



Western State College of Colorado

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2007

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Western State College of Colorado

REPORT SUMMARY – FINANCIAL AND COMPLIANCE AUDIT

Year ended June 30, 2007

PURPOSE AND SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged Chadwick, Steinkirchner, Davis & Co., P.C. to conduct an audit of Western State College of Colorado (the College) for its fiscal year ended June 30, 2007. Chadwick, Steinkirchner, Davis & Co., P.C. performed the audit in accordance with auditing standards generally accepted in the United States of America, and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from June through September 2007.

The purpose and scope of the audit were to:

Express an opinion on the financial statements of the College as of and for the year ended June 30, 2007. This includes a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Evaluate compliance with laws, regulations, contracts, and grants governing the expenditures of federal and state funds.

Express an opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal years ended June 30, 2007 and 2006.

Evaluate progress in implementing prior audit findings and recommendations, if any.

Western State College's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, are included in the June 30, 2007, Statewide Single Audit Report issued under separate cover.

Audit Opinions and Reports

Chadwick, Steinkirchner, Davis & Co., P.C. expressed an unqualified opinion on the financial statements for the year ended June 30, 2007.

Chadwick, Steinkirchner, Davis & Co., P.C. also expressed an unqualified opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal years ended June 30, 2007 and 2006.

Western State College of Colorado

SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

Year ended June 30, 2007

Current Audit Recommendations

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

During our fiscal year 2007 audit, we noted that the College has contracted with a third-party to perform administration compliance procedures for Perkins loans. During a transition of College personnel responsible for oversight of the third party during 2006 and 2007, certain procedures relating to the monitoring of the third-party were not consistently performed.

During our fiscal year 2007 audit, we noted in our testing of internal controls over accounts payable that the College's request for reimbursement report has line for the department head to approve or authorize reimbursement of expenses. In one case out of ten that we tested, we noted that the employee that initiated the expenditure was also the department head, thus he initiated and authorized his own expenditure.

During our fiscal year 2007 audit, we noted in our testing of student financial aid that the College does not have a formal written policies and procedures manual for administering student financial aid. One of the requirements in testing internal controls of student financial aid is to review the written policies and procedures manual established by the institution, that includes policies over the determination of awards, the receipt and disbursement of funds, the recording of transactions, the reporting to CCHE and the proper packaging guidelines for need based awards.

Recommendations and College Responses

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

Summary of Prior Audit Recommendations

The audit report for the year ended June 30, 2006 included no recommendations.

Western State College of Colorado

RECOMMENDATION LOCATOR

Year ended June 30, 2007

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1.	5	Western State College should improve compliance procedures for Perkins Loans by:		
		a. Ensuring that employees with oversight of Perkins loans understand all program requirements.	Agree	October 31, 2007
		b. Assigning College personnel and implementation of procedures to monitor third-party performance.	Agree	October 31, 2007
2.	5	Western State College should improve internal control over cash disbursements by requiring that the same employee who initiates a transaction does not also authorize the payment of the transaction.	Agree	December 31, 2007
3.	6	Western State College should formalize student financial aid policies and procedures in a written manual.	Partially Agree	June 30, 2008

DESCRIPTION OF WESTERN STATE COLLEGE OF COLORADO

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

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

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

	2005	2006	2007
Resident Students	1,544.6	1,521.7	1,451.7
Nonresident Students	513.4	497.2	466.2
Total Students	2,058.0	2,018.9	1,917.9
Faculty FTEs	104.5	103.0	115.6
Staff FTEs	122.6	159.2	164.9
Total Staff and Faculty FTE's	227.1	262.2	280.5

DESCRIPTION OF WESTERN STATE COLLEGE FOUNDATION

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

FINDINGS AND RECOMMENDATIONS REPORT SECTION

Western State College of Colorado

AUDITORS' FINDINGS AND RECOMMENDATIONS

Year ended June 30, 2007

Student Financial Aid

During our audit for the fiscal year ended June 30, 2007, we noted that Western State College has contracted with a third-party to perform administration compliance procedures for Perkins loans, which consists of furnishing all services for billing, collection and accounting of all Perkins loans. This includes sending all grace period communications and conducting exit interviews for borrowers who do not meet the program's enrollment thresholds. During a transition of College personnel responsible for oversight of the third-party during 2006 and 2007, certain procedures relating to the monitoring of the third-party were not consistently performed. Our sample consisted of five students who entered repayment and during our testing we noted two instances where required follow up related to student exiting compliance requirements had not been initiated by the third-party. Our findings did not result in any questioned costs related to Western State College's student financial aid programs. However, without these monitoring procedures the College cannot ensure that the contractor is conducting activities required under the federal Perkins program.

Recommendation No. 1

Western State College should ensure that employees with oversight of Perkins loans understand all requirements of the program and are monitoring the third-party contractor for administrative compliance. This should include assignment of specific College personnel to be responsible for the monitoring of the third-party contract performance.

Western State College Response:

Agree. Implementation Date: October 31, 2007

The College has hired an assistant financial aid director who will monitor the third-party contractor for administrative compliance.

Invoice Approval

Purchasing transactions are required to have proper account coding and authorization. During our audit for the fiscal year ended June 30, 2007, we noted in our testing of internal controls over accounts payable that the College's request for reimbursement report has line for the department head to approve or authorize reimbursement of expenses. We performed testing on ten expenditures. In one case, we noted that the employee that initiated the expenditure was also the department head, thus he initiated and authorized his own expenditure. Internal controls were not in place to ensure that the person initiating a transaction is different than the person authorizing a transaction. However, we noted that the department heads are not authorized to approve new vendors for the College.

Recommendation No. 2

Western State College should change the signature line for approval of cash disbursement transactions to "Supervisory Approval" instead of "Department Head Approval" and ensure that the person initiating the transaction is also not approving the transaction.

Western State College of Colorado

AUDITORS' FINDINGS AND RECOMMENDATIONS – CONTINUED

Year ended June 30, 2007

Western State College Response:

Agree. Implementation Date: December 31, 2007

The College will change the forms to require Supervisory Approval when the person being reimbursed is also the Department Head by December 31, 2007.

Student Financial Aid Manual

Western State College received approximately \$8,600,000 during Fiscal Year 2007 for federal student financial assistance programs. During our audit for the fiscal year ended June 30, 2007, we noted in our testing of student financial aid that the College does not have a formal written policies and procedures manual for administering student financial aid. One of the requirements in testing internal controls over student financial aid is to review the written policies and procedures manual established by the institution, that includes policies over the determination of awards, the receipt and disbursement of funds, the recording of transactions, the reporting to CCHE, and the proper packaging guidelines for need-based awards. A formal manual not only meets the requirements for written policies and procedures, but, in the event financial aid personnel are absent, processes can continue without interruption.

