

ADAMS STATE COLLEGE

FINANCIAL AND COMPLIANCE AUDIT

Fiscal years ended June 30, 2011 and 2010

**LEGISLATIVE AUDIT COMMITTEE
2011 MEMBERS**

Senator Lois Tochtrop
Chair

Representative Cindy Acree
Vice-Chair

Representative Deb Gardner
Senator Lucia Guzman
Representative James Kerr

Senator Steve King
Representative Joe Miklosi
Senator Scott Renfroe

OFFICE OF THE STATE AUDITOR

Dianne E. Ray
State Auditor

Kerri Hunter
Deputy State Auditor

Lillian Adams
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.....	8
FINANCIAL STATEMENTS SECTION	
Independent Auditor’s Report	9
Management’s Discussion and Analysis	11
Statements of Net Assets	18
Adams State College Foundation Statements of Financial Position	19
Statements of Revenues, Expenses and Changes in Net Assets.....	20
Adams State College Foundation Statement of Activities	
June 30, 2011	21
June 30, 2010.....	22
Statements of Cash Flows	23
Notes to the Financial Statements	25
Supplemental Information	
Schedule of Revenues and Expenses for Series 2009A, 2009B and 2009C Auxiliary Facilities	
Revenue Bonds.....	42
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</i> <i>Auditing Standards</i>	43
Audit Committee Communications.....	45
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION	
State-Funded Student Assistance Programs	48
Report of Independent Auditors on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs.....	49
State-Funded Student Assistance Programs - Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs.....	51
Summary of Significant Accounting Policies and Notes to Statement of Appropriations, Expenditures, Transfers and Reversions	52

**ADAMS STATE COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY**

Fiscal years ended June 30, 2011 and 2010

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 2011 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 during June through October 2011.

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, 2011 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 Statement of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2011.
- 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 fiscal year ended June 30, 2011 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, 2011 and 2010. Dalby, Wendland & Co., P.C. also expressed an unqualified opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Financial Assistance Programs for the fiscal years ended June 30, 2011 and 2010.

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 perform monthly reconciliations of loan disbursements between the Direct Loan Servicing System (DLSS) and the College's financial records during fiscal year 2011, which is a requirement under the Direct Loan program and the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

We noted that for 1 student out of the sample of 25 students we tested for compliance with Federal Student Aid (FSA) requirements, the student's FSA funds, which were required to be returned to the Department of Education (DOE) due to the student's withdrawal from classes, were not returned within the required 45-day limit.

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 recommendations. 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 were five recommendations made in the prior year audit. These recommendations were implemented during Fiscal Year 2011. Detailed descriptions and the dispositions are contained in the Disposition of Prior Audit Recommendations section of this report.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	5	Adams State College should ensure that it complies with the monthly Financial Student Aid Direct Loan program requirement to perform monthly reconciliations of loan disbursements. The College should create a report in the Banner System that contains disbursements made to students by the associated award year and compare the report to the School Account Statement data file to ensure the College's financial records agree.	Agree	Implemented
2	6	To ensure federal timeframes are met for the return of FSA Program funds, Adams State College should ensure their current return of FSA funds procedure is followed at all times by improving departmental communications and administrative oversight of the FSA Program, and automating controls using the Banner System, where appropriate.	Agree	May 31, 2012

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 ten 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:

	2009	2010	2011
Resident Students	1,646.1	1,856.6	1,948.6
Nonresident Students	272.6	308.0	372.3
Total Students	<u>1,918.7</u>	<u>2,164.6</u>	<u>2,320.9</u>
Faculty FTEs	157.9	163.4	172.8
Staff FTEs	123.3	131.3	134.1
Total Staff and Faculty FTEs	<u>281.2</u>	<u>294.7</u>	<u>306.9</u>

FINDINGS AND RECOMMENDATIONS SECTION

Findings and Recommendations

Monthly Reconciliation Required Under the Federal Direct Student Loans Program

The College participates in various Federal Student Aid (FSA) programs including the Federal Direct Student Loans (Direct Loan) program. The objective of the various programs under the FSA program 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 FSA programs, such as preparing monthly reconciliations of program disbursements to students made by the College. Such reconciliations also assist the College in determining whether FSA funds were drawn from the correct award year. This can occur when a student is awarded FSA funds for the current award year, which must be drawn from FSA funds for the current award year, but for a variety of possible circumstances the disbursement of the FSA funds is not made to the student until the subsequent award year.

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 required reconciliations of loan disbursements from the Direct Loan Servicing System (DLSS) to the College's financial records. This requirement is 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?

The College is required to reconcile each month the loan disbursements from the DLSS to the College's financial records. As part of the Direct Loan program the College receives the School Account Statement (Statement) monthly from the DLSS via the Common Origination and Disbursement (COD) System. This Statement provides FSA program disbursement information of amounts disbursed to students by the College. We requested a sample of the College's required monthly reconciliations between the Statement and its cash draws for review.

What problem did the audit work identify?

Our testing found that monthly reconciliations of loan disbursements were not performed in Fiscal Year 2011.

Why does this problem matter?

The College is in violation of the Direct Loan program requirement regarding the monthly reconciliation. When the College draws FSA funds, the funds could potentially be drawn down from the wrong award year.

Why did the problem occur?

Staff was unable to perform monthly reconciliations of loan disbursements to the College's financial records because the College's accounting and financial aid software program, the Banner System, does not currently have a report showing disbursements of FSA made to students by the associated award year.

Since the College is unable to perform the reconciliation, there are no known questioned costs.

(CFDA No. 84.268, Federal Direct Student Loans. Compliance Requirement N "Special Tests and Provisions," Classification of Finding: Significant Deficiency.)

Recommendation No. 1:

Adams State College should ensure that it complies with the monthly Financial Student Aid Direct Loan program requirement to perform monthly reconciliations of loan disbursements. The College should create a report in the Banner System that contains disbursements made to students by the associated award year and compare the report to the School Account Statement data file to ensure the College's financial records agree.

Adams State College Response:

The institution concurs with the finding and the recommendation.

The institution has developed an internal (Banner) report-RWRFIND, to determine Direct Loan disbursement data by award year for use in comparing COD School Account Statement data for monthly reconciliation of all Direct Loans made. In addition, the Office of Student Financial Aid has installed and is currently utilizing the U.S. Department of Education's DL Tools software as an additional reconciliation and cash management tool. All future monthly Direct Loan reconciliations and year end closing documentation will be maintained by within the Office of Student Financial Aid by the Director or his designee.

The current Banner report-RWRFIND has been developed and is currently in use by the Office of Student Financial Aid. In addition, the U.S. Department of Education DL Tools software has been installed and is currently in use for monthly reconciliation of all direct loan data.

