

ADAMS STATE COLLEGE

FINANCIAL AND COMPLIANCE AUDIT

Fiscal years ended June 30, 2010 and 2009

**LEGISLATIVE AUDIT COMMITTEE
2010 MEMBERS**

Senator David Schultheis
Chair

Senator Lois Tochtrop
Vice-Chair

Senator Morgan Carroll
Representative Jim Kerr
Representative Joe Miklosi

Senator Shawn Mitchell
Representative Dianne Primavera
Representative Mark Waller

OFFICE OF THE STATE AUDITOR

Sally Symanski
State Auditor

Dianne Ray
Deputy State Auditor

Marisa Neff
Legislative Auditor

Dalby, Wendland & Co., P.C.
Contract Auditors

TABLE OF CONTENTS

	<u>Page</u>
Report Summary.....	1
Recommendation Locator	3
Description of Adams State College	4
Findings and Recommendations Section	
Findings and Recommendations.....	5
Disposition of Prior Audit Recommendations.....	12
FINANCIAL STATEMENTS SECTION	
Independent Auditor’s Report	13
Management’s Discussion and Analysis	15
Statements of Net Assets	22
Adams State College Foundation Statements of Financial Position	23
Statements of Revenues, Expenses and Changes in Net Assets.....	24
Adams State College Foundation Statement of Activities	
June 30, 2010.....	25
June 30, 2009.....	26
Statements of Cash Flows	27
Notes to the Financial Statements	29
Supplemental Information	
Schedule of Revenues and Expenses for 2009A, 2009B, and 2009C Series Revenue Improvement Bonds	46
Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Audit Committee Communications.....	49
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION	
State-Funded Student Assistance Programs	52
Report of Independent Auditors on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs.....	53
State-Funded Student Assistance Programs - Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs.....	55
Summary of Significant Accounting Policies and Notes to Statement of Appropriations, Expenditures, Transfers and Reversions	56

ADAMS STATE COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
Fiscal years ended June 30, 2010 and 2009

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 2010 audit was conducted under contract with Dalby, Wendland & Co., P.C. The audit was made in accordance with audit standards generally accepted in the United States of America. Audit work was performed June through October 2010.

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, 2010 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, 2010.
- 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, 2010 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

Audit Results and Summary of Major Audit Findings

Dalby, Wendland & Co., P.C. expressed unqualified opinions on the financial statements for the years ended June 30, 2010 and 2009. Dalby, Wendland & Co., P.C. also expressed unqualified opinions on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Financial Assistance Programs for the fiscal years ended June 30, 2010 and 2009.

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 account for a portion of retainage payable related to construction-in-progress and as a result understated construction-in-progress by that same amount. We further noted that the College identified and recorded two post-closing journal entries for construction work that had been completed during the fiscal year ended June 30, 2010.

We noted that there was no review or approval for any of the monthly procurement card transactions during the fiscal year ended June 30, 2010 for a particular employee.

We noted one student for which there was no current Verification Worksheet for the income level listed in Banner.

We noted that the College under reported its allowance for doubtful accounts for the Perkins/National Direct Student Loans.

We noted that the College removed a restriction from the net assets through a post-closing entry when the restriction was actually released during the fiscal year ended June 30, 2010.

Recommendation and College Response

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

Summary of Progress in Implementing Prior Audit Findings

There was one recommendation made in the prior year audit. The recommendation was 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	6	Adams State College should implement procedures to ensure that construction-in-progress, which includes retainage payable, is accurately recorded both on the College's accounting records and on the State's financial system. In addition, these procedures should include ensuring all construction invoices for the fiscal year are recorded in the accounting records prior to the year-end closing.	Agree	June 30, 2011
2	7	Adams State College should ensure an independent review occurs on all employee procurement card transactions by enforcing its policies and procedures requiring such reviews.	Agree	Implemented
3	9	Adams State College should ensure all documentation that supports eligibility for Federal Student Financial Aid is retained by scanning all documentation into Banner Xtender.	Agree	January 3, 2011
4	10	Adams State College should improve controls over the allowance for doubtful accounts related to loans receivable by developing and implementing a procedure to ensure that a documented supervisory review of the calculation for the allowance is performed and the amount recorded for the allowance for doubtful accounts is accurate and complete.	Agree	June 30, 2011
5	11	Adams State College should document and implement a procedure on when bonds are paid off, or defeased, to review and remove the restrictions imposed by those bonds. In addition, the College should document and implement a procedure to review their restricted net assets prior to the close of their accounting records to ensure that the restrictions are still valid.	Agree	June 30, 2011

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, Business, 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:

	2008	2009	2010
Resident Students	1,703.0	1,646.1	1,856.6
Nonresident Students	274.7	272.6	308.0
Total Students	<u>1,977.7</u>	<u>1,918.7</u>	<u>2,164.6</u>
Faculty FTEs	157.1	157.9	163.4
Staff FTEs	114.8	123.3	131.3
Total Staff and Faculty FTEs	<u>271.9</u>	<u>281.2</u>	<u>294.7</u>

FINDINGS AND RECOMMENDATIONS SECTION

Findings and Recommendations

Construction-In-Progress

During Fiscal Year 2010, Adams State College (the College) had construction projects in progress. Historically, the College's construction projects have been funded by the State. For Fiscal Year 2010, the College obtained financing, through issuing bonds, to pay for construction projects. The College recorded approximately \$24 million as construction in progress for Fiscal Year 2010.

What was the purpose of the audit work?

The purpose of the audit work was to determine the appropriateness of the College's financial statement balance of construction-in-progress at June 30, 2010, including the accurate recording of retainage payable and the recognition of construction costs incurred through the end of the fiscal year.

What audit work was performed and how were results measured?

During the Fiscal Year 2010 audit, we reviewed the College's financial statements and accounting records associated with construction-in-progress that totaled about \$24.8 million. In addition, we reviewed contractor invoices for construction-in-progress to ensure retainage was recorded in the College's accounting records.

As construction progresses, the respective contractors will submit invoices to the College for the work completed. The College reduces the gross invoice amount by 10 percent for a retainage prior to payment being released. Retainage represents a percentage of a contract price retained by the College from a contractor as assurance that subcontractors will be paid and the job will be completed as required per the contract. Retainage represents an obligation for future payment to a contractor for construction work already performed. Retainage is recorded in the financial statements as a liability and construction in progress.

The College's policy is to review with building management all invoices due on construction-in-progress at year end to ensure that invoices are recorded into the proper fiscal period. Any material invoices received subsequent to the close of COFRS are to be posted as post closing adjustments.

What problem did the audit work identify?

While reviewing the College's construction in progress, we identified two issues related to retainage payable and construction invoices received at the end of the fiscal year.

- The College recorded payments at amounts net of the retainage and did not record a liability for retainage payable of approximately \$1.2 million on construction-in-progress at June 30, 2010. This retainage was predominately associated with two projects, the Coronado Hall renovation and the Stadium Housing project. Construction in progress was understated by the same amount.
- In addition, we noted that the College identified and made two post closing adjustments totaling about \$317,000 to the financial statements for construction-in-progress for invoices received after the fiscal year ended. These invoices were for work completed during fiscal year 2010 and had been received prior to year-end closing, however, the accounting department was not aware of them until after closing. This also resulted in an understatement of accounts payable of the same amount.

Why does this problem matter?

The College understated capital assets and liabilities by approximately \$1.2 million as of June 30, 2010 on both the State's and College's accounting systems. This resulted in a material adjustment to the College's accounting records. Additionally, the College's assets and liabilities were understated by about \$317,000 and therefore caused the College to record two post closing adjustments on the College's financial statements.

Why did this problem occur?

The College's normal funding source for capital construction is State funding. The invoices for construction payments show the payment amount and the retainage amount. When construction projects are State funded, then payments made on construction-in-progress are recorded on the College's accounting system, net of the associated retainage. The College then records the retainage directly to the State's accounting system, COFRS.

In Fiscal Year 2010, the College did not update its procedures for recording construction-in-progress to differentiate between State funded capital construction and other funding for capital construction to ensure that the expenditures and liabilities were properly recorded. Specifically, the College did not establish a procedure to capture and record retainage payable for capital construction funded through financing.

In addition, the College does not have a procedure in place to ensure that all construction invoices that are discussed with building management at year end are recorded in the accounting records prior to the year-end closing of these records. The construction manager received and submitted the construction invoices to the President's office for approval; however the accounting department did not receive the final approved invoices until after fiscal year-end. The year-end recording is done based on actual invoices received by the accounting department.

(Classification of Finding: Material Weakness)

Recommendation No. 1:

Adams State College should implement procedures to ensure that construction-in-progress, which includes retainage payable, is accurately recorded both on the College's accounting records and on the State's financial system. In addition, these procedures should include ensuring all construction invoices for the fiscal year are recorded in the accounting records prior to the year-end closing.

Adams State College Response: Agree

Implementation Date: June 30, 2011

The College will implement procedures to ensure that construction-in-progress, including retainage payable, is recorded accurately on the College's accounting records and on the State's financial system. These procedures will also include making every effort to record all construction invoices applicable to the fiscal year prior to the close of the College's accounting records and the State's financial system. However, there are some instances where invoices are not available from the College's vendors by the required closing date of the fiscal year and a reasonable estimate of the invoice amount cannot be determined at that date. In those cases, if the amount is material, a post closing adjusting entry will be submitted by the College, as it has done in the past, which is permitted by the Office of the State Controller per Section 5.13 of the State Fiscal Procedures Manual. For the year ended June 30, 2010, all construction invoices applicable to the fiscal year, except those relating to retainage as discussed above, were recorded correctly on the College's financial statements after post-closing adjustments.