Recommendation No. 3

Western State College should formalize their policies and procedures in a manual for Student Financial Aid staff to follow.

Western State College Response:

Partially agree. Implementation Date: June 30, 2008

The College agrees that a formal written policies and procedures manual is a necessity. However, the College does not agree that the College does not have a formal written policies and procedures manual for administering student financial aid. Western State College does have a policies and procedures manual that needs to be updated and will take the necessary steps to do so by June 30, 2008.

FINANCIAL STATEMENT SECTION



REPORT OF INDEPDENT CERTIFIED PUBLIC ACCOUNTANTS

November 16, 2007

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business-type activities of Western State College of Colorado, a blended component unit of the State of Colorado, as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Western State College of Colorado as of June 30, 2006, were audited by other auditors whose report dated September 29, 2006 expressed an unqualified opinion on those statements. We did not audit the financial statements of Western State College Foundation, the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Western State College Foundation, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Western State College of Colorado and the discretely presented component unit as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007 on our consideration of Western State College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



November 16, 2007

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

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

Chadwick, Steinkirchner, Davis & Co., P.C.

WESTERN STATE COLLEGE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
Years Ended June 30, 2007 and 2006

This section of Western State College of Colorado's (the College) financial report presents management's discussion and analysis of the financial performance of the College during the year ended June 30, 2007. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes. A comparative analysis is presented for the years ended June 30, 2006 and 2005.

Using the Consolidated Financial Report

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

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

Financial Highlights

- The College's financial position declined during the fiscal year ended June 30, 2007 as evidenced by a decrease in net assets of \$0.2 million, from \$37.9 million at June 30, 2006 to \$37.7 million. In 2006, net assets increased by \$1.3 million from \$36.6 million at June 30, 2005.
- The College's current assets of \$22.7 million (2007), \$11.7 million (2006) and \$8.7 million (2005) were sufficient to cover current liabilities of \$4.0 million (2007), \$3.7 million (2006) and \$3.6 million (2005). The current ratio of 5.68 (2007), 3.16 (2006) and 2.42 (2005) (current assets/current liabilities) demonstrates the liquidity of College assets and the relative availability of working capital to fund current operations.
- An operating deficit of \$1.7 million (2007), \$0.9 million (2006) and \$7.9 million (2005) resulted from the College's dependence on state grants and contracts (state appropriations in 2005) because the financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues.

Statement of Net Assets

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

Condensed Statements of Net Assets						
June 30, 2007, 2006 and 2005						
(in thousands)						
			2007	2006	2005	
Assets						
	Current Assets		\$22,726	\$11,738	\$8,676	
	Noncurrent Assets		43,860	46,293	48,742	
		<i>Total Assets</i>	66,586	58,031	57,418	
Liabilities						
	Current Liabilities		4,005	3,650	3,637	
	Noncurrent Liabilities		24,909	16,472	17,200	
		<i>Total Liabilities</i>	28,914	20,122	20,837	
Net Assets						
	Invested in Capital Assets		25,009	26,738	28,046	
	Restricted		5,606	5,073	5,072	
	Unrestricted		7,057	6,098	3,463	
		<i>Total Net Assets</i>	\$37,672	\$37,909	\$36,581	

At June 30, the College's total assets were \$66.6 million (2007), \$58 million (2006) and \$57.4 million (2005). The largest asset category, the \$41 million (2007), \$43.5 million (2006) and \$45.9 million (2005) in capital assets, includes land, buildings, equipment, library holdings, and construction in process. The capital asset amount is net of accumulated depreciation of \$37.5 million (2007), \$34.3 million (2006) and \$31.2 million (2005). Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal years 2007, 2006 and 2005 the College's current assets of \$22.7 million (2007), \$11.7 million (2006) and \$8.7 million (2005) were sufficient to cover current liabilities of \$4.0 million (2007), \$3.7 million (2006) and \$3.6 million (2005) producing current ratios of 5.68 (2007), 3.16 (2006) and 2.42 (2005). Cash and cash equivalents (bank deposits, pooled cash with the State Treasurer, and highly liquid investments) comprised almost \$21.3 million (2007), \$10.4 million (2006) and \$7.5 million (2005) in assets.

Bonds payable of \$16.0 million (2007), \$16.6 million (2006) and \$17.2 million (2005) represent almost 55% (2007) and 83% (2006 and 2005) of the College's total liabilities of \$28.9 million (2007), \$20.1 million (2006) and \$20.8 million (2005). Current portion of the bonds payable is \$680,000 (2007), \$665,000 (2006) and \$650,000 (2005).

The College's financial position declined during the fiscal year as evidenced by the decrease in net assets of \$0.2 million (see the Statement of Revenues, Expenses and Changes in Net Assets) from \$37.9 million at June 30, 2006 to \$37.7 million at June 30, 2007. \$25 million (2007), \$26.7 million (2006) and \$28 million (2005) in net assets is invested in capital assets net of related debt, \$5.6 million (2007) and \$5.1 million (2006 and 2005) is externally restricted for specific purposes, and \$7.1 million (2007), \$6.1 million (2006) and \$3.5 million (2005) is unrestricted and available for any lawful purpose of the College.

Statement of Revenue, Expenses and Changes in Net Assets

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

Tuition and fee revenues in 2007 accounted for \$11.6 million (a \$0.5 million decrease from 2006) of the \$30.8 million in operating revenues. Tuition and fee revenue in 2006 was \$12.1 million, a \$4 million increase from 2005. The tuition and fee amount is net of scholarship allowances of \$3.1 million (2007), \$2.9 million (2006) and \$2.4 million (2005). Scholarship allowances are defined as the financial aid awarded to students by the colleges that is used to pay college charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense, as previously reported.

Operating expenses totaled \$32.5 million (2007), \$30.7 million (2006) and \$28.5 million (2005). Of that total, \$9.9 million (2007), \$9.4 million (2006) and \$8.4 million (2005) was for instruction, \$8.9 million (2007), \$8.8 million (2006) and \$6.7 million (2005) for auxiliary enterprises, \$3.1 million (2007), \$2.8 million (2006) and \$4.2 million (2005) for student services, \$3 million (2007) and \$2.4 million (2006 and 2005) for institutional support, and \$1.1 million (2007), \$.8 million (2006) and \$.9 million (2005) for academic support.

The College's dependency on state grants and contracts (2007 and 2006) and state appropriations (2005) produced an operating deficit of \$1.7 million in fiscal year 2007, \$0.9 million in fiscal year 2006 and \$7.9 million in fiscal year 2005 because the financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues. The College had ending net assets at June 30, 2007 of \$37.7 million, a decrease of \$0.2 million from the previous year-end. Ending net assets at June 30, 2006 were \$37.9 million, an increase of \$1.3 million from the previous year-end.