Late Return of FSA Funds

As a participant in various FSA programs, the College has certain responsibilities in the administration of these programs including determining student eligibility, verifying student data, calculating the amount of financial aid a student can receive, and returning FSA funds to the Department of Education (DOE) when students withdraw or do not attend classes.

The College uses a database system, Banner, to track student eligibility for federal FSA. The system tracks eligibility information including whether students withdrew or never attended any classes during a payment period, FSA disbursement information such as when and how much FSA funds were disbursed to the student, and when and how much FSA funds were returned to the DOE on behalf of the student.

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 FSA 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 Student Aid (FSA) during Fiscal Year 2011. We reviewed information maintained by the College to support the students' eligibility, award calculations, and whether or not any students withdrew from classes or never attended any classes during any payment period. For any student who withdrew from classes or did not attend classes during any payment period during the fiscal year, we determined whether the College returned the correct amount of FSA funds to DOE within 45 days from the date the College became aware of the student's ineligibility as required by the FSA program.

What problem did the audit work identify?

We tested a sample of 25 students and found one student for which FSA funds were not returned to DOE within the 45-day limit as required.

Why does this problem matter?

The College's failure to return the FSA funds to DOE within the 45-day limit is a violation of federal FSA program regulations. The potential risk to the College is the College could be required to submit to the DOE an irrevocable letter of credit acceptable and payable to the Secretary of the DOE. The amount of the letter of credit would be 25% of the total amount of unearned title IV HEA program funds that the College was required to return.

Why did the problem occur?

As part of the College's return of FSA funds process, the College's Student Affairs office notifies all staff involved in the return process when a student withdraws from all classes. The amount of FSA funds to be returned to DOE is calculated by the Financial Aid office. The Business Office is required to provide the tuition and fee charge information to the Financial Aid office to complete the calculation. In this instance, the Business Office did not provide the necessary information to the Financial Aid office for completion of the calculation of the FSA funds within the 45-day requirement.

Since the correct amount of funds were returned by the College prior to the end of Fiscal Year 2011, there are no questioned costs.

(CFDA Nos. 84.063 and 84.268, Federal Pell Grant Program and Federal Direct Student Loans Program. Compliance requirement N "Special Tests and Provisions," Classification of Finding: Significant Deficiency.)

Recommendation No. 2:

To ensure federal timeframes are met for the return of FSA Program funds, Adams State College should ensure their current return of FSA funds procedure is followed at all times by improving departmental communications and administrative oversight of the FSA Program, and automating controls using the Banner System, where appropriate.

Adams State College Response:

The institution concurs with the finding and recommendation.

The institution will re-evaluate its current policies and procedures to determine whether and where potential weaknesses may occur in departmental communications and administrative oversight. In addition the institution has developed and will incorporate the use of current available technology within the Banner system to ensure all elements of institutional administrative capabilities are enhanced and all R2T4 determinations and calculations are performed in an accurate and timely manner according to all federal regulations.

Review of current policies and procedures is currently underway and implementation or updates of any changes will be immediate. The projected implementation of the Banner WorkFlow for Return of Title IV funds will be May 31, 2012.

Disposition of Prior Audit Recommendations

Listed below are the recommendations included in the audit report for Adams State College for the year ended June 30, 2010, and their disposition as of June 30, 2011.

	Recommendation	Disposition
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.	Implemented.
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.	Implemented.
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.	Implemented.
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.	Implemented.
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.	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, 2011 and 2010, 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, 2011 and 2010 and for the years ended were audited by other auditors whose report dated December 6, 2011, 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.

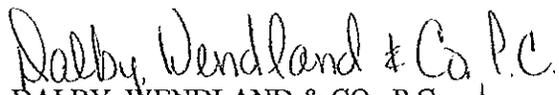
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011 and 2010, 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 6, 2011, 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 11 through 17, 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 Schedule of Revenues and Expenses for Series 2009A, 2009B and 2009C Auxiliary Facilities Revenue 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.

December 6, 2011

**STATE OF COLORADO
ADAMS STATE COLLEGE**
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

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, 2011, with selected comparative information for the years ended June 30, 2010 and June 30, 2009. 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, 2011

The College's total net assets increased by \$0.8 million during fiscal year 2011 compared to a \$1.9 million increase in net assets during fiscal year 2010. The decrease in the change in net assets from fiscal year 2010 of \$1.1 million is primarily a result of a decrease in State Fiscal Stabilization Funds revenue of \$6.9 million and an increase in total operating expenses of \$3.8 million net of increases in Fee for Service Contract revenue of \$4.9 million and Tuition and fees of \$4.0 million from fiscal year 2011 to 2010. The increase in operating expenses of \$3.8 million from fiscal year 2010 is primarily a result of increases in student associated expense categories including instruction, scholarships and fellowships, and auxiliary enterprise expenditures which increased by \$1.2 million, \$0.5 million, and \$0.9 million respectively due to increased student enrollment at the College. Also included in the \$3.8 million increase in operating expenses from fiscal year 2010 is the increase in depreciation of \$0.6 million, which is due to the completion of capital projects that entered into service and began to be depreciated in 2011.

The College had a ratio of current assets to current liabilities of 2.6 at June 30, 2011. 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 from 4.3 for fiscal year 2010 to 2.6 for fiscal year 2011 is primarily a result of the spend down of bond proceeds on various construction projects in fiscal year 2011.

An operating deficit of \$8.5 million results from the College's dependence on Federal Pell Grants, Gifts and Donations, and Other Non-operating revenue, which under the guidelines established by GASB implementation guide is shown as non-operating revenues. The College received no state operating appropriations, but received \$10.3 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 2011. The College also received \$0.4 million in Federal non-operating American Recovery and Reinvestment Act (ARRA) funds during fiscal year 2011 from the Colorado Department of Higher Education.

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

**STATE OF COLORADO
ADAMS STATE COLLEGE**
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Federal Pell Grants of \$2.4 million, Sales & services of auxiliary enterprises of \$0.5 million, and State Fiscal Stabilization Funds revenue 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 of 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 at June 30, 2010. 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 from 5.2 for fiscal year 2009 to 4.5 for 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 is the result from the College's dependence on Gifts and Donations and Other Non-operating revenue, which under the guidelines established by GASB implementation guide 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.

