099			12,099
Meetings	2,587			2,587
Real estate taxes	83			83
Salaries	77,859			77,859
Printing and Postage	36,599			36,599
Alumni	158,171			158,171
Fundraising	66,744			66,744
Support and maintenance	16,842			16,842
TOTAL EXPENSES	2,057,597	-	-	2,057,597
CHANGE IN NET ASSETS BEFORE TRANSFERS	(609,326)	366,141	950,913	707,728
Transfers:				
Transfers in	20,030	370,879	595,753	986,662
Transfers out	(954,962)	(31,700)		(986,662)
CHANGE IN NET ASSETS	(1,544,258)	705,320	1,546,666	707,728
Net assets, beginning of year	3,518,790	1,040,622	2,970,002	7,529,414
Prior period adjustment	(112,000)	-	-	(112,000)
Net assets, beginning of year, restated	3,406,790	1,040,622	2,970,002	7,417,414
Net assets, end of year	\$ 1,862,532	\$ 1,745,942	\$ 4,516,668	\$ 8,125,142

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE
Statements of Cash Flows
For the Years Ending June 30, 2007 and 2006

	FY 2007	FY 2006
	TOTAL	TOTAL
Cash Flows from Operating Activities:		
<u>Cash Received:</u>		
Tuition and fees	\$ 10,433,995	\$ 10,114,020
Fee for Service Contract Revenue	7,607,296	7,580,249
Sales of services	4,520,912	4,270,672
Sales of products	1,317,869	1,347,119
Grants and contracts	8,234,894	8,706,023
Student loans collected	450,480	429,206
Other receipts	365,662	451,278
<u>Cash Payments:</u>		
Payments to or for employees	(22,372,537)	(21,364,945)
Payments to suppliers	(9,226,973)	(8,732,538)
Scholarships disbursed	(1,298,337)	(1,153,737)
Student loans disbursed	(475,198)	(416,412)
Net cash provided (used) by operating activities	(441,937)	1,230,935
Cash Flows from Noncapital Financing Activities:		
Gifts/Grants for Other than Capital Purposes	1,943,407	1,996,586
Change in funds held for others	460	(460)
Other NonCapital Revenues	1,179,287	1,187,473
Agency Receipts	12,831,594	14,413,066
Agency Payments	(12,823,092)	(14,446,165)
Transfers from (to) other Institutions	(90,168)	(31,382)
Net cash provided by noncapital financing activities	3,041,488	3,119,118
Cash Flows from Capital & Related Financing Activities:		
State appropriations, capital	524,208	-
Capital grants, contracts & gifts	204	155,896
Acquisition or construction of capital assets	(986,942)	(1,284,645)
Principal paid on capital debt	(558,065)	(628,052)
Interest paid on capital debt	(463,413)	(492,614)
Net cash (used) by capital & related financing activities	(1,484,008)	(2,249,415)
Cash Flows from Investing Activities:		
Investment earnings	556,079	205,446
Net cash provided by investing activities	556,079	205,446
Net Increase in Cash	1,671,622	2,306,084
Beginning cash balance	12,242,605	9,936,521
Ending cash balance	\$ 13,914,227	\$ 12,242,605

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE
Statements of Cash Flows (Continued)
For the Years Ending June 30, 2007 and 2006

**Reconciliation of net operating revenues (expenditures)
to net cash provided (used) by operating activities:**

Operating income (loss)	\$ (4,107,629)	\$ (2,766,448)
Adjustments to reconcile:		
Depreciation expense	3,268,001	3,289,357
Decrease (increase) in assets:		
Receivables, net	39,997	281,918
Inventories & prepaids	16,109	(69,830)
Increase (decrease) in liabilities:		
Accounts payable	137,779	208,888
Accrued liabilities	300,002	81,435
Deferred revenues	(82,786)	89,230
Student deposits	(24,538)	29,961
Compensated absences	11,128	86,424
Net cash provided (used) by operating activities	<u>\$ (441,937)</u>	<u>\$ 1,230,935</u>

Noncash Investing, Capital, and Financing Activities:

State Capital Contributions	\$ 524,208	\$ -
Loss on Capital Asset Deletions	5,877	405
Amortization of Capital Prem/Disc and Capital Lo	49,165	49,165

The accompanying notes are an integral part of this statement.