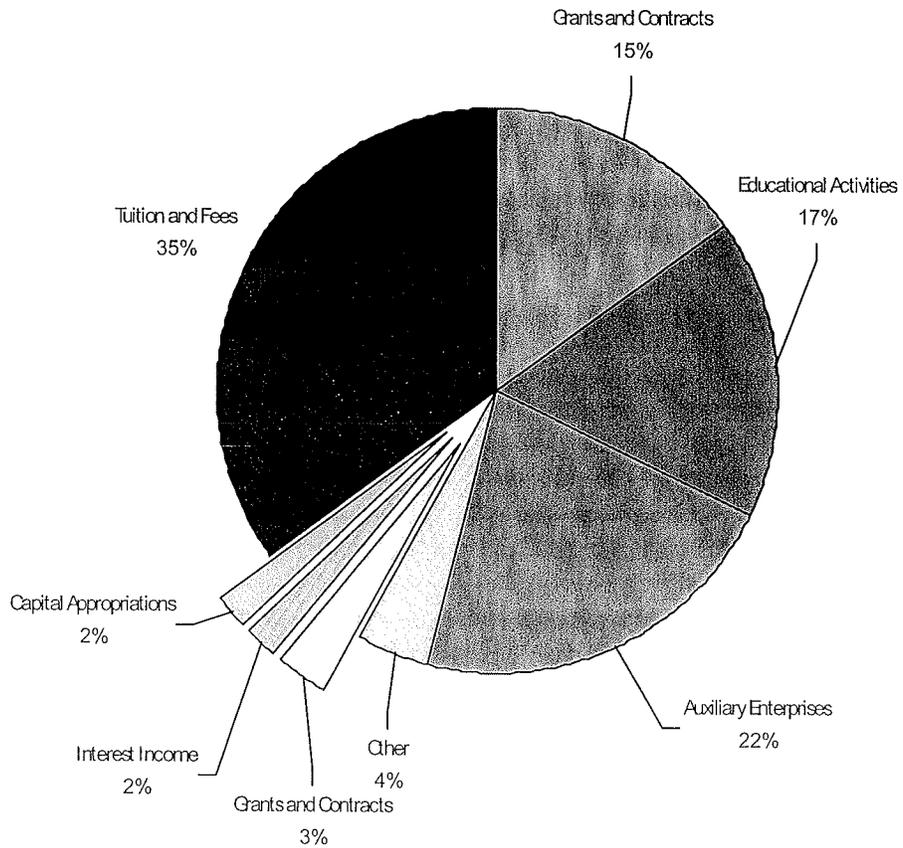
Condensed Statements of Revenue, Expenses, and Changes in Net Assets
June 30, 2007, 2006 and 2005
(in thousands)

	2007	2006	2005
Operating Revenue			
Tuition and Fees, net	\$11,591	\$12,056	\$8,072
Grants and Contracts	4,960	5,468	4,509
Educational Activities	5,724	4,441	0
Auxiliary Enterprises	7,123	6,586	6,812
Other	1,416	1,282	1,265
<i>Total Operating Revenue</i>	30,814	29,833	20,658
Operating Expenses	32,547	30,701	28,528
<i>Net Operating Loss</i>	(1,733)	(868)	(7,870)
Nonoperating Revenue (Expense)			
Grants and Contracts	970	1,976	0
State Appropriations	0	0	6,897
Interest Income	640	280	233
Other Nonoperating	(795)	(956)	(638)
<i>Net Nonoperating Revenue</i>	815	1,300	6,492
<i>Income (Loss) Before Other Revenue, Expenses, Gains, or Losses</i>	(918)	432	(1,378)
State Appropriations, Capital	678	389	0
Other	4	507	348
<i>Increase (Decrease) in Net Assets</i>	(236)	1,328	(1,030)
Net Assets:			
Net Assets-Beginning of Year	37,909	36,581	37,611
Net Assets-End of Year	\$37,673	\$37,909	\$36,581

The following is a graphic illustration of total revenue by source for the College for fiscal year 2007. Each major revenue component is displayed relative to its proportionate share of total revenues.

Revenue by Source – Fiscal Year 2007

Operating Revenues



Non-Operating Revenues

Economic Outlook

The State changed the process of funding higher education institutions as directed by Senate Bill 04-189. General fund monies are no longer directly appropriated to higher education governing boards. Instead, stipends for tuition assistance are provided to eligible undergraduate students through the College Opportunity Fund, and the Department of Higher Education purchases educational services through fee-for-service contracts. For fiscal year 2008, the College is projected to receive \$3.9 million in funds from the College Opportunity Fund program and \$7.5 million in fee-for-service contracts.

Enrollments for the College are projected to be flat in fiscal year 2008. However, tuition rate increases of 5.3% for full time Colorado resident students and 3.7% for nonresident students are projected to generate an additional \$435,000 in tuition revenue beyond fiscal year 2007 levels.

It is anticipated that the College will lose its enterprise status in fiscal year 2008 given the large capital appropriation provided to the College in this year. To qualify for enterprise status, the College had to meet three criteria including, 1) receiving less than 10% of annual revenue from state or local grants, 2) qualifying as a government-owned business, and 3) having the authority to issue revenue bonds. Under current standards, capital appropriations are considered state grants.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATEMENTS OF NET ASSETS
As of June 30, 2007 and 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 21,339,592	\$ 10,431,287
Short-term investments	8,786	8,787
Student accounts receivable, net	369,418	275,574
Other accounts receivable, net	450,234	371,338
Student loans receivable, net	121,444	167,412
Inventories	390,451	430,263
Prepaid expenses	46,517	53,067
<i>Total Current Assets</i>	22,726,442	11,737,728
Non-current Assets		
Restricted investments	1,706,133	1,706,132
Student loans receivable, net	613,847	530,927
Other long-term assets	566,485	515,426
<i>Total Non-Current Assets</i>	2,886,465	2,752,485
Non-depreciable Capital Assets		
Land	695,416	695,416
Land improvements	1,904,083	1,904,083
Construction in progress	165,471	-
<i>Total Non-Depreciable Capital Assets</i>	2,764,970	2,599,499
Depreciable Capital Assets, Net		
Land improvements (less accumulated depreciation of \$45,227 (2007) and \$12,311 (2006))	557,798	590,714
Buildings and improvements, less accumulated depreciation of \$31,502,020 (2007) and \$28,590,763 (2006)	36,159,445	39,070,702
Furniture and equipment, less accumulated depreciation of \$1,533,673 (2007) and \$1,410,747 (2006)	707,600	506,182
Library materials, less accumulated depreciation of \$4,443,840 (2007) and \$4,287,011 (2006)	783,804	773,304
<i>Total Depreciable Capital Assets, Net</i>	38,208,647	40,940,902
<i>Total Non-current Assets</i>	43,860,082	46,292,886
<i>Total Assets</i>	66,586,524	58,030,614
LIABILITIES		
Current Liabilities		
Accounts payable	593,428	573,114
Accrued liabilities	1,615,080	1,538,981
Deferred revenue	486,264	431,450
Student deposits	122,006	168,993
Bonds payable, current portion	680,000	665,000
Capital leases payable, current portion	446,706	214,105
Compensated absence liabilities, current portion	61,353	58,558
<i>Total Current Liabilities</i>	4,004,837	3,650,201
Non-current Liabilities		
Bonds payable	15,284,510	15,922,961
Capital leases payable	9,053,294	-
Compensated absence liabilities	571,247	548,384
<i>Total Non-current Liabilities</i>	24,909,051	16,471,345
<i>Total Liabilities</i>	28,913,888	20,121,546
NET ASSETS		
Invested in capital assets, net of related debt	25,009,107	26,738,336
Restricted for expendable purposes:		
Loans	1,345,098	1,287,389
Other purposes	4,261,058	3,785,207
Unrestricted	7,057,373	6,098,136
<i>Total Net Assets</i>	\$ 37,672,636	\$ 37,909,068