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:

	2011	2010	2009
	(in thousands)		
Assets			
Current Assets	\$ 35,078	\$ 54,412	\$ 35,669
Noncurrent Assets	102,280	82,014	63,735
Total Assets	137,358	136,426	99,404
Liabilities			
Current Liabilities	13,378	12,688	6,815
Noncurrent Liabilities	58,899	59,435	30,182
Total Liabilities	72,277	72,123	36,997

**STATE OF COLORADO
ADAMS STATE COLLEGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

Net Assets

Invested in Capital Assets, net of related debt	49,916	52,238	52,159
Restricted	4,413	3,786	4,113
Unrestricted	<u>10,751</u>	<u>8,278</u>	<u>6,135</u>
Total Net Assets	<u>\$ 65,080</u>	<u>\$ 64,302</u>	<u>\$ 62,407</u>

At June 30, 2011 the College's total assets were \$137.4 million. The largest asset category is the \$100.9 million in capital assets, net of accumulated depreciation of \$49.9 million. These assets include land, buildings, equipment, library holdings, and construction in process. Construction in progress increased by a net amount of \$0.3 million in fiscal year 2011, with the largest increase being the McDaniel Hall Project, which increased construction in progress by \$7.5 million. The Stadium Housing project was completed in fiscal year 2011 and was transferred out of construction in progress in the amount of \$21.6 million. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal year 2011, the College's current assets of \$35.1 million were sufficient to cover current liabilities of \$13.4 million (producing a current ratio of 2.6). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over \$32.4 million in assets per the Statement of Net Assets.

Bonds payable of \$58.5 million represent almost 81% of the College's total liabilities of \$72.3 million. The current portion of the bonds payable liability is \$0.78 million.

The College's financial position improved during the fiscal year as evidenced by the increase of \$0.8 million in net assets (see the Statement of Revenues, Expenses and Changes in Net Assets) to \$65.1 million. Net Assets is composed of \$49.9 million invested in capital assets net of related debt, \$4.4 million externally restricted for specific purposes, and \$10.8 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.

Tuition and fee revenues accounted for \$14.9 million of the \$38.0 million in operating revenues. The tuition and fee amount is net of scholarship allowances of \$12.1 million. Scholarship allowances are defined as the financial aid awarded to students by the College that is used to pay College charges. The

**STATE OF COLORADO
ADAMS STATE COLLEGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense. The tuition rate for resident undergraduate full-time tuition increased by 2.2% from fiscal year 2010 to 2011, causing an increase in gross tuition revenue.

Operating expenses totaled \$46.4 million. Of that total, \$15.8 million was for instruction, \$2.3 million for academic support, \$3.3 million for student services, \$3.6 million for institutional support, \$2.7 million for operations of plant and \$12.1 million for auxiliary enterprises.

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

	2011	2010	2009
	(in thousands)		
Operating Revenues			
Tuition and Fees, net	\$ 14,910	\$ 10,873	\$ 11,018
Grants and Contracts	15,126	10,112	14,311
Auxiliary Enterprises	7,086	6,691	6,180
Other	853	497	607
Total Operating Revenues	37,975	28,173	32,116
Operating Expenses	46,443	42,669	40,962
Net operating (Loss)	(8,468)	(14,496)	(8,846)
Nonoperating Revenue (Expense)			
State Fiscal Stabilization Funds	425	7,331	2,459
Federal Pell Grants	7,156	6,790	4,435
Gifts and Donations	1,789	1,465	1,912
Interest Income	(281)	925	716
Other Nonoperating	213	(381)	(455)
Net Nonoperating Revenue	9,302	16,130	9,067
Income(Loss) Before Other Revenue, Expenses, Gains or Losses	834	1,634	221
State Appropriations, Capital	17	345	8,476
Other	(73)	(84)	(77)
Increase (Decrease) In Net Assets	778	1,895	8,620
Net Assets			
Net Assets - Beginning of Year	64,302	62,407	53,787
Net Assets - End of Year	\$ 65,080	\$ 64,302	\$ 62,407

**STATE OF COLORADO
ADAMS STATE COLLEGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

CAPITAL ASSETS

At June 30, 2011, the College had approximately \$100.9 million invested in capital assets, net of accumulated depreciation of \$49.9 million. Depreciation charges were \$4.5 million for the current year compared to \$3.9 million in 2010 and \$3.2 million in 2009. Details of these assets for the three years are shown below.

Capital Assets, Net of Depreciation, At Fiscal Year End (June 30)

	2011	2010	2009
Land	\$ 445,249	\$ 445,249	\$ 445,249
Land Improvements	2,929,416	2,008,783	2,264,452
Buildings	70,779,644	51,259,297	41,547,220
Construction in Progress	24,545,737	24,807,692	16,070,409
Equipment	1,460,525	1,172,325	1,004,932
Library Materials	809,305	846,399	869,586
Total	\$ 100,969,876	\$ 80,539,745	\$ 62,201,848

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

Stadium Housing, Bond Funds	\$ 21,609,170
Nursing Simulation Lab, College Funds	398,396
Rex Gym Exterior Rehabilitation, Sponsored Program	231,914
	<u>\$ 22,239,480</u>

DEBT

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.

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.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

At June 30, 2011, the College had approximately \$58.6 million in debt outstanding compared to \$58.8 million at June 30, 2010 and \$29.6 million at June 30, 2009. The table below summarizes these amounts by type of debt.

Outstanding Debt, at Fiscal Year End (June 30)

	2011	2010	2009
2004A Series Enterprise Revenue Bonds	\$ -	\$ -	\$ 9,344,920
2009A Series Revenue Improvement Bonds	20,148,597	20,160,997	20,173,398
2009B Series Auxiliary Facilities Revenue Bonds	11,268,482	11,531,975	-
2009C Series Taxable Auxiliary Facilities Revenue Bonds	27,033,923	27,014,527	-
Capital Lease	63,371	82,151	99,867
Notes Payable	45,530	18,570	29,204
Total	<u>\$ 58,559,903</u>	<u>\$ 58,808,220</u>	<u>\$ 29,647,389</u>

ECONOMIC OUTLOOK

The economic position of the College is closely tied to that of the State. For fiscal years 2011, 2010, and 2009, 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 TABOR "enterprises" if approved by the Legislative Audit Committee. The Legislative Audit Committee approved the designation of the College as a TABOR enterprise for fiscal years 2011, 2010, 2008, 2007, and 2006. The College did not meet the criteria for designation as a TABOR 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 College Assist. The student can direct their stipend funding to a particular institution by applying for the program and registering at the institution of their choice.

The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. For fiscal years 2012, 2011, 2010, and 2009 the yearly stipend is \$1,860, \$1,860, \$1,320 and \$2,040 respectively, for a full-time public higher education student taking 30 credit hours of classes.

The College has budgeted for \$3.0 million in College Opportunity Fund (COF) stipends for fiscal year 2012. The College received \$2.8 million, \$1.9 million, \$2.7 million, \$3.7 million, \$3.7 million and \$3.4 million in COF stipends in fiscal years 2011, 2010, and 2009 respectively. In fiscal year 2012, \$8.2

**STATE OF COLORADO
ADAMS STATE COLLEGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

million will be billed through a Fee for Service Contract with the Colorado Department of Higher Education (CDHE). The College received \$10.3 million, \$5.3 million, and \$9.4 million in Fee for Service Contract revenue in fiscal years 2011, 2010, and 2009 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 received \$0.4 million from State Fiscal Stabilization Fund pursuant to the federal American Recovery and Reinvestment Act of 2009 in fiscal year 2011.