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governance

HB 03-1093 authorized independent governance for Adams State College effective July 1, 2003. Adams State College is governed by the Board of Trustees for Adams State College. The Trustees are statutorily charged with responsibility in the areas of finance, resources, academic programs, admissions, role and mission, and personnel policies. The Board consists of nine members appointed by the Governor serving four-year terms. An elected member of the student body of the College serves for one-year term and an elected member of the faculty of the College serves for two-year terms.

Reporting Entity

Adams State College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, Adams State 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.

The College has determined that the Adams State College Foundation meets the GASB Statement No. 39 criteria for inclusion in the College's financial statements. The Foundation's financial information is presented on separate pages with the financial statements of the College for fiscal year June 30, 2007 and 2006. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from the Controller's Office at the College. See note 14 for a description of the Adams State College Foundation.

As defined by GASB Statement 14, *The Financial Reporting Entity*, the College is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relation with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

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. Under 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.

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, and 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 stated at their fair market value as determined by quoted market prices.

Inventory

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 mark-up ratio.

Capital Assets

Physical plant and equipment are stated at cost at date of acquisition, or fair market value at date of donation. A physical inventory of all plant assets is taken annually with appropriate adjustments made to the financial records. Annual revisions of statement of values for insurance purposes are performed. The College follows the policy of capitalizing only those plant assets with an initial cost or fair value equal to or greater than \$5,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are determined as 40 years for buildings, 15-20 years for building improvements, 10-20 years for improvements other than buildings, 5-30 years for equipment, and 10 years for library materials.

The college capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized during the years ended June 30, 2007 and 2006 was \$17,312 and \$5,096, respectively.

Classification of Revenue

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

- Operating revenues – Operating revenues generally result from providing goods and services for instruction, public service or related support services to an individual or entity separate from the College.
- Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include state appropriations for operations, gifts, investment income and insurance reimbursement revenue.

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

Application of Restricted and Unrestricted Resources

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

Compensated Absence Liabilities

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as compensated absence liabilities in the Statement of Net Assets and as a component of appropriate functional expense categories in the Statement of Revenues, Expenses, and Changes in Net Assets. The current portion of this liability is estimated based on historical trends.

Net Assets

The College has classified its net assets according to the following criteria:

- *Invested in Capital Assets, Net of Related Debt* – This category 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 this category.
- *Restricted Net Assets, Nonexpendable* – This category consists of endowment funds that are required to be retained in perpetuity.
- *Restricted Net Assets, Expendable* – This category includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Restricted expendable net assets are classified as expendable for loans, debt service, capital projects and other purposes. For the College, restricted net assets expendable for other purposes includes net assets of its bonded auxiliaries.
- *Unrestricted Net Assets* – Unrestricted Net Assets are those that do not meet the definition of "Restricted" or "Invested in Capital Assets, Net of Related Debt" as described above. Generally, these resources will be derived from student tuition and fees, state appropriations, sales and services of educational activities, and sales and services of certain auxiliary and self-funded activities.

Enterprise Designation

In 2004, Governor Owens signed Senate Bill 04-189, which provides higher education institutions the opportunity to become designated enterprises under Section 20, Article X of the State Constitution (The Taxpayer's Bill of Rights) so long as the governing board of the institution has the authority to issue revenue bonds and the institution receives less than ten percent of its revenue from the State of Colorado and local governments. This designation must be approved by the State Legislative Audit Committee. The Legislative Audit Committee approved the designation of the College as an enterprise in fiscal years 2007 and 2006. The enterprise designation is revised at the end of each fiscal year to ensure that the criteria are still being met.

Reclassifications

Certain reclassifications were made to the fiscal year 2006 financial statements presentation in order to conform to the fiscal year 2007 financial statements presentation.

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

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

For an investment, custodial credit risk is the risk that in the event of a bank failure, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a deposit policy for custodial credit risk.