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLLEGE FOUNDATION
(DISCRETELY PRESENTED COMPONENT UNIT)
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	2007	2006
Assets		
Cash and cash equivalents.....	\$ 193,553	\$ 169,810
Certificates of deposit.....	71,268	68,591
Investments	19,320,122	13,285,182
Contributions receivable, net.....	430,687	570,395
Due from Western State College.....	2,639	4,877
Debt issuance costs	99,667	0
Other assets	67,692	54,486
Property and equipment, net of depreciation.....	6,895,386	1,008,130
Total Assets	\$ 27,081,014	\$ 15,161,471
Liabilities		
Accounts payable	\$ 217,808	\$ 104,470
Bonds payable	5,620,301	0
Accrued interest	94,843	0
Total Liabilities	5,932,952	104,470
Net Assets		
Unrestricted	979,699	1,246,636
Temporarily restricted	9,489,613	5,955,743
Permanently restricted.....	10,678,750	7,854,622
Total Net Assets	21,148,062	15,057,001
Total Liabilities and Net Assets	\$ 27,081,014	\$ 15,161,471

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2007 and 2006

	2007	2006
OPERATING REVENUE		
Tuition and fees, including pledged for bonds of \$810,625 (2007) and \$836,590 (2006)	\$ 14,719,252	\$ 14,975,366
Less: scholarship allowances	(3,128,028)	(2,919,812)
<i>Net Tuition and Fees</i>	11,591,224	12,055,554
Federal, state, private grants and contracts	4,960,139	5,467,739
Sales and services of Educational Activities	5,724,238	4,441,478
Sales and services of auxiliary enterprises, including revenue pledged for bonds of \$7,275,090 (2007) and \$6,756,517 (2006)	7,511,057	6,952,129
Less: scholarship allowances	(388,171)	(366,199)
<i>Net Auxiliary Sales and Services</i>	7,122,886	6,585,930
Other operating revenue, including \$74,281 (2007) and \$61,652 (2006) of revenue pledged for bonds	1,415,487	1,282,039
<i>Total Operating Revenue</i>	30,813,974	29,832,740
OPERATING EXPENSES		
Instruction	9,919,682	9,434,659
Research	53,493	88,790
Public service	101,544	-
Academic support	1,134,705	773,099
Student services	3,140,812	2,828,112
Institutional support	3,031,537	2,437,199
Operation and maintenance of plant	2,701,023	2,460,356
Scholarships and fellowships	227,397	603,991
Auxiliary enterprises	8,910,174	8,821,516
Depreciation	3,326,470	3,253,545
<i>Total Operating Expenses</i>	32,546,837	30,701,267
<i>Operating Loss</i>	(1,732,863)	(868,527)
NON-OPERATING REVENUE (EXPENSES)		
Federal, state, private grants and contracts	970,119	1,976,415
Investment and interest income, including \$247,502 (2007) and \$206,574 (2006) of revenue pledged for bonds	640,353	280,270
Loss on disposal of assets	-	(50,659)
Interest expense on capital debt	(751,312)	(782,262)
Other nonoperating expenses	(43,922)	(123,411)
<i>Net Non-operating Revenue</i>	815,238	1,300,353
<i>Gain (Loss) Before Other Items</i>	(917,625)	431,826
Other Revenue, Expenses, Gains, Losses, or Transfers		
State appropriation, capital	677,506	389,391
Capital grants	3,687	13,925
Capital gifts	-	492,434
<i>Increase (Decrease) in Net Assets</i>	(236,432)	1,327,576
Net Assets - Beginning of year	37,909,068	36,581,492
Net Assets - End of year	\$ 37,672,636	\$ 37,909,068

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLLEGE FOUNDATION
(DISCRETELY PRESENTED COMPONENT UNIT)
STATEMENTS OF ACITIVITIES
Years Ended June 30, 2007 and 2006

	2007	2006
Changes in Unrestricted Net Assets		
Revenues, gains and other support:		
Contributions.....	\$ 178,971	\$ 131,363
Investment income.....	258,428	155,225
Rental income.....	14,482	14,482
	451,881	301,070
Net assets released from restrictions:		
Satisfaction of program restrictions.....	1,323,570	2,412,857
	1,775,451	2,713,927
Expenses:		
Programs.....	1,553,423	1,847,723
Management and general.....	211,219	165,320
Fund-raising.....	243,271	197,467
	2,007,913	2,210,510
Transfers.....	(34,475)	(6,525)
Increase (Decrease) in Unrestricted Net Assets	(266,937)	496,892
Changes in Temporarily Restricted Net Assets		
Revenues and gains:		
Contributions.....	2,731,215	3,404,570
Investment income.....	2,092,374	664,547
Royalties.....	94,909	140,236
	4,918,498	4,209,353
Net assets released from restrictions:		
Satisfaction of program restrictions.....	(1,323,570)	(2,412,857)
Transfers.....	(61,058)	(12,775)
Increase (Decrease) in Temporarily Restricted Net Assets	3,533,870	1,783,721
Changes in Permanently Restricted Net Assets		
Revenues and gains:		
Contributions.....	2,728,595	1,195,709
Transfers.....	95,533	19,300
Increase in Permanently Restricted Net Assets	2,824,128	1,215,009
Increase in Net Assets	6,091,061	3,495,622
Net Assets - July 1.....	15,057,001	11,561,379
Net Assets - June 30.....	\$ 21,148,062	\$ 15,057,001