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, 2011 and 2010

ASSETS	2011	2010
Current Assets		
Cash and cash equivalents	\$ 29,865,569	\$ 49,513,684
Investments	2,525,797	2,487,362
Student accounts receivable, net	1,141,934	1,211,606
Other accounts receivable	852,707	535,140
Student loans receivable, net	69,923	76,128
Inventories	422,603	431,512
Prepaid expenses and other assets	199,193	156,229
<i>Total Current Assets</i>	<u>35,077,726</u>	<u>54,411,661</u>
Noncurrent Assets		
Restricted cash and cash equivalents	28,250	28,250
Student loans receivable, net	713,756	826,872
Deferred charges-bond issuance costs	567,712	619,342
	<u>1,309,718</u>	<u>1,474,464</u>
Non-depreciable capital assets:		
Land	445,249	445,249
Construction in progress	24,545,737	24,807,692
<i>Total Non-depreciable Capital Assets</i>	<u>24,990,986</u>	<u>25,252,941</u>
Depreciable capital assets, net:		
Buildings	70,779,644	51,259,297
Land improvements	2,929,416	2,008,783
Furniture & equipment	1,460,525	1,172,325
Library books	809,305	846,399
<i>Total Depreciable Capital Assets, net</i>	<u>75,978,890</u>	<u>55,286,804</u>
<i>Total Noncurrent Assets</i>	<u>102,279,594</u>	<u>82,014,209</u>
<i>Total Assets</i>	<u>\$ 137,357,320</u>	<u>\$ 136,425,870</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 4,056,894	\$ 4,766,854
Accrued liabilities	7,093,294	5,889,392
Deferred revenue	922,003	891,962
Deposits held for others	459,910	696,415
Compensated absences liability	36,459	27,614
Notes payable, current	9,551	11,960
Capital leases payable, current	19,907	18,779
Bonds payable	780,000	385,000
<i>Total Current Liabilities</i>	<u>13,378,018</u>	<u>12,687,976</u>
Noncurrent Liabilities		
Compensated absences liability	1,148,957	1,042,969
Notes payable	35,979	6,610
Capital leases payable	43,464	63,372
Bonds payable	57,671,002	58,322,499
<i>Total Noncurrent Liabilities</i>	<u>58,899,402</u>	<u>59,435,450</u>
<i>Total Liabilities</i>	<u>72,277,420</u>	<u>72,123,426</u>
NET ASSETS		
Invested in capital assets, net of related debt	49,915,930	52,237,949
Restricted for non-expendable purposes:		
Endowments	28,250	28,250
Restricted for expendable purposes:		
Endowments	39,644	38,695
Loans	928,441	1,070,925
Other Purposes	3,416,908	2,648,501
<i>Total Restricted</i>	<u>4,413,243</u>	<u>3,786,371</u>
<i>Unrestricted</i>	<u>10,750,727</u>	<u>8,278,124</u>
<i>Total Net Assets</i>	<u>\$ 65,079,900</u>	<u>\$ 64,302,444</u>

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash in Bank	\$ 348,863	\$ 210,238
Pooled Cash - Brokerage Accounts	277,159	192,356
Restricted Cash - Brokerage Accounts	136,833	142,632
Certificates of Deposit	400,000	498,208
Pooled Investments, at Fair Value	6,728,978	5,487,734
Restricted Investments, at Fair Value	5,580,244	5,075,489
Pledges Receivable, net of allowance	119,811	48,979
Inventories	13,160	13,640
Land - Available for Sale	3,650	3,650
Art Collection	220,750	220,750
<i>Total Assets</i>	\$ 13,829,448	\$ 11,893,676
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 32,453	\$ 13,392
<i>Total Liabilities</i>	32,453	13,392
NET ASSETS		
Unrestricted:		
Unreserved	747,496	(269,894)
Unrestricted, FASB ASC 958-205-65	(48,196)	(37,457)
Board Designated	25,900	25,100
Total Unrestricted	725,200	(282,251)
Temporarily Restricted Net Assets:		
Temporarily Restricted	1,786,142	1,693,635
Temporarily Restricted, FASB ASC 958-205-65	48,196	37,457
Total Temporarily Restricted Net Assets	1,834,338	1,731,092
Permanently Restricted Net Assets	11,237,457	10,431,443
<i>Total Net Assets</i>	13,796,995	11,880,284
<i>Total Liabilities and Net Assets</i>	\$ 13,829,448	\$ 11,893,676

ADAMS STATE COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ending June 30, 2011 and 2010

	2011	2010
Operating Revenues:		
Tuition & fees (including \$8,377,620 and \$7,174,894, respectively of revenues pledged for bonds and net of scholarship allowances of \$12,083,937 and \$11,482,835, respectively)	\$ 14,909,645	\$ 10,873,573
Sales & services of auxiliary enterprises (including \$7,715,979 and \$7,089,613, respectively of revenues pledged for bonds and net of scholarship allowances of \$1,057,232 and \$854,989 respectively)	7,085,942	6,691,412
Fee for Service Contract Revenue	10,262,730	5,332,164
Federal grants and contracts	2,851,164	2,395,880
State grants and contracts	2,012,559	2,383,754
Other operating revenues (including \$141,657 and \$61,763, respectively of revenues pledged for bonds)	853,222	496,784
<i>Total Operating Revenues</i>	<u>37,975,262</u>	<u>28,173,567</u>
Operating Expenses:		
Instruction	15,790,694	14,578,959
Public Service	7,150	7,555
Academic support	2,291,224	2,153,896
Student services	3,268,318	3,146,089
Institutional support	3,571,611	3,135,392
Operation of plant	2,731,916	2,931,034
Scholarships and fellowships	2,168,377	1,664,172
Auxiliary enterprises expenditures	12,084,228	11,166,125
Depreciation	4,529,743	3,885,869
<i>Total Operating Expenses</i>	<u>46,443,261</u>	<u>42,669,091</u>
<i>Operating Loss</i>	<u>(8,467,999)</u>	<u>(14,495,524)</u>
Nonoperating Revenues (Expenses):		
Federal Pell Grants	7,156,021	6,789,614
Gifts and Donations	1,788,925	1,465,091
Federal Build America Bonds Subsidy	696,688	257,797
State Fiscal Stabilization Funds	424,665	7,331,450
Limited Gaming Transfer	24,124	-
Investment & interest income (loss) (including \$40,169 and \$49,911, respectively of revenue pledged for bonds)	(280,657)	925,277
Interest on capital debt	(504,313)	(490,168)
Gain or Loss on Disposal of Assets	(3,967)	(149,463)
<i>Net Nonoperating Revenue</i>	<u>9,301,486</u>	<u>16,129,598</u>
<i>Income before Other Revenues, Expenses, Gains, Losses or Transfers</i>	<u>833,487</u>	<u>1,634,074</u>
Other Revenues, Expenses, Gains, Losses or Transfers:		
State appropriation, capital	16,515	345,347
Transfers to Other Institutions	(72,546)	(83,946)
<i>Increase in Net Assets</i>	<u>777,456</u>	<u>1,895,475</u>
Net Assets - beginning of the year	64,302,444	\$62,406,969
Net Assets - end of the year	<u>\$ 65,079,900</u>	<u>\$ 64,302,444</u>