At June 30, 2007 the College had \$10,312,903, including unrealized losses of \$(58,698), on deposit with the State Treasurer. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	\$ 17,430
Cash in checking accounts at bank	1,921,511
Certificate of Deposits	1,662,383
Total cash	\$3,601,324

The carrying amount of the college's cash on deposit was \$3,583,894. The bank balance of these deposits was \$3,849,636, of which \$391,070 was covered by federal depository insurance and \$3,458,566 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

At June 30, 2006, the College had \$8,842,729, including unrealized losses of \$(117,257), 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:

Cash on hand	\$ 12,531
Cash in checking accounts at bank	2,086,091
Certificate of Deposits	1,301,253
Total cash	\$3,399,875

The carrying amount of the college's cash on deposit was \$3,387,344. The bank balance of these deposits was \$3,781,772, of which \$363,564 was covered by federal depository insurance and \$3,418,208 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

The College deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains/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, 2007. 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. For the years ended June 30, 2007 and June 30, 2006 the College had unrealized losses of \$(58,698) and \$(117,257), respectively. Additional information on the Treasurer's pool may be obtained from the State of Colorado's Comprehensive Annual Financial Report.

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

ASC Foundation Investments and Concentration of Risk

Investments recorded at fair value are comprised of the following:

	June 30, 2007		June 30, 2006	
	Cost	Fair Value	Cost	Fair Value
Common Fund	\$ 12,174,887	\$ 12,749,927	\$ 6,873,935	\$ 6,903,872

Other investments are recorded at estimated value on the date of contribution where fair value is not available.

	June 30, 2007		June 30, 2006	
	Value at Contribution	Carrying Value	Value at Contribution	Carrying Value
Art collection	\$ 220,750	\$ 220,750	\$ 220,750	\$ 220,750
Land-available for sale	115,650	115,650	115,650	115,650
	\$ 336,400	\$ 336,400	\$ 336,400	\$ 336,400

Common Fund investments of the individual net asset classes are combined to form a pool of investments, which is managed by the Common Fund. Income earned on investments is allocated, based on cost, to the individual net asset classes with earnings of the endowment investments being included as an increase of temporarily restricted net assets or unrestricted net assets.

As of June 30, 2007 and 2006 the Foundation had bank deposits in two financial institutions that exceeded insurance coverage by a total of \$580,278 and \$290,986, respectively.

NOTE 3: ACCOUNTS AND LOANS RECEIVABLE

Account receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statement of Net Assets. At June 30, 2007 and 2006, accounts receivable were as follows:

	2007	2006
Student Accounts Receivable	\$944,222	\$997,971
Less: Allowance for Doubtful Accounts	(428,810)	(329,109)
Student Accounts Receivable, net	515,412	668,862
Other Accounts Receivable	585,576	490,946
Student Loans Receivable	1,106,525	1,084,545
Less: Allowance for Doubtful Accounts	(174,460)	(171,303)
Student Loans Receivable, net	932,065	913,242
Total Receivables	\$2,033,053	\$2,073,050

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

NOTE 4: CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2007.

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Nondepreciable Capital Assets				
Land	\$ 170,210	\$ -	\$ -	\$ 170,210
Construction in Progress	674,391	664,137	713,335	625,193
Total Nondepreciable Capital Assets	\$ 844,601	\$ 664,137	\$ 713,335	\$ 795,403
Depreciable Capital Assets				
Land Improvements	\$ 5,211,398	\$ -	\$ -	\$ 5,211,398
Buildings and Improvements	71,866,176	713,335		72,579,511
Equipment	3,717,493	182,120	101,003	3,798,610
Library Materials	4,178,044	163,873	123,000	4,218,917
Total Depreciable Capital Assets	84,973,111	1,059,328	224,003	85,808,436
Less: Accumulated Depreciation				
Land Improvements	2,728,296	263,503		2,991,799
Buildings and Improvements	23,915,747	2,544,946		26,460,693
Equipment	2,677,122	288,800	93,789	2,872,133
Library Materials	3,326,945	170,752	123,000	3,374,697
Total Accumulated Depreciation	32,648,110	3,268,001	216,789	35,699,322
Net Depreciable Capital Assets	\$ 52,325,001	\$ (2,208,673)	\$ 7,214	\$ 50,109,114

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2006.