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received		
Tuition and fees	\$ 11,646,038	\$ 12,263,851
Sales of services	11,522,089	9,721,086
Sales of product	1,184,204	1,215,272
Grants, contracts and gifts	4,960,139	5,593,103
Student loans collected	142,433	378,410
Other operating receipts	1,336,592	994,905
Cash Payments		
Payments to or for employees	(17,033,438)	(15,797,335)
Payments to suppliers	(11,782,720)	(10,883,864)
Scholarships disbursed	(227,397)	(605,087)
Student loans disbursed	(206,300)	(148,534)
<i>Net Cash Provided (Used) by Operating Activities</i>	1,541,640	2,731,807
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal, state, private grants & contracts	970,119	1,976,415
Other agency (outflows)	(124,131)	(264,645)
<i>Net Cash Provided by Noncapital Financing Activities</i>	845,988	1,711,770
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations - capital	677,506	389,391
Capital grants, contracts and gifts	3,687	13,925
Proceeds from Capital Debt	9,423,764	-
Acquisition or construction of capital assets	(594,216)	(369,939)
Principal paid on capital debt	(879,105)	(1,064,938)
Interest on capital debt	(751,312)	(783,846)
<i>Net Cash Provided (Used) by Capital and Related Financing Activities</i>	7,880,324	(1,815,407)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings (interest/dividends)	640,353	280,270
<i>Net Cash Provided by Investing Activities</i>	640,353	280,270
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	10,908,305	2,908,440
Cash and cash equivalents - beginning of year	10,431,287	7,522,847
Cash and cash equivalents - end of year	\$ 21,339,592	\$ 10,431,287
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (1,732,863)	\$ (868,527)
Adjustments to reconcile:		
Depreciation	3,326,470	3,134,364
Provision for Uncollectable Accounts	(873)	(79,691)
Decrease (increase) in assets	(8,555,911)	2,406,863
Increase (decrease) in liabilities	8,792,342	(715,213)
Other Reconciling Items	(287,525)	(1,145,989)
<i>Net Cash Provided (Used) by Operating Activities</i>	\$ 1,541,640	\$ 2,731,807

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

As an institution of the State of Colorado, the College's operations and activities are funded partially through fee-for-service contracts with the state.

Reporting Entity

The accompanying financial statements reflect the financial activities of the College for the fiscal year ended June 30, 2007. The College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the state Comprehensive Annual Financial Report may be obtained from the Office of the State Controller, Department of Personnel and Administration, Denver, Colorado.

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

Basis of Accounting

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

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

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

Investments are carried at market value (GASB 31).

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

Accounts Receivable

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

Inventories

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

Restricted Cash and Cash Equivalents

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

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

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

Deferred Revenue

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

Compensated Absences

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

Classification of Revenue

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

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

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

Scholarship Allowances

Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship allowances in the Statement of Revenue, Expenses and Changes in Net Assets. Scholarship allowances are the differences between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenue in the College's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing for the years ended June 30 were \$3,516,199 (2007) and \$3,286,011 (2006).

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Assets

The College's net assets are classified as follows:

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

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

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

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

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

Application of Restricted and Unrestricted Resources

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

Reconciliation to Other Reports

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

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation and Changes in Accounting Principles

GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, (Statement No. 42) in November 2003. Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and is effective for fiscal years beginning after December 15, 2004. The adoption of this Statement had no significant effect on the accompanying financial statements.

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

GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)* (Statement No. 46), in December 2004. Statement No. 46 is effective for periods beginning after June 15, 2005 and clarifies the definition of “legally enforceable enabling legislation restrictions” and specifies the accounting and financial reporting requirements related to such legislation. The adoption of this Statement had no significant effect on the accompanying financial statements.

GASB issued Statement No. 47, *Accounting for Termination Benefits* (Statement No. 47) in June 2005. Statement No. 47 establishes accounting standards for termination benefits and is effective in the two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions are implemented with Statement 45. For all other termination benefits it is effective for periods beginning after June 15, 2005. Statement No. 44 had no effect on the accompanying financial statements.

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

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

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* (Statement No. 48) in September 2006. Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received under this Statement should be reported as revenue, or as a liability, and is effective for periods beginning after December 15, 2006.

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

Income Taxes

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

NOTE B – CASH AND INVESTMENTS

Cash

At June 30 the College had \$11,506,533 (2007) and \$9,122,637 (2006) on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

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

	2007	2006
Cash on hand	\$ 94,453	\$ 566,562
Cash in checking accounts at bank	9,803,728	742,088
	<u>\$9,898,181</u>	<u>\$1,308,650</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk. The carrying amount of the College's cash on deposit was \$9,803,728 (2007) and \$742,088 (2006) and the bank balance was \$10,092,033 (2007) and \$1,216,727 (2006). Of this bank balance, \$611,320 (2007) and \$1,180,154 (2006) was covered by federal note depository insurance or by collateral held by the institution's agent in the institution's name.

Investments

At June 30, 2007, the College had investments with a carrying value of \$1,714,919 (2007) and \$1,714,919 (2006) and a market value of \$1,714,919 (2007) and \$1,714,919 (2006), which are categorized to give an indication of the level of risk assumed. Of this total, \$1,714,919 (2007) and \$1,714,919 (2006) was uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent in the College's name. Yield on investments was 4.12% (2007 and 2006).

At June 30, the Foundation had investments with a cost of \$17,986,104 (2007) and \$12,337,626 (2006) and a market value of \$19,320,122 (2007) and \$13,285,182 (2006).

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE C – RECEIVABLES AND PAYABLES

At June 30, receivable balances were as follows:

	Gross Receivable	Allowance for Uncollectible Amounts	Net Receivable
<u>2007</u>			
Student accounts receivable	\$ 459,508	\$ (90,090)	\$ 369,418
Other accounts receivable	\$ 450,234	\$ -	\$ 450,234
Student loans receivable	\$ 179,385	\$ (57,941)	\$ 121,444
<u>2006</u>			
Student accounts receivable	\$ 404,326	\$ (128,752)	\$ 275,574
Other accounts receivable	\$ 371,338	\$ -	\$ 371,338
Student loans receivable	\$ 259,867	\$ (92,455)	\$ 167,412

At June 30, accrued liabilities balances were as follows:

	2007	2006
Accrued payroll	\$ 1,508,929	\$ 1,450,575
Accrued interest payable	106,151	88,406
<i>Total Accrued liabilities</i>	<u>\$ 1,615,080</u>	<u>\$ 1,538,981</u>