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
NET ASSETS, BEGINNING OF YEAR	\$ (282,251)	\$ 1,731,092	\$ 10,431,443	\$ 11,880,284
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	101,460	1,061,335	211,325	1,374,120
Investment Income	(38,136)	377,615	-	339,479
Net Realized Gains (Losses) on long-term investments	176,014	247,180	-	423,194
Net Unrealized Gains (Losses) on long-term investments	768,057	349,846	-	1,117,903
Subtotal	1,007,395	2,035,976	211,325	3,254,696
Net Assets Released from Restriction	1,252,593	(1,252,593)	-	-
Total from Revenues, Gains, and Other Support	2,259,988	783,383	211,325	3,254,696
EXPENSES AND LOSSES				
Program Services	1,267,593	-	-	1,267,593
Supporting Services:				
Professional Fees and Consulting	17,430	-	-	17,430
Insurance	2,762	-	-	2,762
General Administration	5,868	-	-	5,868
Lease	1,340	-	-	1,340
Meetings	636	-	-	636
Real Estate Taxes	234	-	-	234
Supplies	1,227	-	-	1,227
Printing and Postage	19,502	-	-	19,502
Fundraising	9,013	-	-	9,013
Support and Maintenance	12,205	-	-	12,205
Other Expense	175	-	-	175
Total Expenses and Losses	1,337,985	-	-	1,337,985
Reclass for FASB ASC 958-205-65 adjustment	(10,739)	10,739	-	-
Transfers:				
Transfers In/(Out)	96,187	(690,876)	594,689	-
Change in Net Assets for the Year	1,007,451	103,246	806,014	1,916,711
NET ASSETS AT END OF YEAR	<u>\$ 725,200</u>	<u>\$ 1,834,338</u>	<u>\$ 11,237,457</u>	<u>\$ 13,796,995</u>

ADAMS STATE COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS, BEGINNING OF 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)	-	-
<i>Total from Revenues, Gains, and Other Support</i>	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
<i>Total Expenses and Losses</i>	1,185,539	-	-	1,185,539
Reclass for FASB ASC 958-205-65 adjustment	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 AT END OF YEAR	<u>\$ (282,251)</u>	<u>\$ 1,731,092</u>	<u>\$ 10,431,443</u>	<u>\$ 11,880,284</u>

See Notes to the Financial Statements

ADAMS STATE COLLEGE
STATEMENTS OF CASH FLOWS
For the years ending June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
<u>Cash received:</u>		
Tuition and fees	\$ 14,914,694	\$ 10,799,487
Fee for service Contract Revenue	10,262,730	5,332,164
Sales of services	5,786,135	5,398,972
Sales of products	1,225,406	1,274,401
Grants and contracts	4,819,555	4,783,032
Student loans collected	197,755	266,615
Other receipts	656,469	551,685
<u>Cash payments:</u>		
Payments to or for employees	(27,500,927)	(26,474,638)
Payments to suppliers	(13,755,709)	(5,308,368)
Scholarships disbursed	(2,168,377)	(1,664,172)
Student loans disbursed	(214,488)	(290,997)
<i>Net Cash Used by Operating Activities</i>	<u>(5,776,757)</u>	<u>(5,331,819)</u>
Cash Flows from Noncapital Financing Activities:		
Federal grants and contracts, nonoperating	8,199,399	14,378,861
Gifts/grants for other than capital purposes	1,813,049	1,465,091
Agency receipts	25,741,496	20,066,503
Agency payments	(25,986,251)	(19,867,673)
Transfers from (to) other institutions	(72,546)	(83,946)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>9,695,147</u>	<u>15,958,836</u>
Cash Flows from Capital & Related Financing Activities:		
State appropriations, capital	16,515	345,347
Proceeds from capital debt	66,855	29,300,430
Acquisition or construction of capital assets	(20,140,883)	(21,117,256)
Principal paid on capital debt	(315,172)	(573,048)
Interest paid on capital debt	(3,292,222)	(2,113,981)
<i>Net Cash Provided (Used) by Capital & Related Financing Activities</i>	<u>(23,664,907)</u>	<u>5,841,492</u>
Cash Flows from Investing Activities:		
Investment earnings	136,837	1,586,118
<i>Net Cash Provided by Investing Activities</i>	<u>136,837</u>	<u>1,586,118</u>
Net Increase (Decrease) in Cash	<u>(19,609,680)</u>	<u>18,054,627</u>
Beginning cash balance	52,029,296	33,974,669
Ending cash balance	<u>\$ 32,419,616</u>	<u>\$ 52,029,296</u>

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE
STATEMENTS OF CASH FLOWS
For the years ending June 30, 2011 and 2010

	2011	2010
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (8,467,999)	\$ (14,495,524)
Adjustments to reconcile:		
Depreciation expense	4,529,743	3,885,869
Increase in assets:		
Receivables, net	(50,599)	(477,540)
Inventories & prepaids	(34,055)	(11,519)
Increase (decrease) in liabilities:		
Accounts payable	(709,960)	3,518,031
Accrued liabilities	(1,197,010)	1,681,284
Deferred revenues	30,041	561,815
Student deposits	8,249	9,237
Compensated absences	114,833	(3,472)
<i>Net Cash Used by Operating Activities</i>	<u>\$ (5,776,757)</u>	<u>\$ (5,331,819)</u>
Noncash Investing, Capital, and Financing Activities:		
State Capital Contributions	\$ 16,515	\$ 345,347
Loss on capital asset deletions	3,967	149,463
Amortization of capital premium/discount and capital loss	153,214	102,928

The accompanying notes are an integral part of this statement.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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, 2011 and 2010. 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, 2011 and 2010

Cash and Cash Equivalents

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

Investments

Investments are stated at their fair market value as determined by quoted market prices.

Inventory

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

Capital Assets

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

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

The College capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized during the years ended June 30, was \$2,422,046 (2011) and \$1,255,973 (2010).

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.