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Nondepreciable Capital Assets				
Land	\$ 170,210	\$ -	\$ -	\$ 170,210
Construction in Progress	139,567	1,001,861	467,037	674,391
Total Nondepreciable Capital Assets	\$ 309,777	\$ 1,001,861	\$ 467,037	\$ 844,601
Depreciable Capital Assets				
Land Improvements	\$ 5,211,398	\$ -	\$ -	\$ 5,211,398
Buildings and Improvements	71,399,139	467,037	-	71,866,176
Equipment	3,647,565	121,449	51,521	3,717,493
Library Materials	4,209,337	166,837	198,130	4,178,044
Total Depreciable Capital Assets	84,467,439	755,323	249,651	84,973,111
Less: Accumulated Depreciation				
Land Improvements	2,458,732	269,564	-	2,728,296
Buildings and Improvements	21,406,467	2,509,280	-	23,915,747
Equipment	2,387,992	339,886	50,756	2,677,122
Library Materials	3,354,447	170,628	198,130	3,326,945
Total Accumulated Depreciation	29,607,638	3,289,358	248,886	32,648,110
Net Depreciable Capital Assets	\$ 54,859,801	\$ (2,534,035)	\$ 765	\$ 52,325,001

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

NOTE 5: LONG-TERM LIABILITIES

The College's Long-Term Liability activity for the year ended June 30, 2007 was as follows:

	Balance 6/30/2006	Additions	Reductions	Balance 6/30/2007	Current Portion
Bond and Leases Payable:					
Enterprise Revenue Bonds	\$ 10,695,000	\$ -	\$ 425,000	\$ 10,270,000	\$ 440,000
Add: Unamortized Premium	318,435	-	18,067	300,368	-
Less: Refunding Gain/(Loss)	(392,605)	-	(31,097)	(361,508)	-
Capital Lease Obligation	236,731	-	137,072	99,659	99,659
Total Bonds and Leases Payable	<u>10,857,561</u>	<u>-</u>	<u>549,042</u>	<u>10,308,519</u>	<u>539,659</u>
Other Liabilities:					
Compensated Absences	855,728	11,128	-	866,856	46,745
Other	50,432	-	9,023	41,409	11,960
Total Other Liabilities	<u>906,160</u>	<u>11,128</u>	<u>9,023</u>	<u>908,265</u>	<u>58,705</u>
Total Long-Term Liabilities	<u>\$ 11,763,721</u>	<u>\$ 11,128</u>	<u>\$ 558,065</u>	<u>\$ 11,216,784</u>	<u>\$ 598,364</u>

The College's Long-Term Liability activity for the year ended June 30, 2006 was as follows:

	Balance 6/30/2005	Additions	Reductions	Balance 6/30/2006	Current Portion
Bond and Leases Payable:					
Enterprise Revenue Bonds	\$ 11,195,000	\$ -	\$ 500,000	\$ 10,695,000	\$ 425,000
Add: Unamortized Premium	336,503	-	18,068	318,435	-
Less: Refunding Gain/(Loss)	(423,703)	-	(31,098)	(392,605)	-
Capital Lease Obligation	373,368	-	136,637	236,731	137,072
Total Bonds and Leases Payable	<u>11,481,168</u>	<u>-</u>	<u>623,607</u>	<u>10,857,561</u>	<u>562,072</u>
Other Liabilities:					
Compensated Absences	769,304	86,424	-	855,728	75,273
Other	54,877	-	4,445	50,432	11,960
Total Other Liabilities	<u>824,181</u>	<u>86,424</u>	<u>4,445</u>	<u>906,160</u>	<u>87,233</u>
Total Long-Term Liabilities	<u>\$ 12,305,349</u>	<u>\$ 86,424</u>	<u>\$ 628,052</u>	<u>\$ 11,763,721</u>	<u>\$ 649,305</u>

NOTE 6: LEASE OBLIGATIONS

A capital lease for Energy Conservation Equipment was entered into May 17, 1996 in the amount of \$1,144,242. This lease consisted of two purchase agreements. Phase 1 agreement required monthly payments of \$4,527 for ten years with an interest rate of 6.75%. Phase 2 agreement requires monthly payments of \$8,612 for ten years with an interest rate of 6.75%.