NOTE D – CAPITAL ASSETS

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Non-depreciable Capital Assets				
Land	\$ 695,416	\$ -	\$ -	\$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	-	165,471	-	165,471
<i>Total Non-depreciable Capital Assets</i>	<u>\$ 2,599,499</u>	<u>\$ 165,471</u>	<u>\$ -</u>	<u>\$ 2,764,970</u>
Depreciable Capital Assets				
Land Improvements	\$ 603,025	\$ -	\$ -	\$ 603,025
Buildings and improvements	67,661,465	-	-	67,661,465
Furniture and equipment	1,916,929	426,017	(101,673)	2,241,273
Library materials	5,060,315	168,198	(869)	5,227,644
<i>Total Depreciable Capital Assets</i>	<u>75,241,734</u>	<u>594,215</u>	<u>(102,542)</u>	<u>75,733,407</u>
Less: accumulated depreciation				
Land Improvements	(12,311)	(32,916)	-	(45,227)
Buildings and improvements	(28,590,763)	(2,911,257)	-	(31,502,020)
Furniture and equipment	(1,410,747)	(224,599)	101,673	(1,533,673)
Library materials	(4,287,011)	(157,698)	869	(4,443,840)
<i>Total Accumulated Depreciation</i>	<u>(34,300,832)</u>	<u>(3,326,470)</u>	<u>102,542</u>	<u>(37,524,760)</u>
<i>Net Depreciable Capital Assets</i>	<u>\$40,940,902</u>	<u>\$ (2,732,255)</u>	<u>\$ -</u>	<u>\$ 38,208,647</u>

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE D – CAPITAL ASSETS – CONTINUED

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Non-depreciable Capital Assets				
Land	\$ 695,416	\$ -	\$ -	\$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	-	-	-	-
<i>Total Non-depreciable Capital Assets</i>	<u>\$2,599,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,599,499</u>
Depreciable Capital Assets				
Land Improvements	\$ -	\$ 603,025	\$ -	\$ 603,025
Buildings and improvements	67,788,112	-	(126,647)	67,661,465
Furniture and equipment	1,737,760	220,811	(41,642)	1,916,929
Library materials	4,912,738	149,129	(1,552)	5,060,315
<i>Total Depreciable Capital Assets</i>	<u>74,438,610</u>	<u>972,965</u>	<u>(169,841)</u>	<u>75,241,734</u>
Less: accumulated depreciation				
Land Improvements	-	(12,311)	-	(12,311)
Buildings and improvements	(25,753,911)	(2,912,840)	75,988	(28,590,763)
Furniture and equipment	(1,287,552)	(164,841)	41,646	(1,410,747)
Library materials	(4,125,004)	(163,559)	1,552	(4,287,011)
<i>Total Accumulated Depreciation</i>	<u>(31,166,467)</u>	<u>(3,253,551)</u>	<u>119,186</u>	<u>(34,300,832)</u>
<i>Net Depreciable Capital Assets</i>	<u>\$43,272,143</u>	<u>\$(2,280,586)</u>	<u>\$ (50,655)</u>	<u>\$40,940,902</u>

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

	2007	2006
Land	\$ 38,225	\$ 38,225
Buildings and improvements	1,050,312	1,050,311
Furniture and equipment	94,223	85,313
Construction period-interest	232,061	-
Construction in progress	6,113,923	437,395
	<u>7,528,744</u>	<u>1,611,244</u>
Less: accumulated depreciation	<u>(633,358)</u>	<u>(603,114)</u>
	<u>\$ 6,895,386</u>	<u>\$ 1,008,130</u>

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE E – LONG-TERM LIABILITIES

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

	Balance <u>6/30/2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2007</u>	Due within <u>One Year</u>
Bonds and Leases Payable:					
Bonds	\$ 16,910,000	\$ -	\$ 665,000	\$ 16,245,000	\$ 680,000
Premium/Discount	91,636	-	4,844	86,792	-
Gain/Loss on refunding	(413,675)	46,393	-	(367,282)	-
Total Bonds Payable	<u>16,587,961</u>	<u>46,393</u>	<u>669,844</u>	<u>15,964,510</u>	<u>680,000</u>
Capital leases	214,105	9,500,000	214,105	9,500,000	446,706
Total Bonds and Leases Payable	<u>16,802,066</u>	<u>9,546,393</u>	<u>883,949</u>	<u>25,464,510</u>	<u>1,126,706</u>
Other Liabilities:					
Compensated Absences	606,942	25,658		632,600	61,353
Total Other Liabilities	<u>606,942</u>	<u>25,658</u>	<u>-</u>	<u>632,600</u>	<u>61,353</u>
Total Long-Term Liabilities	<u><u>\$ 17,409,008</u></u>	<u><u>\$ 9,572,051</u></u>	<u><u>\$ 883,949</u></u>	<u><u>\$ 26,097,110</u></u>	<u><u>\$ 1,188,059</u></u>

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

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

Debt Service Reserve Requirement

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

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE E – LONG-TERM LIABILITIES – CONTINUED

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

	2007	2006
Retirement of Indebtedness	\$ 1,664,903	\$ 1,945,286
Renewal and Replacement	\$ 551,180	\$ 504,788

Principal and interest requirements to maturity are as follows:

Year Ending June 30	Series A	Series B	Total
2008	\$ 1,075,833	\$ 295,125	\$ 1,370,958
2009	1,077,132	295,125	1,372,257
2010	1,075,433	295,125	1,370,558
2011	1,075,952	295,125	1,371,077
2012	1,079,133	295,125	1,374,258
2013-2017	5,378,032	1,475,625	6,853,657
2018-2022	2,155,608	4,605,138	6,760,746
2023-2025	-	3,233,250	3,233,250
<i>Total Principal and Interest</i>	12,917,123	10,789,638	23,706,761
Less interest	2,942,123	4,519,638	7,461,761
<i>Total Principal</i>	\$ 9,975,000	\$ 6,270,000	\$16,245,000

NOTE F – EXTINGUISHMENT OF DEBT

In fiscal year 1994, the College defeased 1992 series bonds by placing the proceeds of the 1994 series plus a portion of the 1992 series debt service reserve funds in an irrevocable trust to provide for all future debt service payments on the 1992 bonds. Accordingly, the trust-account assets and liabilities for the defeased bonds are not included in the College's financial statements. On June 30, 2007, \$8,060,000 of 1992 bonds outstanding is considered defeased.

In fiscal year 2003, the College defeased 1994 series bonds by placing the proceeds of the 2003A series in an irrevocable trust to provide for all future debt service payments on the 1994 bonds. Accordingly, the trust-account assets and liabilities are not included in the College's financial statements. On June 30, 2007, \$8,405,000 of 1994 bonds outstanding is considered defeased.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE G – CAPITAL LEASES PAYABLE

A capital lease for a new dining hall facility was entered into on June 11, 2007. The lease requires semi-annual payments of \$446,357 which include interest at 4.75%. Title to the building passes to the College at the end of the lease term.