Review and Approval of All Procurement Cardholder Monthly Activity

The Procurement Card (P-Card) Program was established to allow the College's employees and departments to use a state credit card to make small purchases with the goal of making it easier for employees designated by their departments to acquire goods and services while providing more timely payment to vendors and reducing the number of small dollar payments.

What was the purpose of the audit work?

The purpose of the audit work was to perform tests of the College's internal controls over cash disbursements, including P-Cards

What audit work was performed and how were results measured?

The audit work performed was testing of the College's internal controls over a sample of 25 cash disbursements including those related to P-Card transactions.

The College's P-Card policy states that an Approving Official, who is a person assigned to review Cardholder transactions to ensure compliance with P-Card policies and guidelines, cannot review their own Cardholder activity. The reviewer is responsible for ensuring that transaction initiated by the College's employees have an official state business purpose and are reasonable and necessary under the circumstances.

What problem did the audit work identify?

During our testing of the 25 disbursements, we noted one disbursement for \$5.91 that was a P-card transaction for one employee where no review or approval was noted on the disbursement. In addition, we noted there was no review or approval for any of the employee's monthly P-card transactions totaling \$32,274 for Fiscal Year 2010.

Why does this problem matter?

There is an increased risk of possible fraud and misuse of the College's funds due to the College not requiring this employee to have someone else review the employee's monthly activity P-Card transaction activity.

Why did the problem occur?

This employee was allowed to review and approve their own P-Card transaction activity.

(Classification of Finding: Significant Deficiency)

Recommendation No. 2:

Adams State College should ensure an independent review occurs on all employee procurement card transactions by enforcing its policies and procedures requiring such reviews.

Adams State College Response: Agree

Implementation Date: Implemented

The College had one employee in the past who was allowed to approve her own P-Card purchases. This employee left employment at the College in December 2009. No other employees are or will be allowed to approve their own purchases per College policies and procedures.

Maintaining Verification Worksheets for Non-filers

The College participates in various Federal student financial assistance (SFA) programs, the objective of which is to provide financial assistance to eligible students attending institutions of postsecondary education. Institutions of postsecondary education such as the College have certain responsibilities in relation to SFA programs including determining student eligibility, verifying student data, and calculating the amount of financial aid a student can receive along with various other responsibilities.

What was the purpose of the audit work?

The purpose of the audit work was to perform tests of the College's internal control related to Federal SFA programs and to perform tests of the College's compliance with laws and regulations that could have a direct and material effect on the Federal SFA programs in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

What Audit work was performed and how were results measured?

We reviewed a sample of 25 students that received federal SFA during Fiscal Year 2010. We reviewed information maintained by the College to support the student's eligibility. The College uses a databases system, Banner, to track student eligibility for federal SFA. The College maintains the eligibility documentation electronically by scanning documents into the Banner Xtender server. The scanned documents include either the students complete and signed Verification Worksheet or the student's federal tax return that will support the student's income. The student's income level is used to calculate the Estimated Family Contribution (EFC). The EFC is then used to determine the amount of grant funds the student is eligible to receive.

Federal regulations require the College to maintain a complete and signed Verification Worksheet as proof of a student's income for all students who are not required to file a federal income tax return.

What problem did the audit work identify?

Our testing of the sample of 25 students found one student where the College did not have a current Verification Worksheet for the income level listed in Banner. The Banner Xtender system included a signed Verification Worksheet submitted by this student for Fiscal Year 2010, however this worksheet listed income level higher than what was shown in Banner. The College stated that the student re-submitted the Verification Worksheet for Fiscal Year 2010 with the worksheet showing an income level that agreed to Banner, however this was not retained in the Banner Xtender system. The student is still eligible to receive student financial aid since their EFC was the same for both the retained Verification Worksheet and the missing Verification Worksheet.

Why does this problem matter?

There is no supporting documentation for the student's final income amount used to determine their SFA award, which is a violation of Federal regulations.

Why did the problem occur?

The College indicated the Verification Worksheet was received, but was not scanned into Banner Xtender, the records retention software.

(CFDA No.; 84.063 Federal Pell Grant Program. Classification of Finding : Deficiency in internal controls)

Recommendation No. 3:

Adams State College should ensure all documentation that supports eligibility for Federal Student Financial Aid is retained by scanning all documentation into Banner Xtender.

Adams State College Response: Agree

Implementation Date: January 3, 2011

The College will evaluate its current policies and procedures regarding electronic imaging of documents for purposes of determining eligibility for Title IV federal student aid. The institution will implement a redefined policy and procedure to address the accuracy of all financial aid document imaging. Additional staff trainings will be implemented to instruct all current and new staff on procedures to ensure all documents are scanned and indexed correctly.

Allowance for Doubtful Accounts

The College participates in the Perkins/National Direct Student Loan Program. The program provides low-interest loans to help needy students finance the costs of postsecondary education. The College tracks these loans within the Perkins/National Direct Student Loan database. Each month the College downloads an aging schedule for the Perkins/National Direct Student Loans. This schedule will breakdown the loans based on the date of the last payment received. The College had about \$1,009,000 of loans outstanding as of June 30, 2010.

When loans have been determined to be in default, the College will assign the loans to the US Department of Education (USDE) for collection. The loans are still tracked in the Perkins/National Direct Student Loan Program, however they are effectively written off on the College's financial statements.

The total amount of outstanding loan balances that are 240 days or older, and have not been assigned to USDE, are listed on the College's allowance for doubtful accounts schedule. The aged loan balances older than 240 days comprise the total balance of allowance for doubtful accounts on the College's financial statements. For the \$1,009,000 of loans outstanding, the total amount of the allowance for doubtful accounts was about \$118,000.

What was the purpose of the audit work?

The purpose of the audit work was to determine if the College has controls in place to ensure that the allowance for doubtful accounts is adequately supported and properly reported on the College's financial statements.

What audit work was performed and how were results measured?

We obtained the College's allowance for doubtful accounts schedule for the Perkins/National Direct Student Loans. This schedule was compared to the total amount recorded in the allowance for doubtful accounts on the College's financial statements.

The College's policy is to calculate the allowance for doubtful accounts at 100% of all Perkins/National Direct Student Loans older than 240 days.

What problem did the audit work identify?

During our review of the College's allowance for doubtful accounts, we noted the College under reported its allowance amount for doubtful accounts for the Perkins/National Direct Student Loans by \$60,000. The total allowance should have totaled about \$178,000 rather than the \$118,000 that was reported in the financial statement.

Why does this problem matter?

The College under reported the allowance for doubtful accounts for the Perkins/National Direct Student Loans by \$60,000.

Why did the problem occur?

The College does not have a procedure in place that requires a documented supervisory review of the calculation for the allowance for doubtful accounts to ensure the amount recorded on the financial statements is accurate and complete.

(Classification of Finding: Deficiency in Internal Controls)

Recommendation No. 4:

Adams State College should improve controls over the allowance for doubtful accounts related to loans receivable by developing and implementing a procedure to ensure that a documented supervisory review of the calculation for the allowance is performed and the amount recorded for the allowance for doubtful accounts is accurate and complete.

Adams State College Response: Agree

Implementation Date: June 30, 2011

The College agrees that a clerical mistake was made in the computation of the allowance for doubtful accounts for the Perkins loan program. The College Controller reviewed the workpapers prepared for the calculation of the allowance, but did not catch the mistake. The College will make every effort to ensure that no clerical errors are made in the future, however, no procedure can ensure that 100% of all mistakes will be caught and corrected. This mistake was not material to the financial statements and did not cause the financial statements to be misrepresented. In order to comply with this recommendation, the College will prepare a procedure to ensure that a supervisory review of the calculation of the allowance for doubtful accounts is completed each year so that the potential for any immaterial clerical errors is reduced.

Reclassification of Net Assets

During the fiscal year ended June 30, 2010, the College issued \$12.8 million in revenue bonds for the purpose of refunding \$9.4 million in their Series 2004A Enterprise Revenue bonds (Series 2004A), which resulted in the College defeasing the Series 2004A bonds. The Series 2004A bonds required a cash restriction of \$300,000. This restriction was released upon the defeasance of the Series 2004A bonds.

What was the purpose of the audit work?

The purpose of the audit work was to determine the appropriateness of the College's financial statement balances of restricted and unrestricted net assets at June 30, 2010.

What audit work was performed and how were the results measured?

The audit work performed was to review supporting detail for the College's unrestricted and restricted net assets, as compared to the information reported on their financial statements. This supporting detail was reviewed in conjunction with the post closing adjustment recorded against restricted net assets.

Restricted net assets should be reported as restricted when constraints placed on net assets use are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

What problem did the audit work identify?

During our review of the financial statements, we noted the College made a post-closing adjustment of \$300,000 to reclassify portions of restricted net assets to unrestricted net assets. Specifically, this adjustment was for the Series 2004A bonds that were defeased during Fiscal Year 2010; therefore, the restriction was no longer required for the \$300,000. The defeasance occurred in December 2009, however, the College did not remove the restriction from these funds until August 2010 through a post-closing adjustment.