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

Principal and interest requirements to maturity are as follows:

Year Ending June 30, 2008	\$103,340
Less amount representing interest	<u>(3,681)</u>
Principal outstanding	<u>\$ 99,659</u>

NOTE 7: BONDS PAYABLE

On February 18, 2004, the College issued Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds Series 2004A in the amount of \$11,575,000 for the purpose of refunding \$9,110,000 of Series A 1994 Enterprise Revenue Bonds and to obtain additional funds in the amount of \$2,103,880 for improvement projects. Proceeds in the amount of \$9,452,801 were placed into an irrevocable Escrow account for the refunding of the Series A 1994 Bonds, which were called on May 15, 2004 at 101% of face value. As a result, the Series A 1994 Bonds are considered defeased and the liability for those bonds has been removed from the College's Statement of Net Assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$466,462. This refunding loss is being amortized over a 15-year period. An additional cash flow requirement of \$951,996 is required to service the Series 2004A Bonds and an economic gain (difference between the present values of the old and new debt service payments) of \$472,524 is obtained.

The Series 2004A Bonds have annual maturities through 2018. The bonds maturing between May, 2019 thru May, 2024 are subject to mandatory sinking fund requirements by lot, on the dates and in the designated principal amounts as specified in the bond resolution, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Interest rates vary from 2.50% to 5.25% with an average rate of 4.63%. The bonds are collateralized by first lien on and pledge of all net revenues of the Auxiliary Facilities System. The Series 2004A Bonds are insured through the Municipal Bond Investors Assurance Corporation (MBIA).

The long-term bonds payable are shown in the Statement of Net Assets net of unamortized premium and unamortized deferred loss on refunding.

Debt Service Reserve Requirement

Under the terms of the bond resolution, the Debt Service Minimum Reserve Requirement is not expected to exceed \$987,333; which amount (1) does not exceed 10% of the original stated principal amounts of the Series 2004A Bonds, (2) does not exceed the maximum annual principal and interest requirements of the Series 2004A Bonds and (3) does not exceed 125% of the average annual principal and interest requirements of the Series 2002A Bonds. The College fulfilled this requirement with the purchase of a Debt Service Reserve Surety Bond in the amount of \$987,333 issued through the Municipal Bond Investors Assurance Corporation (MBIA).

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

Under the terms of the bond resolution, the Repair and Replacement Reserve Requirement is in an amount of not less than \$300,000. As of June 30, 2007 the College had a Repair and Replacement Reserve balance of \$672,374. Principal and interest requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	440,000	449,002
2009	450,000	436,902
2010	475,000	423,402
2011	475,000	407,965
2012	500,000	391,341
2013-2017	2,785,000	1,651,771
2018-2022	3,480,000	996,775
2023-2024	<u>1,665,000</u>	<u>132,300</u>
	\$10,270,000	<u>\$4,889,458</u>
Less unamortized Premium/ Discount and Refunding Loss	<u>(61,140)</u>	
Bonds Payable	<u>\$10,208,860</u>	

NOTE 8: COMMITMENTS AND CONTINGENCIES

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

The College receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the College. However, College management believes that any such disallowed amounts will not have a material adverse effect on any of the financial statements or on the overall financial position of the College at June 30, 2007.

NOTE 9: COMPENSATED ABSENCES

Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount, which will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, 2007, and June 30, 2006, are estimated as \$46,745 and \$75,273 respectively. The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, 2007, and June 30, 2006, are estimated as \$820,111 and \$780,455 respectively. Current expenses include a decrease of \$28,528 for the estimated compensated absence liability. None of the liability relates to the current restricted fund.

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

NOTE 10: PENSION PLAN OBLIGATIONS

On September 10, 1993 the Board of Trustees of the State Colleges adopted an Optional Retirement Plan (ORP) for faculty and exempt-administrative staff, under the authority of Senate Bill 92-127. The implementation date was May 1, 1994; eligible employees were offered the choice of remaining in PERA or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire. On July 1, 2003 the Board of Trustees for Adams State College elected to continue with the Optional Retirement Plan (ORP).