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 446,706	\$ 446,007	\$ 892,713
2009	468,176	424,537	892,713
2010	490,679	402,034	892,713
2011	514,262	378,451	892,713
2012	538,980	353,733	892,713
2013-2017	3,109,302	1,354,264	4,463,566
2018-2022	3,931,895	531,671	4,463,566
<i>Total</i>	<u>\$ 9,500,000</u>	<u>\$3,890,697</u>	<u>\$13,390,697</u>

NOTE H – COMPENSATED ABSENCE LIABILITY FOR ANNUAL AND SICK LEAVE

College employees may accrue annual and sick leave, based on length of service, and subject to certain limitations regarding the amount to be paid upon termination. The estimated cost of compensated absences for which employees are vested for the year ended June 30, 2007 is \$632,600. Current expenses include \$25,659 for the increase in the estimated compensated absence liability. The recording of the liability for compensated absences may result in fund-balance deficits, which will be funded by state appropriation, self-supporting funds, or other sources available in future years when the liability is paid.

NOTE I – EMPLOYEE PENSION PLANS

A. Optional Retirement Plan

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

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

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE I – EMPLOYEE PENSION PLANS – CONTINUED

The College's contributions to the ORP for fiscal years ending June 30, 2007, 2006, and 2005 were \$826,460, \$730,193, and \$664,418, respectively. These contributions were equal to the required contributions for each year. All ORP contributions are immediately invested in the employee's account. Normal retirement for the ORP is age 65, with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

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

B. Public Employees Retirement Association

1. Plan Description

The rest of the College's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan administered by PERA. PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan, as well as the other divisions' plans, is included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver CO 80217, by calling PERA at 1-800-729-PERA (7372), or by visiting www.copera.org.

Prior to January 1, 2006, state employees and employees of local school districts were members of the combined State and School Division of PERA. On January 1, 2006, that combined division was segregated into a State Division and a separate School Division. Separate actuarial assessments are made for each division.

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

PERA rather than the defined benefit 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. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members vest after five years of service, and if they were hired before July 1, 2005, most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. Persons hired between July 1, 2005 and December 31, 2006 are eligible for retirement benefits at any age with 35 years of service, at age 55 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. Persons hired on or after January 1, 2007 are eligible for retirement benefits at any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service or age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE I – EMPLOYEE PENSION PLANS – CONTINUED

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

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

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

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

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of 18 (23 if a full-time student) may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, financially dependent parents, beneficiaries or the member's estate may be entitled to a survivor's benefit.

2. 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.

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

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE I – EMPLOYEE PENSION PLANS – CONTINUED

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate. In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

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

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

The College's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ending June 30, 2007, 2006, and 2005 were \$602,154, \$563,914, and \$532,321, respectively. These contributions were equal to the required contributions for each year.

C. Student-Employees Defined Contribution Plan

Beginning in fiscal year 1993, in accordance with the provisions of CRS 24-54.6 and as provided in IRC 403(b), the State of Colorado Department of Higher Education established the Colorado Student-Employees Defined Contribution Pension Plan administered by TIAA-CREF. Student-employees not currently attending classes are required to participate. The plan requires a 7.5 percent employee contribution and no employer contribution. For the fiscal year ended June 30, total payroll covered by the plan was \$213,840 (2007) and \$215,978 (2006).

NOTE J – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans. Members who contribute to any of these plans also receive the state match, when available.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE K – POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund: the program was converted to a trust fund in 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years. The Health Care Trust Fund is maintained by an employer contribution as discussed above in Note I-B2.

Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical benefit plans and another carrier for prescription benefits, and with several health maintenance organizations providing services within Colorado. As of December 31, 2006, there were 42,433 enrollees in the plan.

Life Insurance Program

During Fiscal Year 2006-2007, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 members participated. Active members may join the UnumProvident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 12,790 members under closed group plans underwritten by Anthem Life, Prudential and New York Life.

Postretirement Healthcare and Life Insurance Benefits

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare. As of June 30, 2007 there were 41 participants in post retirement coverage from the eight member higher education institutions. For fiscal year 2007, Western State College has 4 retired faculty administrative participants under CHEIBA.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting following Governmental Accounting Standards for a business type activity. The financial statements can be obtained by contacting the Western State College Human Resources Department. 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 the contributions to the plan. Participating schools can withdraw their participation in the plan with at least one years notice to the CHEIBA board.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE L – RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

The College is subject to risks of loss from liability from accident or acts of nature. Such risks for all agencies and institutions of the State of Colorado (University of Colorado excepted) are managed under statutory authority by the State Office of Risk Management (an agency formed by statute and funded by the Long Bill). The College does not retain risk of loss except for damage incurred to property belonging to the College, limited to a \$1,000 deductible per occurrence.

NOTE M – SCHOLARSHIP ALLOWANCE

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

	Tuition and Fees	Auxiliary Revenue	Total
<u>2007</u>			
Gross revenue	\$14,719,252	\$ 7,511,057	\$ 22,230,309
Scholarship allowances:			
Federal	(1,263,723)	(156,821)	(1,420,544)
State	(509,869)	(63,272)	(573,141)
Private	(431,668)	(53,568)	(485,236)
Institutional	(922,768)	(114,510)	(1,037,278)
<i>Total Allowances</i>	(3,128,028)	(388,171)	(3,516,199)
<i>Net Revenue</i>	\$11,591,224	\$ 7,122,886	\$ 18,714,110
<u>2006</u>			
Gross revenue	\$14,975,366	\$ 6,952,129	\$ 21,927,495
Scholarship allowances:			
Federal	(1,124,128)	(140,987)	(1,265,115)
State	(475,929)	(59,690)	(535,619)
Private	(575,203)	(72,141)	(647,344)
Institutional	(744,552)	(93,381)	(837,933)
<i>Total Allowances</i>	(2,919,812)	(366,199)	(3,286,011)
<i>Net Revenue</i>	\$12,055,554	\$ 6,585,930	\$ 18,641,484

NOTE N – RELATED PARTY LEASE AGREEMENT

The State of Colorado, acting by and through the Trustees of the College entered into a ground lease on April 1, 2006 with Western State College Foundation (the Foundation). The lease term is through April 1, 2056 and provides for one dollar (\$1.00) annual rent to be paid by the Foundation. The Foundation agrees to use the land for the purpose of construction and operating an academic building for the College's business related academic programs.

Construction of the building is to be completed by August 2007 and is being financed by approximately six million dollars of donations from outside sources.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2007 and 2006

NOTE O – LEGISLATIVE APPROPRIATION

Appropriated Funds

The Colorado Legislature establishes spending authority for the College in its annual Long Appropriations Bill. Appropriated funds include an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and certain other revenue sources. For the years ended June 30, funds appropriated to the College were \$20,964,876 (2007) and \$19,526,442 (2006). Actual appropriated revenue earned, including capital appropriations, totaled \$19,670,194 (2007) and \$19,350,352 (2006). Actual appropriated expenditures and transfers totaled \$19,599,541 (2007) and \$18,205,503 (2006).