Why does this problem matter?

The College's and the State's financial statement net asset balances were misstated, which required a post-closing adjustment to the accounting records to correct this misstatement.

Why did the problem occur?

The College does not have a procedure in place to ensure that restrictions imposed by bonds are removed once the bonds are paid off or defeased. The College did not review the composition of its restricted net assets as of June 30, 2010 to ascertain whether the restrictions were still appropriate until after the accounting records were closed.

(Classification of Finding: Deficiency in internal controls)

Recommendation No. 5:

Adams State College should document and implement a procedure on when bonds are paid off, or defeased, to review and remove the restrictions imposed by those bonds. In addition, the College should document and implement a procedure to review their restricted net assets prior to the close of their accounting records to ensure that the restrictions are still valid.

Adams State College Response: Agree

Implementation Date: June 30, 2011

The College did review its restricted assets prior to the close of the accounting system. Due to an oversight, the removal of this restriction was not recorded on the accounting system. This was corrected by a post closing adjusting entry, which is permitted by the Office of the State Controller per Section 5.13 of the State Fiscal Procedures Manual. The College's financial statements submitted to the Office of the State Controller and Dalby, Wendland and Company showed the correct amount of restricted net assets. In order to comply with this recommendation, and to reduce the potential of any future post closing entries, which are allowed by the State Controller, the College will prepare a documented procedure to ensure that restricted net assets will be reviewed and will continue to be reported correctly at the end of each fiscal year.

Disposition of Prior Audit Recommendations

Listed below is the recommendation included in the audit report for Adams State College for the year ended June 30, 2009, and their disposition as of June 30, 2010.

Recommendation	Disposition
1. Adams State College should communicate to all staff accountants the importance of proper month and year end cut-offs. The communication should enhance the staff's understanding of the role each area plays in the completeness and accuracy of the College's financial statements. Staff should communicate with management any delays in recording significant financial transactions.	Implemented.

FINANCIAL STATEMENTS SECTION

DALBY, WENDLAND & CO., P.C.



Certified Public Accountants & Consultants

464 MAIN STREET • P.O. BOX 430 • GRAND JUNCTION, COLORADO 81502-0430
TELEPHONE 970/243-1921 • FAX 970/243-9214 • www.dalbycpa.com

INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business type activities of Adams State College (the College), a blended component unit of the State of Colorado, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. The financial statements of Adams State College Foundation, a discretely presented component unit of the College, as of June 30, 2010 and 2009 and for the years ended were audited by other auditors whose report dated October 20, 2010 expressed an unqualified opinion. 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. 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 audit provides 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, 2010 and 2009, 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 December 8, 2010 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.

The Management's Discussion and Analysis on pages 15 through 21, 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 audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of Revenues and Expenses for Enterprise Revenue Bonds and Revenue Improvement Bonds are presented for purposes of additional analysis and is not a required part of the financial statements of the 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.

Dalby Wendland & Co, P.C

DALBY, WENDLAND & CO., P.C.

December 8, 2010

ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report presents a discussion and analysis of the financial performance of Adams State College (the College) for the fiscal year ended June 30, 2010, with selected comparative information for the years ended June 30, 2009 and June 30, 2008. 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, 2010

The College's total net assets increased by \$1.9 million during fiscal year 2010 compared to an \$8.6 million increase in net assets during fiscal year 2009. The increase is primarily a result of increases in Federal Pell Grants of \$2.4 million, Sales & services of auxiliary enterprises of \$0.5 million, and State Fiscal Stabilization of \$4.8 million, net of decreases in Fee for Service Contract Revenue of \$4.1 million, and an increase in total operating expenses of \$1.7 million from fiscal year 2010 to 2009. The decrease in the amount of increased total net assets from fiscal year 2010 compared to fiscal year 2009 results from State Appropriations, Capital, decreasing by \$8.1 million from fiscal year 2009 to fiscal year 2010. This was due to the completion and the majority of revenue accrual for the State funded Plachy Hall remodel project in fiscal year 2009.

The College had a ratio of current assets to current liabilities of 4.3. This current ratio demonstrates the liquidity of College assets and the relative availability of working capital to fund current operations. The decrease in the current ratio of 5.2 from fiscal year 2009 to 4.3 in fiscal year 2010 is primarily a result of the spend down of bond proceeds on various construction projects in fiscal year 2010.

An operating deficit of \$14.5 million results from the College's dependence on Gifts and Donations and Other Non-operating revenue, which under the guidelines established by GASB Statements 34 and 35 is shown as non-operating revenues. The College received no state operating appropriations, but received \$5.3 million in fee for service contract revenue from the Colorado Department of Higher Education and \$1.9 million in College Opportunity Fund stipends from College Assist during fiscal year 2010. The College also received \$7.3 million in Federal non-operating American Recovery and Reinvestment Act (ARRA) funds during fiscal year 2010 from the Colorado Department of Higher Education.

Year Ended June 30, 2009

The College's total net assets increased by \$8.6 million during fiscal year 2009 compared to a \$2.4 million increase in net assets during fiscal year 2008. The increase is primarily a result of capital appropriations from the State increasing by \$5.1 million in fiscal year 2009 as compared to fiscal year 2008 as a result of renovation of the Plachy Hall which is funded by the State capital construction fund. The increase in the amount of increased total net assets from fiscal year 2009 as compared to fiscal year 2008 is due to the completion and the majority of revenue accrual for the State funded Plachy Hall renovation in fiscal year 2009.

ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2010

The College had a ratio of current assets to current liabilities of 5.2. This current ratio demonstrates the liquidity of College assets and the relative availability of working capital to fund current operations. The current ratio for the year ended June 30, 2008 was 2.6. The increase in the current ratio from fiscal year 2008 to fiscal year 2009 is primarily a result of the issuance of bond proceeds of \$19.8 million received but not spent at June 30, 2009.

An operating deficit of \$4.4 million results from the College's dependence on Gifts and Donations and Other Non-operating revenue, which under the guidelines established by GASB Statements 34 and 35 is shown as non-operating revenues. The College received no state operating appropriations, but received \$9.4 million in fee for service contract revenue from the Colorado Department of Higher Education and \$2.8 million in College Opportunity Fund stipends from College Assist during fiscal year 2009. The College also received \$2.5 million in Federal American Recovery and Reinvestment Act (ARRA) funds during fiscal year 2009 from the Colorado Department of Higher Education.

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.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(in thousands)		
Assets			
Current Assets	\$ 54,412	\$ 35,669	\$ 15,715
Noncurrent Assets	82,014	63,735	54,528
Total Assets	<u>136,426</u>	<u>99,404</u>	<u>70,243</u>
Liabilities			
Current Liabilities	12,688	6,815	6,090
Noncurrent Liabilities	59,435	30,182	10,366
Total Liabilities	<u>72,123</u>	<u>36,997</u>	<u>16,456</u>
Net Assets			
Invested in Capital Assets, net of related debt	52,238	52,159	43,308
Restricted	3,786	4,113	3,352
Unrestricted	8,278	6,135	7,127
Total Net Assets	<u>\$ 64,302</u>	<u>\$ 62,407</u>	<u>\$ 53,787</u>

ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2010

At June 30, 2010 the College's total assets were \$136.4 million. The largest asset category is the \$80.5 million in capital assets, net of accumulated depreciation of \$45.6 million. These assets include land, buildings, equipment, library holdings, and construction in process. Construction in progress increased by a net amount of \$8.7 million in fiscal year 2010, with the largest increase being the Stadium Housing Project, which increased construction in progress by \$14.6 million. The Plachy Hall renovation project was completed in fiscal year 2010 and was transferred out of construction in progress in the amount of \$11.4 million. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal year 2010, the College's current assets of \$54.4 million were sufficient to cover current liabilities of \$12.7 million (producing a current ratio of 4.3). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over \$52.0 million in assets per the Statement of Net Assets.

Bonds payable of \$58.7 million represent almost 81% of the College's total liabilities of \$72.1 million. The current portion of the bonds payable liability is \$0.39 million. Additional bonds payable in the amount of \$40.4 million were issued in fiscal year 2010, which included the defeasance of \$9.4 million of bonds payable.

The College's financial position improved during the fiscal year as evidenced by the increase of \$1.9 million in net assets (see the Statement of Revenues, Expenses and Changes in Net Assets) to \$64.3 million. Net Assets is composed of \$52.2 million invested in capital assets net of related debt, \$3.8 million externally restricted for specific purposes, and \$8.3 million unrestricted and available for any lawful purpose of the College.

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.

In Fiscal Year 2010, Tuition and fee revenues accounted for \$10.9 million of the \$28.2 million in operating revenues. Tuition and fees remained stable due to the scholarship allowance increasing by \$3.3 million. The tuition and fee amount is net of scholarship allowances of \$11.5 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. The scholarship allowance increased primarily due to Pell grants increasing by \$2.4 million and these funds being used for tuition payments. The tuition rate for resident undergraduate full-time tuition increased by 8.7% from fiscal year 2009 to 2010, causing an increase in gross tuition revenue.

ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2010

Operating expenses totaled \$42.7 million. Of that total, \$14.6 million was for instruction, \$2.2 million for academic support, \$3.1 million for student services, \$3.1 million for institutional support, \$2.9 million for operations of plant and \$11.1 million for auxiliary enterprises.

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

	2010	2009	2008
	(in thousands)		
Operating Revenues			
Tuition and Fees, net	\$ 10,873	\$ 11,018	\$ 10,601
Grants and Contracts	10,112	14,311	15,070
Auxiliary Enterprises	6,691	6,180	5,900
Other	497	607	370
Total Operating Revenues	28,173	32,116	31,941
Operating Expenses	42,669	40,962	38,817
Net operating (Loss)	(14,496)	(8,846)	(6,876)
Nonoperating Revenue(Expense)			
State Fiscal Stabilization Funds	7,331	2,459	-
Federal Pell Grants	6,790	4,435	3,851
Gifts and Donations	1,465	1,912	1,959
Interest Income	925	716	629
Other Nonoperating	(381)	(455)	(466)
Net Nonoperating Revenue	16,130	9,067	5,973
Income(Loss) Before Other Revenue, Expenses, Gains or Losses	1,634	221	(903)
State Appropriations, Capital	345	8,476	3,350
Other	(84)	(77)	(88)
Increase(Decrease) In Net Assets	1,895	8,620	2,359
Net Assets			
Net Assets-Beginning of Year	62,407	53,787	51,428
Net Assets-End of Year	<u>\$ 64,302</u>	<u>\$ 62,407</u>	<u>\$ 53,787</u>

ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2010

CAPITAL ASSETS

At June 30, 2010, the College had approximately \$80.5 million invested in capital assets, net of accumulated depreciation of \$45.6 million. Depreciation charges were \$3.9 million for the current year compared to \$3.2 million in 2009 and \$3.2 million in 2008. Details of these assets for the three years are shown below.

Capital Assets, Net of Depreciation, at Year End

	2010	2009	2008
Land	\$ 445,249	\$ 445,249	\$ 445,249
Land Improvements	2,008,783	2,264,452	1,967,158
Buildings	51,259,297	41,547,220	43,851,595
Construction in Progress	24,807,692	16,070,409	5,007,028
Equipment	1,172,325	1,004,932	1,007,863
Library Materials	846,399	869,586	846,713
Total	<u>\$ 80,539,745</u>	<u>\$ 62,201,848</u>	<u>\$ 53,125,606</u>

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

Plachy Hall Renovation and Addition, State Capital Construction	\$ 11,362,393
Community Outreach Center, Grants	834,050
Marvel House Renovation, Housing System	348,947
	<u>\$ 12,545,390</u>

DEBT

On December 15, 2009, the College issued Auxiliary Facilities Revenue Bonds Series 2009B in the amount of \$12,760,000 for the purpose of refunding \$9,380,000 of Series 2004A Enterprise Revenue Bonds and to obtain additional funds in the amount of \$2,621,740 for improvement projects. Proceeds in the amount of \$10,407,501 were placed into an irrevocable escrow account and invested in non-callable direct obligations of the United States of America. Principal and interest on the government obligations will be used, together with any cash balance in the escrow account, to pay the regularly scheduled principal and interest on the refunded bonds through May 15, 2014 and to redeem on such date the refunded bonds maturing on and after May 15, 2015. As a result, the Series 2004A Bonds are considered defeased and the liability for those bonds has been removed from the College's Statement of Net Assets.

On December 15, 2009, the College also issued Taxable Auxiliary Facilities Revenue Bonds Series 2009C in the amount of \$27,615,000 for the purpose of obtaining funds for various campus improvement projects, including the remodeling of various academic buildings. The Series 2009C Bonds are designated as "Build America Bonds" and the College will receive a cash subsidy payment equal to 35% of the interest payable on these bonds.

ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2010

On March 12, 2009, the College issued Auxiliary Facilities Revenue Improvement Bonds Series 2009A in the amount of \$19.8 million for the purpose of funding various campus improvement projects, including the acquisition, construction, improvement and equipping of a new residence and recreational facility. These bonds will be paid off using proceeds from a student capital fee approved by College students in 2008.

At June 30, 2010, the College had approximately \$58.8 million in debt outstanding compared to \$29.6 million at June 30, 2009 and \$9.8 million at June 30, 2008. The table below summarizes these amounts by type of debt.

Outstanding Debt, at Year End

	2010	2009	2008
2004A Series Enterprise Revenue Bonds	\$ -	\$ 9,344,920	\$ 9,781,890
2009A Series Revenue Improvement Bonds	20,160,997	20,173,398	-
2009B Series Auxiliary Facilities Revenue Bonds	11,531,975	-	-
2009C Series Taxable Auxiliary Facilities Revenue Bonds	27,014,527	-	-
Capital Lease	82,151	99,867	-
Notes Payable	18,570	29,204	35,622
Total	<u>\$ 58,808,220</u>	<u>\$ 29,647,389</u>	<u>\$ 9,817,512</u>

ECONOMIC OUTLOOK

The economic position of the College is closely tied to that of the State. For fiscal years 2010, 2009, and 2008 the College received no operating State 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 2010, 2008, 2007 and 2006. The College did not meet the criteria for designation as an enterprise in fiscal year 2009. 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 Colorado 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.

ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2010

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 2011, 2010, 2009, 2008, 2007 and 2006, the yearly stipend is \$1,860, \$1,320, \$2,040, \$2,670, \$2,580 and \$2,400, respectively, for a full-time public higher education student taking 30 credit hours of classes.

The College has budgeted for \$2.9 million in College Opportunity Fund stipends for fiscal year 2011. The College received \$1.9 million, \$2.7 million, \$3.7 million, \$3.7 million and \$3.4 million stipends in fiscal years 2010, 2009, 2008, 2007 and 2006, respectively. In fiscal year 2011, \$9.3 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The College received \$5.3 million, \$9.4 million, \$10.0 million, \$8.8 million and \$8.8 million in fee for service revenue in fiscal years 2010, 2009, 2008, 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. The College has budgeted \$1.3 million in funds anticipated to be received from the State Fiscal Stabilization Fund pursuant to the federal American Recovery and Reinvestment Act of 2009 in fiscal year 2011. The College received \$7.3 million from this fund in fiscal year 2010.

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, 2010 and 2009

ASSETS	2010	2009
Current Assets		
Cash and cash equivalents	\$ 52,001,046	\$ 33,646,419
Student accounts receivable, net	1,211,606	747,034
Other accounts receivable	535,140	603,720
Student loans receivable, net	76,128	95,785
Inventories	431,512	400,975
Prepaid expenses and other assets	156,229	175,247
<i>Total Current Assets</i>	<u>54,411,661</u>	<u>35,669,180</u>
Noncurrent Assets		
Restricted cash and cash equivalents	28,250	328,250
Student loans receivable, net	826,872	725,667
Deferred charges-bond issuance costs	619,342	478,894
	<u>1,474,464</u>	<u>1,532,811</u>
Non-depreciable capital assets:		
Land	445,249	445,249
Construction in progress	24,807,692	16,070,409
<i>Total Non-Depreciable Capital Assets</i>	<u>25,252,941</u>	<u>16,515,658</u>
Depreciable capital assets, net:		
Buildings	51,259,297	41,547,220
Land improvements	2,008,783	2,264,452
Furniture & equipment	1,172,325	1,004,932
Library books	846,399	869,586
<i>Total Depreciable Capital Assets, net</i>	<u>55,286,804</u>	<u>45,686,190</u>
<i>Total Noncurrent Assets</i>	<u>82,014,209</u>	<u>63,734,659</u>
Total Assets	<u>\$ 136,425,870</u>	<u>\$ 99,403,839</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 4,766,854	\$ 1,248,823
Accrued liabilities	5,889,392	4,208,108
Deferred revenue	891,962	330,147
Deposits held for others	696,415	488,348
Bonds payable, current	385,000	475,000
Notes payable, current	11,960	11,960
Capital leases payable, current	18,779	17,715
Compensated absences liability	27,614	34,378
<i>Total Current Liabilities</i>	<u>12,687,976</u>	<u>6,814,479</u>
Noncurrent Liabilities		
Compensated absences liability	1,042,969	1,039,677
Notes payable	6,610	17,244
Capital leases payable	63,372	82,152
Bonds payable	58,322,499	29,043,318
<i>Total Noncurrent Liabilities</i>	<u>59,435,450</u>	<u>30,182,391</u>
Total Liabilities	<u>72,123,426</u>	<u>36,996,870</u>
NET ASSETS		
Invested in capital assets, net of related debt	52,237,949	52,159,460
Restricted for non-expendable purposes:		
Endowments	28,250	28,250
Restricted for expendable purposes:		
Endowments	38,695	38,929
Loans	1,070,925	1,031,318
Capital projects	-	300,000
Other purposes	2,648,501	2,714,410
<i>Total Restricted</i>	<u>3,786,371</u>	<u>4,112,907</u>
<i>Unrestricted</i>	<u>8,278,124</u>	<u>6,134,602</u>
Total Net Assets	<u>\$ 64,302,444</u>	<u>\$ 62,406,969</u>

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	2010	2009
ASSETS		
Cash	\$ 210,238	\$ 145,543
Certificates of deposit	498,208	498,208
Pooled investments, at fair value	5,680,090	4,946,074
Restricted investments, at fair value	5,218,121	4,736,048
Pledges receivable, net of allowance	48,979	17,025
Inventories	13,640	13,640
Land - available for sale	3,650	3,650
Art collection	220,750	220,750
	Total Assets	\$ 11,893,676
	\$ 11,893,676	\$ 10,580,938
LIABILITIES		
Accounts payable and accrued expenses	\$ 13,392	\$ -
	Total Liabilities	13,392
	13,392	-
NET ASSETS		
Unrestricted		
Unreserved	(269,894)	(701,839)
Unrestricted	(37,457)	(38,098)
Board designated	25,100	24,300
	Total Unrestricted	(282,251)
	(282,251)	(715,637)
Temporarily restricted net assets		
Temporarily restricted	1,693,635	1,507,830
Temporarily restricted	37,457	38,098
	Total Temporarily Restricted Net Assets	1,731,092
	1,731,092	1,545,928
Permanently restricted net assets	10,431,443	9,750,647
	Total Net Assets	11,880,284
	11,880,284	10,580,938
	Total Liabilities and Net Assets	\$ 11,893,676
	\$ 11,893,676	\$ 10,580,938

See notes to the financial statements.