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 institution'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 the fiscal years ending June 30, 2007, 2006, and 2005 were \$832,719, \$750,702 and \$679,443 respectively. These contributions were equal to the required contributions for each year. All ORP contributions are immediately vested in the employee's account. Normal retirement 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 decisions made by participants for their individual investment accounts.

As of May 1, 1994, some exempt employees of the institution elected to continue as members with the Public Employee's Retirement Association of Colorado (PERA), the remainder participates in the ORP.

PERA Plan Description

Many 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 the case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and 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 PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Non-higher education employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Based on the 2006 legislation, higher education employees hired on or after January 1, 2008, have the additional option of participating in the state's defined contribution plan or PERA's defined contribution plan, which are discussed below, as well as the plans available to other employees in their institution.

**STATE OF COLORADO
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NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members (except state troopers) vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as 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 and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percent of the employer contributions for this population.)

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

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 eligible children under the age of 18 (23 if a full-time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

Funding Policy

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

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2006 to December 31, 2006, the state contributed 10.65 percent of the employee's salary. From January 1, 2007, through June 30, 2007, the state contributed 11.15 percent. During all of Fiscal Year 2005-06, 1.02 percent of the employees' gross covered wages was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the division of PERA in which the State participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

Historically, members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The College's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ending June 30, 2007, 2006 and 2005 were \$1,025,181, \$933,618 and \$837,917 respectively. These contributions were equal to the required contributions for each year.

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan, for Adams State College was \$82,782. Employee contributions were 7.5 percent of covered payroll.

NOTE 11: 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 a 403(b) or 401(a) plan.

NOTE 12: POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. 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. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

The Health Care Trust Fund is maintained by the institution's contribution as discussed in Note 10.

Monthly premium costs for participants depend on the health care plan selected, the number of persons 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 benefit plans and another carrier for prescription benefits, and with several health maintenance organizations providing services within Colorado. As of December 31, 2006, there were 42,433 enrollees in the plan.

Life Insurance Program

During Fiscal Year 2006-07, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 members participated. Active members may join the Unum Provident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 12,790 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

Other Programs - Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare. As of June 30, 2007 there were 41 participants in post retirement coverage from the eight member higher education institutions. For fiscal year 2007, Adams State College had no retired faculty or administrative participants under CHEIBA.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting following Governmental accounting standards for a business type activity. The financial statements can be obtained by contacting the Adams State College Human Resources Office. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of the Trust's investments is based on quoted market prices from national securities exchanges.

There are no long term contracts for contributions to the plan. Participating schools can withdraw their participation in the plan with at least one years notice to the CHEIBA board.

NOTE 13: SCHOLARSHIP ALLOWANCES

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2007 and 2006 were as follows:

	<u>Tuition & Fees</u>	<u>Auxiliary Revenue</u>	<u>2007 Total</u>	<u>2006 Total</u>
Gross Revenue	<u>\$16,407,375</u>	<u>\$6,519,286</u>	<u>\$22,926,661</u>	<u>\$21,789,987</u>
<u>Scholarship Allowances:</u>				
Federal	3,020,174	292,111	3,312,285	3,185,285
State	1,011,613	97,844	1,109,457	1,210,599
Private	655,256	63,377	718,633	623,407
Institutional	1,198,400	115,910	1,314,310	924,589
Total Allowances	<u>5,885,443</u>	<u>569,242</u>	<u>6,454,685</u>	<u>5,943,880</u>
Net Revenue	<u>\$10,521,932</u>	<u>\$5,950,044</u>	<u>\$16,471,976</u>	<u>\$15,846,107</u>

NOTE 14: COLLEGE FOUNDATION

The Adams State College Foundation was formed and incorporated on January 23, 1962, as a non-profit corporation for the purpose of receiving gifts, legacies and grants of money and property and to administer these exclusively for educational purposes entirely within the Adams State College area in the State of Colorado, and for the purpose of promoting and furthering the interests, objectives and purposes of Adams State College in such other ways and manners as the corporation may from time to time determine.

**STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006**

During the year ended June 30, 2007 and 2006 the College received funds totaling \$1,557,997 and \$1,657,072, respectively, from the Foundation for scholarships, work study and grants-in-aid. These funds are appropriately accounted for and reported in the financial statements. In addition, the Foundation has expended funds for the purchase of an insignificant quantity of supplies and other services from the College.

For year ended June 30, 2007 and 2006, the College is discretely presenting the Adams State College Foundation's Statement of Financial Position and Statement of Activities as required by GASB 39. The Foundation's note on Investments is included in Note 2.

NOTE 15: ACCRUED PAYROLL

Prior to fiscal year 2003, salaries and wages earned through the end of the fiscal year were paid to employees on June 30. Senate Bill 03-197 requires that monthly salaries for June that were normally paid on June 30 are to be paid on July 1. This created an accrual for June 30, 2007 and June 30, 2006 of \$1,701,938 and \$1,542,085, respectively.

NOTE 16: RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

NOTE 17: LONG BILL BUDGET, ACTUAL REVENUE AND ACTUAL EXPENSES

The budget, actual revenue and actual expenses related to the amounts shown in the State of Colorado Long Bill for tuition, academic fees, stipends and fee for service contracts for fiscal year 2007 are as follows:

Budget	\$19,022,617
Actual Revenues	19,106,091
Actual Expenses	14,901,070

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

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**Schedule of Revenues and Expenses
for Enterprise Revenue Bonds
Adams State College
For Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Revenue		
College Service Fees	\$ 585,763	\$ 588,144
Traffic Control Fees	60,841	35,569
Rental Income	3,134,884	2,934,970
Food Service Income	1,417,068	1,352,295
Sales/Services Auxiliaries	1,344,258	1,379,955
Interest Income	57,797	37,386
Other Income	144,302	97,490
Total Revenue	<u>6,744,913</u>	<u>6,425,809</u>
Expenses		
Salaries & Benefits	1,345,040	1,272,844
Costs of Goods	912,127	935,107
Utilities Expense	487,903	496,887
Rental Expense	182,708	183,817
Contract Food Services	821,094	836,713
Travel	14,995	18,801
Supplies	143,747	148,417
Other Operating Expenses	346,644	242,959
Purchased Services-Personal	13,751	1,187
Financial Aid	15,900	100,970
Administrative Cost Allowance	574,108	555,053
Furniture & Equipment	66,494	36,133
Other Capital Expenditures	117,831	125,728
Other Expenses	154,068	205,731
Total Expenses	<u>5,196,410</u>	<u>5,160,347</u>
Net Revenue before Transfers	<u>1,548,503</u>	<u>1,265,462</u>
Transfers		
Mandatory Transfers	884,778	901,564
Nonmandatory Transfers	518,700	448,373
Total Transfers	<u>1,403,478</u>	<u>1,349,937</u>
Net Revenue (Loss)	<u>\$ 145,025</u>	<u>\$ (84,475)</u>

**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 Adams State College, a blended component unit of the State of Colorado, as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated October 25, 2007. We have also audited the financial statements of Adams State College Foundation, a discretely presented component unit of Adams State College, as of June 30, 2007 and 2006. 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. The financial statements of the discretely presented component unit, Adams State College Foundation, were not audited in accordance with the Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adams State College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Adams State College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Adams State College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Adams State College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Adams State College's financial statements that is more than inconsequential will not be prevented or detected by the Adams State College's internal control. We consider the deficiencies described in the Findings and Recommendations section to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Adams State College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

Adams State College's response to the findings identified in our audit is described in the Findings and Recommendations section. We did not audit Adams State College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Certified Public Accountants

Alamosa, Colorado
October 25, 2007

Members of the Legislative Audit Committee:

We have audited the financial statements of Adams State College for the year ended June 30, 2007 and 2006, and have issued our report thereon dated October 25, 2007. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our contract dated March 16, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that 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 Adams State College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our contract, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Adams State College are described in Note 1 to the financial statements. We noted no transactions entered into by Adams State College during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. 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 most sensitive 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 key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this report, 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. During the course of any audit, an auditor will propose adjustments of financial statement amounts. Management evaluates the proposed adjustment and records the adjustment if it is necessary to prevent the financial statements from being materially misstated. There were no proposed adjustments or any other adjustments based on our audit.