Non-Appropriated Funds

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

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
SCHEDULES OF REVENUE AND EXPENSES
FOR ENTERPRISE REVENUE BONDS
For Years Ended June 30, 2007 and 2006

	2007	2006
REVENUE		
College Service Fees	\$ 810,625	\$ 836,590
Bookstore Sales	1,184,204	1,215,272
Rental Income	3,645,818	3,328,936
Food Service Income	2,069,958	1,828,918
Sales/Service Auxiliaries	449,391	445,044
Interest Income	247,502	206,574
<i>Total Revenues</i>	8,407,498	7,861,334
EXPENSES		
Employee Compensation	843,494	924,359
Costs of Goods	828,084	795,745
Utilities	752,046	809,215
Rental	16,886	17,357
Contract Food	1,339,263	1,206,439
Travel	14,339	13,200
Supplies	183,941	151,049
Purchased Services-Personal	28,246	58,823
Financial Aid	159,835	142,752
Administrative Cost Allowance	1,556,184	1,697,004
Furniture & Equipment	17,652	615
Other Operating Expenses	542,958	518,212
<i>Total Expenses</i>	6,282,928	6,334,770
<i>Net Revenues before Transfers</i>	2,124,570	1,526,564
TRANSFERS		
Mandatory Transfers	(1,298,854)	(1,297,311)
Non-mandatory Transfers	(12,496)	(113,836)
<i>Total Transfers</i>	(1,311,350)	(1,411,147)
<i>Net Revenue (Loss)</i>	\$ 813,220	\$ 115,417



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

November 16, 2007

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Western State College, a blended component unit of the State of Colorado and its discretely presented component unit, as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 16, 2007. We did not audit the financial statements of the Western State College Foundation, the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Western State College Foundation, is based solely on the report of the other auditors. 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 were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Western State College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic 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.

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

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

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.



Members of the Legislative Audit Committee
November 16, 2007
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Compliance and Other Matters

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

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

Chadwick, Steinkirchner, Davis + Co., P.C.,



AUDIT COMMITTEE COMMUNICATIONS

November 16, 2007

Members of the Legislative Audit Committee:

We have audited the financial statements of Western State College, a blended component unit of the State of Colorado, for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 16, 2007. As required by professional auditing standards, we are providing you with information related to our audit.

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

Our responsibility under professional standards is to plan and perform an audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. As part of our audit, we considered the internal control of Western State College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of the engagement letter we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Western State 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 2007 or 2006. We noted no transactions entered into by Western State College during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.



Members of the Legislative Audit Committee

November 16, 2007

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Management Judgments and Accounting Estimates

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

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Western State College's financial reporting process (that is, cause future financial statements to be materially misstated). We noted no adjustments that could have a significant effect on Western State College's financial reporting process.

Disagreements with Management

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

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.



Members of the Legislative Audit Committee

November 16, 2007

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Issues Discussed Prior to Retention of Independent Auditors

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 Western State 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.

Difficulties Encountered in Performing the Audit

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

This information is intended solely for the use of the Legislative Audit Committee and management of Western State College 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

**STATE-FUNDED STUDENT ASSISTANCE
PROGRAMS SECTION**

**WESTERN STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS**

For the Years Ended June 30, 2007 and 2006

Introduction

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

The financial and compliance examination of the various state-funded student assistance programs at the College for the years ended June 30, 2007 and 2006, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Commission on Higher Education (CCHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the years ended June 30, 2007 and 2006.

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, Colorado Leveraging Education Assistance Partnership Program (CLEAP) and Special Leveraging Education Assistance Partnership Program (SLEAP).

The state-funded student assistance awards made by the College were \$838,000 and \$828,000 for the fiscal years ended 2007 and 2006, respectively. In addition, total state-funded matching funds of \$0 during fiscal year 2007 and 2006 were transferred to the Perkins Student Loan Fund.

The Director of Financial Aid is responsible for the 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 Western State College obtained authorizations to award federal student financial aid funds of \$1,280,000 in the Pell Grant Program, \$151,000 in the Supplemental Educational Opportunity Grant Program, \$177,000 in the College Work-Study Program and \$0 in the Perkins Student Loan Program.

During the audit period Western State College obtained authorizations to award Colorado student financial aid funds of \$48,600 in total for the CLEAP and SLEAP Programs, \$399,700 in the Student Grant Program, \$219,700 in the Colorado Work Study Program, \$38,300 in the Merit Award Program, \$0 in the Diversity Grant Program, and \$122,000 in the Governor's Opportunity Scholarship.



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

November 16, 2007

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 for Western State College, a blended component unit of the State of Colorado, for the years ended June 30, 2007 and 2006. This 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 financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Program of Western State College for the years ended June 30, 2007 and 2006, in conformity with the provisions of the Colorado Commission on Higher Education's *Colorado Handbook for State-Funded Financial Assistance Programs*.



Members of the Legislative Audit Committee
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007 on our consideration of Western State College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Chadwick, Steinkirchner, Davis + Co., P.C.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND REVERSIONS

Year Ended June 30, 2006

	<u>Student Incentive Grants</u>	<u>Student Grant Program</u>	<u>Work-Study Program</u>	<u>Part-time Student Grants</u>	<u>Under- Graduate Merit-</u>	<u>Perkins Loan Match</u>	<u>Total</u>
Appropriations	\$ 53,237	\$ 439,598	\$ 204,669	\$ -	\$ 140,123	\$ -	\$ 837,627
Expenditures	<u>53,237</u>	<u>439,598</u>	<u>204,669</u>	<u>-</u>	<u>140,123</u>	<u>-</u>	<u>837,627</u>
Reversions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Year Ended June 30, 2007

	<u>Student Incentive Grants</u>	<u>Student Grant Program</u>	<u>Work-Study Program</u>	<u>Part-time Student Grants</u>	<u>Under- Graduate Merit-</u>	<u>Perkins Loan Match</u>	<u>Total</u>
Appropriations	\$ 48,568	\$ 399,744	\$ 219,671	\$ -	\$ 160,274	\$ -	\$ 828,257
Expenditures	<u>48,568</u>	<u>399,744</u>	<u>219,671</u>	<u>-</u>	<u>160,274</u>	<u>-</u>	<u>828,257</u>
Reversions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WESTERN STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

June 30, 2007 and 2006

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND
REVERSIONS**

Basis of Accounting

The Statement of Appropriations, Expenditures, Transfers, and Revisions has been prepared in accordance with the format set forth in the Colorado Commission on Higher Education's publication *Colorado Handbook for State-Funded Student Financial Assistance Programs*.

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

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

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