ADAMS STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the years ending June 30, 2010 and 2009

	2010	2009
Operating Revenues:		
Tuition & fees (including \$7,174,894 and \$6,387,119, respectively of revenues pledged for bonds and net of scholarship allowances of \$1,482,835 and \$8,195,817, respectively)	\$ 10,873,573	\$ 11,017,233
Sales & services of auxiliary enterprises (including \$7,089,613 and \$6,241,185, respectively of revenues pledged for bonds and net of scholarship allowances of \$854,989 and \$535,514 respectively)	6,691,412	6,179,776
Fee for service contract revenue	5,332,164	9,389,116
Federal grants and contracts	2,395,880	2,372,527
State grants and contracts	2,383,754	2,550,045
Other operating revenues (including \$61,763 and \$75,161, respectively of revenues pledged for bonds)	496,784	607,366
Total Operating Revenues	28,173,567	32,116,063
Operating Expenses:		
Instruction	14,578,959	14,419,906
Public service	7,555	-
Academic support	2,153,896	2,123,299
Student services	3,146,089	3,117,398
Institutional support	3,135,392	3,362,082
Operation of plant	2,931,034	2,890,832
Scholarships and fellowships	1,664,172	1,330,220
Auxiliary enterprises expenditures	11,166,125	10,481,742
Depreciation	3,885,869	3,235,911
Total Operating Expenses	42,669,091	40,961,390
Operating Loss	(14,495,524)	(8,845,327)
Nonoperating Revenues (Expenses):		
State fiscal stabilization funds	7,331,450	2,459,127
Federal Pell Grants	6,789,614	4,434,777
Gifts and donations	1,465,091	1,912,376
Investment and interest income (including \$49,911 and \$71,660, respectively of revenue pledged for bonds)	925,277	716,175
Federal build America bonds subsidy	257,797	-
Interest on capital debt	(490,168)	(450,936)
Gain or loss on disposal of assets	(149,463)	(4,781)
Net Nonoperating Revenue	16,129,598	9,066,738
Income before other revenues, expenses, gains, losses or transfers	1,634,074	221,411
Other Revenues, Expenses, Gains, Losses or Transfers:		
State appropriation, capital	345,347	8,475,890
Transfers to other institutions	(83,946)	(76,982)
Increase in Net Assets	1,895,475	8,620,319
Net Assets - beginning of the year	62,406,969	53,786,650
Net Assets - end of the year	\$ 64,302,444	\$ 62,406,969

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net Assets - beginning of the year	\$ (715,637)	\$ 1,545,928	\$ 9,750,647	\$ 10,580,938
Revenues, Gains and Other Support				
Donations - Cash	103,086	884,374	204,310	1,191,770
Investment income	4,331	274,785	30,859	309,975
Net realized gains (losses) on long-term investments	88,503	(460)	266,579	354,622
Net unrealized gains (losses) on long-term investments	446,940	5,533	175,788	628,261
Other income	257	-	-	257
Subtotal	643,117	1,164,232	677,536	2,484,885
Net assets released from restriction	969,198	(969,198)	-	-
Total From Revenues, Gains and Other Support	1,612,315	195,034	677,536	2,484,885
Expenses and Losses				
Program services	994,198	-	-	994,198
Supporting services:				
Professional fees and consulting	41,973	-	-	41,973
Insurance	2,925	-	-	2,925
General administration	4,630	-	-	4,630
Lease	1,340	-	-	1,340
Meetings	1,145	-	-	1,145
Real estate taxes	238	-	-	238
Salaries	66,338	-	-	66,338
Supplies	1,267	-	-	1,267
Printing and postage	44,938	-	-	44,938
Fundraising	12,743	-	-	12,743
Support and maintenance	13,350	-	-	13,350
Other expense	454	-	-	454
Total Expenses and Losses	1,185,539	-	-	1,185,539
Reclass	641	(641)	-	-
Transfers:				
Transfers in/(out)	5,969	(9,229)	3,260	-
Change in net assets for the year	433,386	185,164	680,796	1,299,346
Net Assets - end of the year	\$ (282,251)	\$ 1,731,092	\$ 10,431,443	\$ 11,880,284

See notes to the financial statements.

ADAMS STATE COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the year ended June 30, 2009

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net Assets - beginning of the year	\$ 312,079	\$ 1,537,492	\$ 10,612,356	\$ 12,461,927
Revenues, Gains and Other Support				
Donations - cash	96,480	868,030	90,608	1,055,118
Investment income	149,116	126,987	154,613	430,716
Net unrealized and realized gains (losses) on long-term investments	(694,326)	-	(1,130,545)	(1,824,871)
<i>Subtotal</i>	(448,730)	995,017	(885,324)	(339,037)
Net assets released from restriction	1,043,417	(1,017,273)	-	26,144
<i>Total From Revenues, Gains and Other Support</i>	594,687	(22,256)	(885,324)	(312,893)
Expenses and Losses				
Program services	1,156,308	-	-	1,156,308
Supporting services:				
Professional fees and consulting	17,043	-	-	17,043
Insurance	3,187	-	-	3,187
General administration	3,108	-	-	3,108
Meetings	1,208	-	-	1,208
Real estate taxes	104	-	-	104
Salaries	102,329	-	-	102,329
Printing and postage	36,511	-	-	36,511
Alumni	149,063	-	-	149,063
Fundraising	80,241	-	-	80,241
Support and maintenance	18,994	-	-	18,994
<i>Total Expenses and Losses</i>	1,568,096	-	-	1,568,096
Reclass	(38,098)	38,098		
Transfers:				
Transfers in/(out)	(16,209)	(7,406)	23,615	-
Change in net assets for the year	(1,027,716)	8,436	(861,709)	(1,880,989)
Net Assets - end of the year	<u>\$ (715,637)</u>	<u>\$ 1,545,928</u>	<u>\$ 9,750,647</u>	<u>\$ 10,580,938</u>

See notes to the financial statements.

ADAMS STATE COLLEGE
STATEMENTS OF CASH FLOWS
For the years ending June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities:		
Cash Received:		
Tuition and fees	\$ 10,799,487	\$ 11,207,652
Fee for service contract revenue	5,332,164	9,389,116
Sales of services	5,398,972	4,617,170
Sales of products	1,274,401	1,287,008
Grants and contracts	4,783,032	5,046,656
Student loans collected	266,615	239,615
Other receipts	551,685	540,440
Cash Payments:		
Payments to or for employees	(26,474,638)	(26,116,165)
Payments to suppliers	(5,308,368)	(9,409,323)
Scholarships disbursed	(1,664,172)	(1,330,220)
Student loans disbursed	(290,997)	(168,054)
<i>Net Cash (Used) by Operating Activities</i>	(5,331,819)	(4,696,105)
Cash Flows From Noncapital Financing Activities:		
Federal grants and contracts, non-operating	14,378,861	6,893,904
Gifts/grants for other than capital purposes	1,465,091	1,912,376
Agency receipts	20,066,503	16,863,053
Agency payments	(19,867,673)	(16,818,576)
Transfers from (to) other institutions	(83,946)	(76,982)
<i>Net Cash Provided by Noncapital Financing Activities</i>	15,958,836	8,773,775
Cash Flows From Capital & Related Financing Activities:		
State appropriations, capital	345,347	8,475,890
Proceeds from capital debt	29,300,430	19,943,667
Acquisition or construction of capital assets	(24,950,885)	(12,062,133)
Principal paid on capital debt	(573,048)	(447,005)
Interest paid on capital debt	1,719,648	(700,241)
<i>Net Cash Provided by Capital & Related Financing Activities</i>	5,841,492	15,210,178
Cash Flows From Investing Activities:		
Investment earnings	1,586,118	861,611
<i>Net Cash Provided by Investing Activities</i>	1,586,118	861,611
Net Increase in Cash	18,054,627	20,149,459
Beginning cash balance	33,974,669	13,825,210
Ending cash balance	\$ 52,029,296	\$ 33,974,669

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE
STATEMENTS OF CASH FLOWS
For the years ending June 30, 2010 and 2009

	2010	2009
Reconciliation of Operating Loss to Net Cash (Used) by Operating Activities		
Operating loss	(\$14,495,524)	(\$8,845,327)
Adjustments to reconcile:		
Depreciation expense	3,885,869	3,235,911
Decrease (increase) in assets:		
Receivables, net	(477,540)	225,826
Inventories & prepaids	(11,519)	21,537
Increase (decrease) in liabilities:		
Accounts payable	3,518,031	472,197
Accrued liabilities	1,681,284	106,648
Deferred revenue	561,815	27,559
Deposits held for others	9,237	24,341
Compensated absences	(3,472)	35,203
<i>Net Cash (Used) by Operating Activities</i>	(\$5,331,819)	(\$4,696,105)
Noncash Investing, Capital, and Financing Activities:		
State Capital Contributions	\$345,347	\$8,475,890
Loss on capital asset deletions	149,463	4,781
Amortization of capital premium/discount and capital loss	102,928	52,782

The accompanying notes are an integral part of this statement.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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 Office of the State Controller.