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.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

Compensated Absence Liabilities

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

Net Assets

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

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

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 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 2011, 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 revised at the end of each fiscal year to ensure that the criteria are still being met.

Reclassifications

Certain reclassifications were made to the fiscal year 2010 financial statements presentation in order to conform to the fiscal year 2011 financial statements presentation.

STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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, 2011 the College had \$28,241,641, including cumulative unrealized gains of \$421,567, on deposit with the State Treasurer. The cumulative unrealized gain includes an allocation from the State Treasurer of \$(567,982) in unrealized losses for the year ended June 30, 2011. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At fiscal year-end, the book balance of cash on hand and in banks consisted of the following:

Cash on hand	\$ 9,914
Cash in checking accounts at bank	1,096,141
Certificate of deposits	<u>3,071,920</u>
Total cash at June 30, 2011	<u>\$ 4,177,975</u>

The carrying amount of the College's cash on deposit was \$4,168,061. The bank balance of these deposits was \$4,857,695, of which \$920,796 was covered by federal depository insurance and \$3,936,899 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

At June 30, 2010, the College had \$48,410,219, including cumulative unrealized gains of \$989,549, on deposit with the State Treasurer. The cumulative unrealized gain includes an allocation from the State Treasurer of \$586,692 in unrealized gains for the year ended June 30, 2010. At fiscal year-end, the book balance of 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 at June 30, 2010	<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.

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, 2011. 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 \$421,567

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

(2011) and \$989,549 (2010). 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:

	June 30, 2011		June 30, 2010	
	Cost	Fair Value	Cost	Fair Value
Common Fund	\$ 12,329,592	\$ 12,723,214	\$ 11,587,979	\$ 10,898,211

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

	June 30, 2011		June 30, 2010	
	Value at	Carrying	Value at	Carrying
	Contribution	Value	Contribution	Value
Art collection	\$ 220,750	\$ 220,750	\$ 220,750	\$ 220,750
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 \$252,421 (2011) and \$176,337 (2010).

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:

	2011	2010
Student Accounts Receivable	\$ 1,899,616	\$ 1,794,114
Less: Allowance for Doubtful Accounts	(757,682)	(582,508)
Student Accounts Receivable, net	<u>1,141,934</u>	<u>1,211,606</u>
Other Accounts Receivable	<u>852,707</u>	<u>535,140</u>
Student Loans Receivable	1,027,726	1,027,727
Less: Allowance for Doubtful Accounts	(244,047)	(124,727)
Student Loans Receivable, net	<u>783,679</u>	<u>903,000</u>
Total Receivables	<u>\$ 2,778,320</u>	<u>\$ 2,649,746</u>

STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4 - CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Nondepreciable Capital Assets				
Land	\$ 445,249	\$ -	\$ -	\$ 445,249
Construction in Progress	24,807,692	24,169,709	24,431,664	24,545,737
Total Nondepreciable Capital Assets	\$ 25,252,941	\$ 24,169,709	\$ 24,431,664	\$ 24,990,986
Depreciable Capital Assets				
Land Improvements	\$ 5,806,324	\$ 1,260,864	\$ -	\$ 7,067,188
Buildings and Improvements	85,895,480	23,311,056	28,336	109,178,200
Equipment	4,548,237	541,109	184,517	4,904,829
Library Materials	4,604,877	126,825	13,275	4,718,427
Total Depreciable Capital Assets	100,854,918	25,239,854	226,128	125,868,644
Less: Accumulated Depreciation				
Land Improvements	3,797,541	340,231	-	4,137,772
Buildings and Improvements	34,636,183	3,786,742	24,369	38,398,556
Equipment	3,375,912	238,851	170,459	3,444,304
Library Materials	3,758,478	163,919	13,275	3,909,122
Total Accumulated Depreciation	45,568,114	4,529,743	208,103	49,889,754
Net Depreciable Capital Assets	\$ 55,286,804	\$ 20,710,111	\$ 18,025	\$ 75,978,890

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

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
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	\$ 16,515,658	\$ 21,527,824	\$ 12,790,541	\$ 25,252,941
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	87,536,356	13,639,464	320,902	100,854,918
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	41,850,166	3,885,869	167,921	45,568,114
Net Depreciable Capital Assets	\$ 45,686,190	\$ 9,753,595	\$ 152,981	\$ 55,286,804

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 5 - NONCURRENT LIABILITIES

The College's noncurrent liability activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Bond and Leases Payable:					
Series 2009A Bonds	\$ 19,805,000	\$ -	\$ -	\$ 19,805,000	\$ 385,000
Series 2009B Bonds	12,380,000	-	385,000	11,995,000	395,000
Series 2009C Bonds	27,615,000	-	-	27,615,000	-
Unamortized Premium 2009A	355,997	-	12,400	343,597	-
Unamortized Premium 2009B	366,877	-	19,351	347,526	-
Unamortized Discount 2009C	(600,473)	-	(19,396)	(581,077)	-
Refunding Loss 2009B	(1,214,902)	-	(140,858)	(1,074,044)	-
Capital Lease Obligation	82,151	-	18,780	63,371	19,907
<i>Total Bonds and Leases Payable</i>	<u>58,789,650</u>	<u>-</u>	<u>275,277</u>	<u>58,514,373</u>	<u>799,907</u>
Other Liabilities:					
Compensated Absences	1,070,583	114,833	-	1,185,416	36,459
Other	18,570	66,855	39,895	45,530	9,551
Total Other Liabilities	<u>1,089,153</u>	<u>181,688</u>	<u>39,895</u>	<u>1,230,946</u>	<u>46,010</u>
<i>Total Long-Term Liabilities</i>	<u>\$ 59,878,803</u>	<u>\$ 181,688</u>	<u>\$ 315,172</u>	<u>\$ 59,745,319</u>	<u>\$ 845,917</u>

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 2004A Bonds	\$ 9,380,000	\$ -	\$ 9,380,000	\$ -	\$ -
Series 2009A Bonds	19,805,000	-	-	19,805,000	-
Series 2009B Bonds	-	12,760,000	380,000	12,380,000	385,000
Series 2009C Bonds	-	27,615,000	-	27,615,000	-
Unamortized Premium 2004A	264,234	-	264,234	-	-
Unamortized Premium 2009A	368,398	-	12,401	355,997	-
Unamortized Premium 2009B	-	377,359	10,482	366,877	-
Unamortized Discount 2009C	-	(610,979)	(10,506)	(600,473)	-
Refunding Loss 2004A	(299,314)	-	(299,314)	-	-
Refunding Loss 2009B	-	(1,291,200)	(76,298)	(1,214,902)	-
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>
<i>Total Long-Term Liabilities</i>	<u>\$ 30,721,444</u>	<u>\$ 38,850,180</u>	<u>\$ 9,692,821</u>	<u>\$ 59,878,803</u>	<u>\$ 443,353</u>

STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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%.

