



Western State College of Colorado

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

For Fiscal Years Ended June 30, 2009 and 2008

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Western State College of Colorado

REPORT SUMMARY – FINANCIAL AND COMPLIANCE AUDIT

Year ended June 30, 2009

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, 2009. Chadwick, Steinkirchner, Davis & Co., P.C. performed the audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from June through September 2009.

The purpose and scope of the audit was to:

Express an opinion on the financial statements of the College as of and for the year ended June 30, 2009. 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 Statement of Appropriations, Expenditures, and Reversions of State-Funded Student Assistance Programs for fiscal years ended June 30, 2009 and 2008.

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

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, 2009, 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, 2009.

Chadwick, Steinkirchner, Davis & Co., P.C. also expressed an unqualified opinion on the Statement of Appropriations, Expenditures, and Reversions of State-Funded Student Assistance Programs for fiscal years ended June 30, 2009 and 2008.

We issued a report on the College's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.

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

Western State College of Colorado

SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

Year ended June 30, 2009

Summary of Key Finding and Recommendation

The following is a summary of the finding contained in the report.

Western State College (College) has two material bank accounts over which the College has inadequate segregation of duties. The College should improve its policies and procedures related to the custody of these two accounts and the disbursements made from them.

Recommendation and College Response

A summary of the recommendation for the above comment is included in the Recommendation Locator at the end of this summary. The Recommendation Locator also shows the College's response to the audit recommendation. A detailed description of the audit comment and recommendation is contained in the finding and recommendation section of the report.

Summary of Prior Audit Recommendations

A summary of the recommendations for the year ended June 30, 2008 and the disposition of those recommendations is in the Disposition of Prior Audit Recommendations.

Western State College of Colorado
RECOMMENDATION LOCATOR

Year ended June 30, 2009

Rec. Page No. No.	Recommendation Summary	Agency Response	Implementation Date
1. 6	Western State College should improve the internal controls over bank accounts by modifying and implementing policies and procedures that ensure the proper segregation of duties for all bank accounts and establish electronic funds transfers for these accounts with appropriate segregation of duties.	Agree	June 2010

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:

	2007	2008	2009
Resident Students	1,451.7	1,428.4	1,453.3
Nonresident Students	466.2	447.9	421.6
Total Students	1917.9	1,876.3	1,874.9
Faculty FTEs	115.6	119.1	121.6
Staff FTEs	164.9	175.8	175.6
Total Staff and Faculty FTEs	280.5	294.9	297.2

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

AUDITOR'S FINDINGS AND RECOMMENDATIONS

Year ended June 30, 2009

Bank Accounts

Western State College (College) has two bank accounts where funds are deposited by another entity and must be transferred to another account for use by the College. The federal student aid money is deposited into one account and credit card receipts for the College are deposited into the other account. These two accounts had disbursements totaling about \$2.9 million and \$6.7 million, respectively.

During our Fiscal Year 2009 audit, we found the College does not have the proper segregation of duties for these accounts. We tested subsequent receipts for proper cut-off of revenues at June 30, 2009 and found a manual check written from the account for the federal student aid money for \$750,000 to the College that was written and signed by the Controller. We requested all of the bank statements for this account and noted that there were 10 checks written from that account during the year that totaled about \$2.9 million. All of these were manual checks written by the Controller to the College. Per discussion with the College, the Controller writes a manual check to transfer the funds out of this account to another bank account. The Controller is the only one with access to the checks and they are kept in his desk.

We also identified another account with this same issue. Upon further inquiry, we noted the Controller also has a second checkbook for the credit card receipt account from which he also writes manual checks to transfer funds from this account to the College's operating account. We examined copies of the checks written from this account and noted they were all written to the College and signed by the Controller. In total, 14 checks were written from this account during fiscal year 2009, totaling about \$6.7 million.