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, 2010 and 2009. 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 15 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
June 30, 2010 and 2009

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 year ended June 30, was \$1,255,973 (2010) and \$154,934 (2009).

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

June 30, 2010 and 2009

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 Statements of Net Assets and as a component of appropriate functional expense categories in the Statements 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.

The Foundation adopted FASB FSP 117-1, Endowments of Not-for-Profit Organizations during the year ended June 30, 2009. This policy provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA was ratified into Colorado state law as of September 1, 2008.

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

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

and local governments. This designation must be approved by the State Legislative Audit Committee. The Legislative Audit Committee and the Board of Trustees approved the designation of the College as an enterprise in fiscal years 2010, 2008, 2007 and 2006. The College did not meet the criteria for designation as an enterprise in fiscal year 2009. The enterprise designation is revisited 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 2009 financial statements presentation in order to conform to the fiscal year 2010 financial statements presentation.

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, 2010, the College had \$48,410,219, including unrealized gains of \$989,549, 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	\$ 17,880
Cash in checking accounts at bank	572,744
Certificate of Deposits	<u>3,028,453</u>
Total cash	<u>\$ 3,619,077</u>

The carrying amount of the College's cash on deposit was \$3,601,197. The bank balance of these deposits was \$3,953,235, of which \$918,255 was covered by federal depository insurance and \$3,034,980 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

At June 30, 2009, the College had \$30,323,366, including unrealized gains of \$402,857, on deposit with the State Treasurer. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	\$ 13,380
Cash in checking accounts at bank	757,080
Certificate of Deposits	<u>2,880,843</u>
Total cash	<u>\$ 3,651,303</u>

**STATE OF COLORADO
ADAMS STATE COLLEGE**
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

The carrying amount of the college's cash on deposit was \$3,637,923. The bank balance of these deposits was \$3,984,072, of which \$820,574 was covered by federal depository insurance and \$3,163,498 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, 2010. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The College had unrealized gains for the years ended June 30, of \$989,549 (2010) and \$402,857 (2009). Additional information on the Treasurer's pool may be obtained from the State of Colorado's Comprehensive Annual Financial Report.

ASC Foundation Investments and Concentration of Risk

At June 30, investments recorded at fair value are comprised of the following:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Common fund	\$ 11,587,979	\$ 10,898,211	\$ 10,897,073	\$ 9,682,122

At June 30, other investments are recorded at estimated value on the date of contribution where fair value is not available.

	2010		2009	
	Value at Contribution	Carrying Value	Value at Contribution	Carrying Value
Art collection	\$ 220,750	\$ 220,750	\$ 220,750	\$ 220,750
Book collection	-	-	-	-
Land - available for sale	3,650	3,650	3,650	3,650
	<u>\$ 224,400</u>	<u>\$ 224,400</u>	<u>\$ 224,400</u>	<u>\$ 224,400</u>

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, the Foundation had bank deposits in two financial institutions that exceeded insurance coverage by a total of \$176,337 (2010) and \$331,676 (2009).

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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, accounts receivable were as follows:

	<u>2010</u>	<u>2009</u>
Student Accounts Receivable	\$ 1,794,114	\$ 1,296,192
Less: Allowance for Doubtful Accounts	<u>(582,508)</u>	<u>(549,158)</u>
Student Accounts Receivable, net	<u>1,211,606</u>	<u>747,034</u>
Other Accounts Receivable	<u>535,140</u>	<u>603,720</u>
Student Loans Receivable	1,027,727	1,046,145
Less: Allowance for Doubtful Accounts	<u>(124,727)</u>	<u>(224,693)</u>
Student Loans Receivable, net	<u>903,000</u>	<u>821,452</u>
Total Receivables	<u>\$ 2,649,746</u>	<u>\$ 2,172,206</u>

NOTE 4 - CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2010.

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Nondepreciable Capital Assets				
Land	\$ 445,249	\$ -	\$ -	\$ 445,249
Construction in Progress	16,070,409	21,527,824	12,790,541	24,807,692
Total Nondepreciable Capital Assets	<u>\$ 16,515,658</u>	<u>\$ 21,527,824</u>	<u>\$ 12,790,541</u>	<u>\$ 25,252,941</u>
Depreciable Capital Assets				
Land Improvements	\$ 5,784,805	\$ 21,519	\$ -	\$ 5,806,324
Buildings and Improvements	73,079,613	13,051,918	236,051	85,895,480
Equipment	4,203,128	422,886	77,777	4,548,237
Library Materials	4,468,810	143,141	7,074	4,604,877
Total Depreciable Capital Assets	<u>87,536,356</u>	<u>13,639,464</u>	<u>320,902</u>	<u>100,854,918</u>
Less: Accumulated Depreciation				
Land Improvements	3,520,353	277,188	-	3,797,541
Buildings and Improvements	31,532,393	3,188,827	85,037	34,636,183
Equipment	3,198,196	253,526	75,810	3,375,912
Library Materials	3,599,224	166,328	7,074	3,758,478
Total Accumulated Depreciation	<u>41,850,166</u>	<u>3,885,869</u>	<u>167,921</u>	<u>45,568,114</u>
Net Depreciable Capital Assets	<u>\$ 45,686,190</u>	<u>\$ 9,753,595</u>	<u>\$ 152,981</u>	<u>\$ 55,286,804</u>

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2009.

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Nondepreciable Capital Assets				
Land	\$ 445,249	\$ -	\$ -	\$ 445,249
Construction in Progress	5,007,028	11,881,234	817,853	16,070,409
Total Nondepreciable Capital Assets	\$ 5,452,277	\$ 11,881,234	\$ 817,853	\$ 16,515,658
Depreciable Capital Assets				
Land Improvements	\$ 5,211,398	\$ 573,407	\$ -	\$ 5,784,805
Buildings and Improvements	72,858,828	244,445	23,660	73,079,613
Equipment	3,991,007	246,429	34,308	4,203,128
Library Materials	4,315,922	190,829	37,941	4,468,810
Total Depreciable Capital Assets	86,377,155	1,255,110	95,909	87,536,356
Less: Accumulated Depreciation				
Land Improvements	3,244,241	276,112	-	3,520,353
Buildings and Improvements	29,007,232	2,543,616	18,455	31,532,393
Equipment	2,983,144	247,754	32,702	3,198,196
Library Materials	3,469,209	167,956	37,941	3,599,224
Total Accumulated Depreciation	38,703,826	3,235,438	89,098	41,850,166
Net Depreciable Capital Assets	\$ 47,673,329	\$ (1,980,328)	\$ 6,811	\$ 45,686,190

NOTE 5 - NONCURRENT LIABILITIES

The College's noncurrent liability activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Bond and Leases Payable:					
Series 2009C Bonds	\$ -	\$ 27,615,000	\$ -	\$ 27,615,000	\$ -
Series 2009B Bonds	-	12,760,000	380,000	12,380,000	385,000
Series 2009A Bonds	19,805,000	-	-	19,805,000	-
Series 2004A Bonds	9,380,000	-	9,380,000	-	-
Unamortized Discount 2009C	-	(610,979)	(10,506)	(600,473)	-
Unamortized Premium 2009B	-	377,359	10,482	366,877	-
Unamortized Premium 2009A	368,398	-	12,401	355,997	-
Unamortized Premium 2004A	264,234	-	264,234	-	-
Refunding Loss 2009B	-	(1,291,200)	(76,298)	(1,214,902)	-
Refunding Loss 2004A	(299,314)	-	(299,314)	-	-
Capital Lease Obligation	99,867	-	17,716	82,151	18,779
<i>Total Bonds and Leases Payable</i>	<u>29,618,185</u>	<u>38,850,180</u>	<u>9,678,715</u>	<u>58,789,650</u>	<u>403,779</u>
Other Liabilities:					
Compensated Absences	1,074,055	-	3,472	1,070,583	27,614
Other	29,204	-	10,634	18,570	11,960
Total Other Liabilities	<u>1,103,259</u>	<u>-</u>	<u>14,106</u>	<u>1,089,153</u>	<u>39,574</u>
Total Noncurrent Liabilities	\$ 30,721,444	\$ 38,850,180	\$ 9,692,821	\$ 59,878,803	\$ 443,353

STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

The College's noncurrent liability activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion
Bond and Leases Payable:					
Series 2009A Bonds	\$ -	\$ 19,805,000	\$ -	\$ 19,805,000	\$ -
Series 2004A Bonds	9,830,000	-	450,000	9,380,000	475,000
Unamortized Premium 2009A	-	372,015	3,617	368,398	-
Unamortized Premium 2004A	282,301	-	18,067	264,234	-
Refunding Loss 2004A	(330,411)	-	(31,097)	(299,314)	-
Capital Lease Obligation	-	99,867	-	99,867	17,715
<i>Total Bonds and Leases Payable</i>	<u>9,781,890</u>	<u>20,276,882</u>	<u>440,587</u>	<u>29,618,185</u>	<u>492,715</u>
Other Liabilities:					
Compensated Absences	1,038,852	35,203	-	1,074,055	34,378
Other	35,622	-	6,418	29,204	11,960
Total Other Liabilities	<u>1,074,474</u>	<u>35,203</u>	<u>6,418</u>	<u>1,103,259</u>	<u>46,338</u>
Total Noncurrent Liabilities	<u>\$ 10,856,364</u>	<u>\$ 20,312,085</u>	<u>\$ 447,005</u>	<u>\$ 30,721,444</u>	<u>\$ 539,053</u>

NOTE 6 - LEASE OBLIGATIONS

A capital lease for a bus was entered into August 4, 2008 in the amount of \$99,868. The lease requires annual payments of \$23,711 for five years with an interest rate of 6.00%.

For the year ending June 30, principal and interest requirements to maturity are as follows:

2011	\$ 23,711
2012	23,711
2013	23,711
2014	23,712
	<u>94,845</u>
Less amount representing interest	<u>(12,694)</u>
Principal outstanding	<u>\$ 82,151</u>

NOTE 7 - BONDS PAYABLE

Series 2009B and 2009C Bonds

On December 15, 2009, the College issued Auxiliary Facilities Revenue Bonds Series 2009B in the amount of \$12,760,000 for the purpose of advance refunding \$9,380,000 of Series 2004A Enterprise Revenue Bonds and to obtain additional funds in the amount of \$2,621,740 for improvement projects. Proceeds in the amount of \$10,407,501 were placed into an irrevocable escrow account and invested in non-callable direct obligations of the United States of America. Principal and interest on the government obligations will be used, together with any cash balance in the escrow account, to pay the regularly scheduled principal and interest on the refunded bonds through May 15, 2014 and to redeem on such date the refunded bonds maturing on and after May 15, 2015. As a result, the Series 2004A Bonds are

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

considered defeased and the liability for those bonds has been removed from the College's Statement of Net Assets. The economic benefit to refinancing these bonds was to obtain additional funds for construction, reduce debt service payments and obtain a lower interest rate.

On December 15, 2009, the College also issued Taxable Auxiliary Facilities Revenue Bonds Series 2009C in the amount of \$27,615,000 for the purpose of obtaining funds for various campus improvement projects, including the remodeling of various academic buildings. The Series 2009C Bonds are designated as "Build America Bonds" and the College will receive a cash subsidy payment equal to 35% of the interest payable on these bonds.

The Series 2009B Bonds have annual maturities through 2029. The Series 2009C Bonds have annual maturities through 2041. The bonds maturing after May 15, 2020 are subject to optional redemption prior to their respective maturities at the option of the Board of Trustees. The bonds maturing between May 2022 thru May 2041 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 on the Series 2009B Bonds vary from 2.00% to 4.50% with an average rate of 3.79%. Interest rates on the Series 2009C Bonds vary from 5.245% to 6.621% with an average rate of 4.32% net of the 35% Federal Interest Subsidy for Build America Bonds.

The bonds are collateralized by first lien on and pledge of all net revenues of continuing education, capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, 10.00% of tuition revenues will be pledged as collateral if the College is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended.

Series 2009A Bonds

On March 12, 2009, the College issued Auxiliary Facilities Revenue Improvement Bonds Series 2009A in the amount of \$19,805,000 for the purpose of obtaining funds for various campus improvement projects, including the acquisition, construction, improvement and equipping of a new residence and recreational facility.

The Series 2009A Bonds have annual maturities through 2039. The bonds maturing between May 2020 and May 2039 are subject to optional redemption prior to their respective maturities at the option of the Board of Trustees. The bonds maturing between May 2025 thru May 2039 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 5.50% with an average rate of 5.18%. The bonds are collateralized by first lien on and pledge of all net revenues of continuing education and capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, 10.00% of tuition revenues will be pledged as collateral if the College is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended.

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

STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

The following is a schedule of future minimum bond payments as of June 30, 2010:

Year Ending June 30,	2009A Series	2009B Series	2009C Series	Total
2011	\$ 978,136	\$ 852,300	\$ 1,767,752	\$ 3,598,188
2012	1,363,136	854,600	1,767,752	3,985,488
2013	1,368,511	851,700	1,767,752	3,987,963
2014	1,358,512	863,700	1,767,752	3,989,964
2015	1,362,512	1,309,250	1,767,752	4,439,514
2016-2020	6,808,606	5,980,100	9,388,760	22,177,466
2021-2025	6,807,875	3,780,963	11,429,964	22,018,802
2026-2030	6,806,175	3,032,750	11,792,104	21,631,029
2031-2035	6,798,650		13,969,895	20,768,545
2036-2040	5,449,025		11,800,438	17,249,463
2041-2045			1,359,418	1,359,418
Total Bond Payments	39,101,138	17,525,363	68,579,339	125,205,840
Less Interest Included Above	(19,296,138)	(5,145,363)	(40,964,339)	(65,405,840)
Total Principal Outstanding	19,805,000	12,380,000	27,615,000	59,800,000
Less Current Portion	-	(385,000)	-	(385,000)
Net Long Term Principal	19,805,000	11,995,000	27,615,000	59,415,000
Less Unamortized Premium, Discount and Refunding Loss	355,997	(848,025)	(600,473)	(1,092,501)
Bonds Payable, Net	<u>\$ 20,160,997</u>	<u>\$ 11,146,975</u>	<u>\$ 27,014,527</u>	<u>\$ 58,322,499</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, 2010.

NOTE 9 - 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, of \$1,856,541 (2010) and \$1,843,784 (2009).

STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 10 - 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, are estimated as \$27,614 (2010) and \$34,378 (2009). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as \$1,042,969 (2010) and \$1,039,677 (2009). Current expenses include a decrease of \$3,472 for the estimated compensated absence liability. None of the liability relates to the current restricted fund.

NOTE 11 - 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 11.40 percent of covered payroll and contributions by employees is 8.00 percent of covered payroll.

The College's contributions to the ORP for the fiscal years ending June 30, were \$1,035,123, (2010) \$1,010,057 (2009) and \$928,749 (2008). 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 <http://www.copera.org>.

STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

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. Currently, higher education employees, excluding community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which he or she last contributed or, if there was no prior participation, to the defined benefit plan. PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership 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 rules in effect for those hired on or after January 1, 2007, as discussed below. The employer contribution to the defined contribution plan is the same amount as the contribution 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.

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.50 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 15.00 percent increase between periods.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

For retirements after January 1, 2009, the HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to a 15.00 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15.00 percent increase.
- Hired on or after January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to an 8.00 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8.00 percent increase.

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.50 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3.00 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3.00 percent or the actual increase in the national Consumer Price Index, limited to a 10.00 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 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

In the 2010 legislative session, the general assembly set the current increase as the lesser of 2.00 percent or the average of the monthly CPI amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of zero percent. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

Members who are 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 then 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.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

Most employees contribute 8.00 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2009, to December 31, 2009, the state contributed 12.95 percent of the employee's salary. From January 1, 2010, through June 30, 2010, the state contributed 13.85 percent. During all of Fiscal Year 2009-10, 1.02 percent of the employees' total salary 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, 2009, the division of PERA in which the state participates was underfunded with an amortization period of 43 years.

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.

In the 2010 legislative session, the general assembly extended both the AED and SAED. The AED will continue to increase at a rate of .4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. If the funding ratio reaches 103 percent, both the AED and the SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 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, were \$1,305,123 (2010), \$1,242,414 (2009), and \$1,147,826 (2008). These contributions were equal to the required contributions for each year.

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 \$134,349. Employee contributions were 7.5 percent of covered payroll.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 12 - VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the state's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the state's administrative functions were transferred to PERA, and all costs of administration and funding are borne by the plan participants. In calendar year 2009, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$16,500. Participants who are age 50 and older may contribute an additional \$5,500 for total contributions of \$22,000 in 2009. At December 31, 2009, the plan had 18,007 participants.

PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan. Certain agencies and institutions of the state offer 403(b) or 401(a) plans.

NOTE 13 - POST-RETIREMENT HEALTH CARE

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. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, 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 <http://www.copera.org>.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. 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.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 11. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The College contributed for the Fiscal Years \$99,276 (2009-10), \$101,422 (2008-2009), and \$100,883 (2007-2008) as required by statute. In each year the amount contributed was 100 percent of the required contribution.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2009. As of December 31, 2009, there were 46,985 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2009, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.50 billion, a funded ratio of 14.80 percent, and a 53-year amortization period.

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, 2010 there were 29 participants in post retirement coverage from the eight member higher education institutions. For fiscal year 2010, Adams State College had one retired faculty or administrative participants under CHEIBA.