Principal and interest requirements to maturity are as follows:

<u>Years ending June 30,</u>	
2012	\$ 23,711
2013	23,711
2014	<u>23,712</u>
	71,134
Less amount representing interest	<u>(7,763)</u>
Principal outstanding	<u>\$ 63,371</u>

NOTE 7 - BONDS PAYABLE

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, ten percent 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 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 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.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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, ten percent 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.

The following is a schedule of future minimum bond payments as of June 30, 2011:

Years ending June 30,	2009A Series	2009B Series	2009C Series	Total
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	1,360,059	1,310,500	1,767,752	4,438,311
2017-2021	6,810,550	5,424,800	9,929,913	22,165,263
2022-2026	6,808,825	3,783,163	11,366,015	21,958,003
2027-2031	6,803,520	2,275,350	12,418,837	21,497,707
2032-2036	6,800,975	-	13,767,652	20,568,627
2037-2041	4,086,400	-	10,490,410	14,576,810
Total Bond Payments	38,123,000	16,673,063	66,811,587	121,607,650
Less Interest Included Above	(18,318,000)	(4,678,063)	(39,196,587)	(62,192,650)
Total Principal Outstanding	19,805,000	11,995,000	27,615,000	59,415,000
Less Current Portion	(385,000)	(395,000)	-	(780,000)
Net Long Term Principal	19,420,000	11,600,000	27,615,000	58,635,000
Less Unamortized Premium, Discount and Refunding Loss	343,597	(726,518)	(581,077)	(963,998)
Bonds Payable, Net	<u>\$ 19,763,597</u>	<u>\$ 10,873,482</u>	<u>\$ 27,033,923</u>	<u>\$ 57,671,002</u>

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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, 2011.

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 \$2,146,328 (2011) and \$1,856,541 (2010), respectively.

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 \$36,459 (2011) and \$27,614 (2010). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as \$1,148,957 (2011) and \$1,042,969 (2010). Current expenses include an increase of \$114,103 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 11.4 percent of covered payroll and contributions by employees is 8 percent of covered payroll.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

The College's contributions to the ORP for the fiscal years ending June 30, were \$1,103,281 (2011), \$1,035,123 (2010) and \$1,010,057 (2009). 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 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>.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution retirement plan. If that election is not made, the employee becomes a member of PERA's defined benefit plan. Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for 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. Community college employees hired after January 1, 2010, are required to become members of PERA's defined benefit or defined contribution plan.

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

Based on changes in the 2010 legislative session slightly different plan requirements were in effect until December 31, 2010. The following requirements were effective at June 30, 2011:

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements 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.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

- 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 between January 1, 2007 and December 31, 2010 – 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. For employees hired before January 1, 2007, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010 if the member has less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 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 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. For members hired before January 1, 2007, age plus years of service increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods if the salaries used were from the last three years of employment. For retirements after January 1, 2009, four periods are used and are ranked from lowest to highest with the maximum increase between years limited to 15 percent. For members hired on or after January 1, 2007, the maximum increase between ranked periods is 8 percent. Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increased between periods of 8 percent.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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.

Most employees contribute 8.0 percent (10.0 percent for State troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2010 Senate Bill 10-146 requires members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2011. Employer contributions for members in these two divisions will be reduced by 2.5 percent. Senate Bill 11-076 continued these contribution rates through June 30, 2012.

From July 1, 2010, to December 31, 2010, the State contributed 11.35 percent (14.05 percent for State troopers and 14.86 percent for the Judicial Branch) of the employee's salary. From January 1, 2011, through June 30, 2011, the State contributed 12.25 percent (14.95 percent for State troopers and 14.86 percent for the Judicial Branch). During all of Fiscal Year 2010-11, 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, 2010, the division of PERA in which the State participates has a funded ratio of 62.8 percent and a 47 year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

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 0.5 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.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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 0.4 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. Both the AED and SAED will be reduced by one-half percent point when funding levels reach 103 percent, and both will be increased by one-half percent point when the funding level subsequently falls below 90 percent. Neither the AED or 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 PERA Defined Benefit Plan and Health Care Trust Fund for the fiscal years ending June 30, were \$1,258,111 (2011), \$1,305,123 (2010), and \$1,242,414 (2009). These contributions met the contribution requirement 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 \$153,572. Employee contributions were 7.5 percent of covered payroll.

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 for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2010, for total contributions of \$22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan, the deferred compensation plan, and the defined contribution plan. Certain agencies and institutions of the State offered 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 \$108,456 (2011), \$99,276 (2010), \$101,422 (2009) as required by statute. In each year the amount contributed was 100 percent of the required contribution.

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. As of December 31, 2010, there were 48,455 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.35 billion, a funded ratio of 17.5 percent, and a 42-year amortization period. The actuarial valuation was based on the entry age cost method, an 8 percent investment rate of return, a 4.5 percent projection of salary increases (assuming a .75 percent inflation rate), a 3.5 percent annual medical claims increase, no post-retirement benefit increases, and a level dollar amortization on an open basis over 30 years.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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, 2011 there were 20 participants in post retirement coverage from the eight member higher education institutions. For fiscal year 2011, 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 years ended June 30, 2011 and 2010 were as follows:

	Tuition & Fees	Auxiliary Revenue	Fiscal Year 2011 Total	Fiscal Year 2010 Total
Gross Revenue	\$ 26,993,582	\$ 8,143,174	\$ 35,136,756	\$ 29,902,809
<u>Scholarship Allowances:</u>				
Federal	6,189,288	541,506	6,730,794	6,350,329
State	1,321,367	115,607	1,436,974	1,645,291
Private	962,336	84,195	1,046,531	735,490
Institutional	3,610,946	315,924	3,926,870	3,606,714
Total Allowances	12,083,937	1,057,232	13,141,169	12,337,824
Net Revenue	<u>\$ 14,909,645</u>	<u>\$ 7,085,942</u>	<u>\$ 21,995,587</u>	<u>\$ 17,564,985</u>

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.