Disagreements with Management

For purposes of this report, 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 statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

Difficulties Encountered in Performing the Audit

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

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Certified Public Accountants

October 25, 2007

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STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

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ADAMS STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the Year Ended June 30, 2007

Introduction

Adams State College is a state-supported institution of higher education located in Alamosa, Colorado.

The financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2007, 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). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2007.

State-Funded Student Assistance Programs

The various state-funded student assistance programs at the College include the Colorado Student Grant Program, Colorado Work Study Program, Undergraduate Merit Award Program, Perkins Student Loan Matching Program, Diversity Grant Program, Governor's Opportunity Scholarship, CLEAP and SLEAP.

The state-funded student assistance awards made by the College were approximately \$1,635,000 and \$1,705,000 for the fiscal years ended 2007 and 2006, respectively.

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, Adams State College obtained authorizations to award federal student financial aid funds of \$3,547,000 in the Pell Grant Program, \$145,000 in the Supplemental Educational Opportunity Grant Program and \$228,000 in the College Work-Study Program.

During the audit period, Adams State College obtained authorizations to award Colorado student financial aid funds of \$109,000 in the CLEAP and SLEAP Programs, \$818,000 in the Student Grant Program, \$357,000 in the Colorado Work Study Program, \$22,000 in the Merit Award Program, and \$290,000 in the Governor's Opportunity Scholarship.

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

Members of the Legislative Audit Committee:

We have audited the accompanying Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Adams State College for the year ended June 30, 2007. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The statements were 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), 2006 revision. The statements are a summary of cash activity of the state-funded student financial assistance programs with the exception of the College Work-Study Program and the Perkins Loan Program, and do 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 statements are not intended to present the financial position or changes in financial position of Adams State College in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the statements referred to above present fairly the appropriations, expenditures, transfers, and reversions of the state-funded student assistance programs of Adams State College, in all material respects, for the year ended June 30, 2007, in conformity with the provisions of the Colorado Commission of Higher Education's *Colorado Handbook for State-Funded Student Financial Assistance Programs*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2007 on our consideration of Adams State College'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.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Certified Public Accountants

October 25, 2007

STATE OF COLORADO
 ADAMS STATE COLLEGE
 STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
 STATEMENT OF APPROPRIATIONS
 EXPENDITURES AND REVERSIONS
 YEAR ENDED JUNE 30, 2007

	TOTAL STATE- FUNDED STUDENT ASSISTANCE	CLEAP PROGRAM	SLEAP PROGRAM	STUDENT GRANT PROGRAM	WORK STUDY PROGRAM	COLORADO MERIT SCHOLARSHIP	SCHOLARSHIP FOR PRECOLLEGIATE PROGRAMS	GOVERNOR'S OPPORTUNITY SCHOLARSHIP
ORIGINAL	\$ 1,530,425	\$ 45,405	\$ 64,189	\$ 802,765	\$ 342,492	\$ 22,186	\$ -	\$ 253,388
SUPPLEMENTAL	105,229	-	-	15,691	15,000	-	36,853	37,685
TRANSFERS	-	-	-	-	-	-	-	-
RETURNED TO CCHF	(158)	-	-	-	-	-	-	(158)
TOTAL	1,635,496	45,405	64,189	818,456	357,492	22,186	36,853	290,915
EXPENDITURES	1,635,496	45,405	64,189	818,456	357,492	22,186	36,853	290,915
REVERSIONS TO STATE GENERAL FUND	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

APPROPRIATIONS:

**ADAMS STATE COLLEGE
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NOTES TO STATEMENT OF APPROPRIATIONS, EXPENDITURES,
TRANSFERS AND REVERSIONS**

Basis of Accounting

The accounting systems of Adams State College are structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in its revised publication *Financial Accounting and Reporting Manual*.

All student aid is expensed on a cash basis except for the Perkins Loan Program and the College Work-Study Program. Perkins Student Loans are recorded as loans receivable when the funds are disbursed. College Work-Study is on the accrual basis in that the expense is recognized when the services are performed.

Note A

CLEAP and SLEAP Grants consist of 41 percent state funds and 59 percent federal funds. The amount shown is the combined total.

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