CHEIBA financial statements are prepared under accounting principals 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 14 - SCHOLARSHIP ALLOWANCES

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2010 and 2009 were as follows:

	Tuition & Fees	Auxiliary Revenue	2010 Total	2009 Total
Gross Revenue	\$ 22,356,408	\$ 7,546,401	\$ 29,902,809	\$ 25,928,340
<u>Scholarship Allowances:</u>				
Federal	5,910,263	440,066	6,350,329	4,199,751
State	1,531,275	114,016	1,645,291	1,777,115
Private	684,522	50,968	735,490	768,694
Institutional	3,356,775	249,939	3,606,714	1,985,771
Total Allowances	<u>11,482,835</u>	<u>854,989</u>	<u>12,337,824</u>	<u>8,731,331</u>
Net Revenue	<u>\$ 10,873,573</u>	<u>\$ 6,691,412</u>	<u>\$ 17,564,985</u>	<u>\$ 17,197,009</u>

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 15 - 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.

During the year ended June 30, the College received funds totaling \$791,936 (2010) and \$1,150,288 (2009), 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.

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 2010 are as follows:

Budget	\$ 28,281,767
Actual Revenues	\$ 28,281,767
Actual Expenses	\$ 18,695,426

ADAMS STATE COLLEGE
SCHEDULE OF REVENUES AND EXPENSES
FOR SERIES 2009A, 2009B AND 2009C AUXILIARY FACILITIES REVENUE BONDS *
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue		
Tuition revenues	\$ 1,381,882	\$ -
Extended studies tuition and fees	4,423,623	5,682,864
Capital fees	689,356	150,292
College service fees	680,097	553,717
Traffic control fees	56,023	53,006
Rental income	3,708,877	3,168,982
Food service income	1,920,876	1,583,034
Sales/services auxiliaries	1,274,367	1,312,446
Interest income	49,911	71,660
Other income	201,433	379,437
<i>Total Revenue</i>	<u>14,386,445</u>	<u>12,955,438</u>
Expenses		
Salaries & benefits	4,104,049	4,820,021
Costs of goods	934,447	943,549
Utilities expense	512,382	505,614
Rental expense	200,942	204,912
Contract food services	1,052,762	958,414
Travel	78,327	122,451
Supplies	270,131	259,904
Other operating expenses	390,308	460,662
Purchased services-personal	213,691	232,819
Financial aid	362,744	7,315
Administrative cost allowance	1,789,559	1,711,639
Furniture & equipment	94,166	128,437
Other capital expenditures	(923)	8,807
Other expenses	128,772	199,886
<i>Total Expenses</i>	<u>10,131,357</u>	<u>10,564,430</u>
Net Revenue before Transfers	4,255,088	2,391,008
Transfers		
Mandatory transfers	1,562,855	705,610
Nonmandatory transfers	737,782	494,708
<i>Total Transfers</i>	<u>2,300,637</u>	<u>1,200,318</u>
<i>Net Revenue (Loss)</i>	<u>\$ 1,954,451</u>	<u>\$ 1,190,690</u>

* This schedule is required by the bond indenture to show that the net revenues are sufficient to pay the following fiscal year's debt service on the bonds.

SUPPLEMENTAL INFORMATION

DALBY, WENDLAND & CO., P.C.



Certified Public Accountants & Consultants

464 MAIN STREET • P.O. BOX 430 • GRAND JUNCTION, COLORADO 81502-0430
TELEPHONE 970/243-1921 • FAX 970/243-9214 • www.dalbycpa.com

**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 (the College); a blended component unit of the State of Colorado, as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 8, 2010. The financial statements of Adams State College Foundation, a discretely presented component unit of the College, as of and for the years ended June 30, 2010 and 2009 were audited by other auditors whose report dated October 20, 2010 expressed an unqualified opinion. 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 the 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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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 or material weaknesses. However, as described in the section of findings and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the section of findings and recommendations to be material weaknesses: Recommendation 1.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the section of findings and recommendations to be significant deficiencies: Recommendation 2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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.



DALBY, WENDLAND & CO., P.C.

December 8, 2010

DALBY, WENDLAND & CO., P.C.



Certified Public Accountants & Consultants

464 MAIN STREET • P.O. BOX 430 • GRAND JUNCTION, COLORADO 81502-0430
TELEPHONE 970/243-1921 • FAX 970/243-9214 • www.dalbycpa.com

Members of the Legislative Audit Committee

We have audited the financial statements of the business-type activities of Adams State College (the College) a blended component unit of the State of Colorado for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 8, 2010. 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 and “Government Auditing Standards”

As stated in our engagement letter dated May 17, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with the Board of Trustees oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve the Board of Trustees or management of their responsibilities.

In planning and performing our audit, we considered the College’s internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

As part of obtaining reasonable assurance about whether the College’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on May 20, 2010. In addition, a letter on planned audit scope was provided to the Board of Trustees August 12, 2010.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2010. We noted no transactions entered into by the College during the year for which there is a lack of authoritative

guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

The Governmental Accounting Standards Board's implementation guide issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have administrative requirements for these funds. Historically, the College has recorded this Pell grant activity as operating revenue. The Colorado Office of the State Controller recommended that public institutions in the state reflect Pell grant activity as nonoperating revenue. The College has decided to report Pell grant activity as nonoperating revenue in its 2010 financial statements with 2009 shown as comparable.

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 were:

Management's estimate of the collectability of student accounts receivable and student loans is based on historical analysis. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatement detected as a result of audit procedures was corrected by management: recording of retainage payable of \$1,163,520 associated with construction in progress as of June 30, 2010 as noted in Recommendation 1. One immaterial adjustment not posted by the College in fiscal year 2010 related to a clerical error of \$60,000 on bad debt allowance on Perkins Loans as noted in Recommendation 4.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2010.

Management 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.

Other Audit Findings or Issues

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

This information is intended solely for the use of Legislative Audit Committee, Board of Trustees and management of Adams State College and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record upon release by the Legislative Audit Committee.

Sincerely,



DALBY, WENDLAND & CO., P.C.

December 8, 2010

**STATE-FUNDED STUDENT
ASSISTANCE PROGRAMS SECTION**

ADAMS STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the year ended June 30, 2010

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, 2010, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department on Higher Education (CDHE). The State-Funded Student Assistance Programs policies are approved by the Colorado Commission on Higher Education (CCHHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2010.

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 \$2,194,000 and \$2,433,000 for the fiscal years ended 2010 and 2009, 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 \$6,729,000 in the Pell Grant Program, \$146,000 in the Supplemental Educational Opportunity Grant Program and \$289,000 in the College Work-Study Program.

During the audit period, Adams State College obtained authorizations to award Colorado student financial aid funds of \$110,000 in the CLEAP and SLEAP Programs, \$1,633,000 in the Student Grant Program, \$397,000 in the Colorado Work Study Program, and \$54,000 in the Governor's Opportunity Scholarship.

DALBY, WENDLAND & CO., P.C.



Certified Public Accountants & Consultants

464 MAIN STREET • P.O. BOX 430 • GRAND JUNCTION, COLORADO 81502-0430
TELEPHONE 970/243-1921 • FAX 970/243-9214 • www.dalbycpa.com

**REPORT OF INDEPENDENT AUDITOR ON THE STATEMENTS
OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND
REVERSIONS OF THE STATE-FUNDED STUDENT FINANCIAL
ASSISTANCE PROGRAMS**

Members of the Legislative Audit Committee:

We have audited the accompanying Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Adams State College (the College) for the years ended June 30, 2010. 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 Department on Higher Education (CDHE), 2009 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 the 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 the College, in all material respects, for the year ended June 30, 2010, in conformity with the provisions of the Colorado Department 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 December 8, 2010 on our consideration of the 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.

A handwritten signature in cursive script that reads "Dalby, Wendland & Co., P.C.".

DALBY, WENDLAND & CO., P.C.

December 8, 2010

STATE OF COLORADO
ADAMS STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS
Year ended June 30, 2010

	<u>TOTAL STATE- FUNDED STUDENT ASSISTANCE</u>	<u>CLEAP PROGRAM</u>	<u>SLEAP PROGRAM</u>	<u>STUDENT GRANT PROGRAM</u>	<u>WORK STUDY PROGRAM</u>	<u>COLORADO MERIT SCHOLARSHIP</u>	<u>SCHOLARSHIP FOR PRECOLLEGIATE PROGRAMS</u>	<u>GOVERNOR'S OPPORTUNITY SCHOLARSHIP</u>
APPROPRIATIONS:								
ORIGINAL	\$ 2,143,592	\$ 45,405	\$ 64,189	\$ 1,546,228	\$ 376,770	\$ -	\$ -	\$ 111,000
SUPPLEMENTAL	106,576	-	-	86,576	20,000	-	-	-
TRANSFERS	-	-	-	-	-	-	-	-
RETURNED TO CCHE	<u>(56,576)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,576)</u>
TOTAL	2,193,592	45,405	64,189	1,632,804	396,770	-	-	54,424
EXPENDITURES	2,193,592	45,405	64,189	1,632,804	396,770	-	-	54,424
REVERSIONS TO STATE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GENERAL FUND	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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.

The electronic version of this report is available on the Web
site of the Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number: 2116-10