**STATE OF COLORADO
ADAMS STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

During the years ended June 30, the College received funds totaling \$1,001,850 (2011) and \$791,936 (2010), 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 2011 are as follows:

Budget	\$	30,150,237
Actual Revenues	\$	30,149,742
Actual Expenses	\$	19,754,360

SUPPLEMENTAL INFORMATION

ADAMS STATE COLLEGE
SCHEDULE OF REVENUES AND EXPENSES
FOR SERIES 2009A, 2009B AND 2009C AUXILIARY FACILITIES REVENUE BONDS
For the years ended June 30, 2011 and 2010

	2011	2010
Revenue		
Tuition revenues	\$ 1,725,381	\$ 1,381,882
Extended Studies tuition and fees	4,856,561	4,423,623
Capital fees	1,100,325	689,356
College service fees	695,354	680,097
Traffic control fees	42	56,023
Rental income	4,202,813	3,708,877
Food service income	2,135,013	1,920,876
Sales/services auxiliaries	1,224,608	1,274,367
Interest income	40,169	49,911
Other income	295,244	201,433
<i>Total Revenue</i>	<u>16,275,510</u>	<u>14,386,445</u>
Expenses		
Salaries & benefits	4,428,258	4,104,049
Costs of goods	894,884	934,447
Utilities expense	547,389	512,382
Rental expense	191,857	200,942
Contract food services	1,193,397	1,052,762
Travel	66,731	78,327
Supplies	249,062	270,131
Other operating expenses	321,740	390,308
Purchased services-personal	251,848	213,691
Financial aid	463,198	362,744
Administrative cost allowance	1,548,202	1,789,559
Furniture & equipment	338,149	94,166
Other capital expenditures	386	(923)
Other expenses	346,425	128,772
<i>Total Expenses</i>	<u>10,841,526</u>	<u>10,131,357</u>
Net Revenue before Transfers	5,433,984	4,255,088
Transfers		
Mandatory transfers	2,087,015	1,562,855
Nonmandatory transfers	763,516	737,782
<i>Total Transfers</i>	<u>2,850,531</u>	<u>2,300,637</u>
<i>Net Revenue</i>	<u>\$ 2,583,453</u>	<u>\$ 1,954,451</u>

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, 2011 and 2010, and have issued our report thereon dated December 6, 2011. 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, 2011 and 2010 were audited by other auditors whose report dated December 6, 2011 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 Findings and Recommendations Section, we identified certain deficiencies in internal control over financial reporting 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 Findings and Recommendations Section to be significant deficiencies: Recommendations 1 and 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 6, 2011

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, 2011 and 2010, and have issued our report thereon dated December 6, 2011. 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 the engagement letter dated April 12, 2011 to the College, 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 dated May 23, 2011. In addition, a letter on planned audit scope was provided to the Board of Trustees dated May 23, 2011.

Significant Audit Findings

Internal Control Related Matters

We noted that the College did not perform monthly reconciliations of loan disbursements between the Direct Loan Servicing System (DLSS) and the College’s financial records during fiscal year 2011, which is a requirement under the Direct Loan program and the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local*

Governments, and Non-Profit Organizations. Regarding this finding our recommendation is as follows:

Adams State College should ensure that it complies with the monthly Financial Student Aid Direct Loan program requirement to perform monthly reconciliations of loan disbursements. The College should create a report in the Banner System that contains disbursements made to students by the associated award year and compare the report to the School Account Statement data file to ensure the College's financial records agree.

We noted that for 1 student out of the sample of 25 students we tested for compliance with Federal Student Aid (FSA) requirements, the student's FSA funds, which were required to be returned to the Department of Education (DOE) due to the student's withdrawal from classes, were not returned within the required 45-day limit. Regarding this finding our recommendation is as follows:

To ensure federal timeframes are met for the return of FSA Program funds, Adams State College should ensure their current return of FSA funds procedure is followed at all times by improving departmental communications and administrative oversight of the FSA Program, and automating controls using the Banner System, where appropriate.

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, 2011. 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.

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 estimate affecting the financial statements was:

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 difficulties in dealing with management in performing and completing our audit.

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 6, 2011.

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 College'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 6, 2011

**STATE-FUNDED STUDENT
ASSISTANCE PROGRAMS SECTION**

ADAMS STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the year ended June 30, 2011

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, 2011, 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, 2011.

State-Funded Student Assistance Programs

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

The State-funded student assistance awards made by the College were approximately \$1,936,000 and \$2,194,000 for the fiscal years ended 2011 and 2010, 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 \$7,032,000 in the Pell Grant Program, \$146,000 in the Supplemental Educational Opportunity Grant Program and \$289,000 in the Federal College Work-Study Program.

During the audit period, Adams State College obtained authorizations to award Colorado student financial aid funds of \$114,000 in the CLEAP and SLEAP Programs, \$1,422,000 in the Student Grant Program, \$377,000 in the Colorado Work Study Program, and \$24,000 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 Statement of appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs (the Statement) for Adams State College (the College) for the year ended June 30, 2011. The Statement is the responsibility of the College's management. Our responsibility is to express an opinion on the Statement based on our audit.

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

The Statement was prepared in accordance with the format as set forth in the Colorado Department of Higher Education (CDHE) *Audit Guide*, and in conformity with the provisions of the Colorado Commission on Higher Education (CCHÉ) Student Financial Aid Policy. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study Program, and does not present certain transactions that would be included in the statement of the state-funded student financial assistance programs if presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying Statement is not intended to and does not 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 Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs of the College, in all material respects, for the year ended June 30, 2011, in accordance with the format as set forth in the Colorado Department of Higher Education (CDHE) *Audit Guide*, and in conformity with the provisions of the Colorado Commission on Higher Education (CCHE) Student Financial Aid Policy.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011 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.



DALBY, WENDLAND & CO., P.C.

December 6, 2011

STATE OF COLORADO
 ADAMS STATE COLLEGE
 STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
 STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS
 Year ended June 30, 2011

	TOTAL STATE-FUNDED STUDENT ASSISTANCE	CLEAP PROGRAM	SLEAP PROGRAM	STUDENT GRANT PROGRAM	WORK STUDY PROGRAM	COLORADO MERIT SCHOLARSHIP	SCHOLARSHIP FOR PRECOLLEGIATE PROGRAMS	GOVERNOR'S OPPORTUNITY SCHOLARSHIP
APPROPRIATIONS:								
ORIGINAL	\$ 1,906,618	\$ 45,405	\$ 64,189	\$ 1,366,754	\$ 376,770	\$ -	\$ -	\$ 53,500
SUPPLEMENTAL	28,989	3,989	-	25,000	-	-	-	-
TRANSFERS	-	-	-	29,861	-	-	-	(29,861)
RETURNED TO CCHE	-	-	-	-	-	-	-	-
TOTAL	1,935,607	49,394	64,189	1,421,615	376,770	-	-	23,639
EXPENDITURES	1,935,607	49,394	64,189	1,421,615	376,770	-	-	23,639
REVERSIONS TO STATE GENERAL FUND	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Basis of Accounting

Adams State College's accounting system is 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 Perkins Loans and the College Work Study Program (CWS). Perkins Loan disbursements are recorded as loans receivable when the funds are disbursed. The CWS is on the accrual basis in that the expense is recognized when the services are performed.

Note A

CLEAP and SLEAP Grants consist of 62 percent state funds and 38 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: 2116-11