The College needs to improve their policies and procedures related to the custody of assets to ensure proper segregation of duties involving these bank accounts and the disbursements made from these accounts. In addition, the College should establish electronic funds transfers that would segregate the responsibilities of who requests the transfer, who approves the transfer and where the funds can be transferred. We found there is another individual who reconciles the bank statements for both of these accounts. We reviewed copies of all checks and noted they were written to the College and there were no missing checks and each check agreed to disbursements from the account. Since the Controller is the only individual with access to the checks and is the signer and approver on these checks, the College is at risk of funds not being properly disbursed.

Recommendation No. 1

Western State College should improve the internal controls over bank accounts by:

- a. Modifying and implementing policies and procedures that ensure the proper segregation of duties for all bank accounts.
- b. Establishing electronic funds transfers for these accounts with appropriate segregation of duties.

Western State College Response:

Agree. Implementation Date: June 30, 2010

Western State College will implement policies and procedures that ensure proper segregation of duties for bank accounts and will establish electronic funds transfers for these accounts by June 30, 2010.

Western State College of Colorado

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

Year ended June 30, 2009

Listed below are the recommendations included in the audit report for Western State College for the year ended June 30, 2008, and their disposition as of December 10, 2009.

Recommendation	Disposition
1. Western State College should develop and implement a process to ensure that all construction expenditures are properly recorded on the accounting system prior to the end of the fiscal year.	Implemented
2. Western State College should complete the update of the policies and procedures manual for Student Financial Aid staff to follow.	Implemented

FINANCIAL STATEMENT SECTION

**REPORT OF INDEPEDENT CERTIFIED PUBLIC ACCOUNTANTS**

December 10, 2009

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, 2009 and 2008, 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. 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, 2009 and 2008, 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 December 10, 2009 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.



December 10, 2009

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Management's Discussion and Analysis on pages ten through sixteen 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, 2009 and 2008

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, 2009. 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, 2008 and 2007.

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, 2009 as evidenced by a decrease in net assets of \$136 thousand, from \$40.39 million at June 30, 2008 to \$40.25 million, because enrollment and therefore tuition revenues were less than anticipated. In 2008, net assets increased by \$2.7 million from \$37.7 million at June 30, 2007.
- The College's current assets of \$19.7 million (2009), \$22.4 million (2008) and 22.7 million (2007) were sufficient to cover current liabilities of \$7.5 million (2009), \$5.2 million (2008) and \$4.0 million (2007). The current ratio of 2.65 (2009), 4.26 (2008) and 5.68 (2007) (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 \$3.9 million (2009), \$1.1 million (2008) and \$1.7 million (2007) resulted partly from the College's dependence on state appropriations for controlled maintenance and on State Fiscal Stabilization Funds for operations in 2009. The financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues. Additionally, depreciation is an expense for which Colorado higher education has not historically been funded.

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, 2009, 2008 and 2007 (in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets			
Current Assets	\$19,723	\$22,353	\$22,726
Noncurrent Assets	61,967	47,123	43,860
<i>Total Assets</i>	<u>81,690</u>	<u>69,476</u>	<u>66,586</u>
Liabilities			
Current Liabilities	7,450	5,245	4,005
Noncurrent Liabilities	33,986	23,841	24,909
<i>Total Liabilities</i>	<u>41,436</u>	<u>29,086</u>	<u>28,914</u>
Net Assets			
Invested in Capital Assets	32,356	28,460	25,009
Restricted	2,160	6,004	5,606
Unrestricted	5,738	5,926	7,057
<i>Total Net Assets</i>	<u>\$40,254</u>	<u>\$40,390</u>	<u>\$37,672</u>

At June 30, the College's total assets were \$81.7 million (2009), \$69.5 million (2008) and \$66.6 million (2007). The largest asset category, the \$58.8 million (2009), \$44.2 million (2008) and \$41 million (2007) in capital assets, includes land, buildings, equipment, library holdings, and construction in process. Construction in progress increased \$12.2 million in fiscal year 2009, mainly due to the construction of a new student center. The capital asset amount is net of accumulated depreciation of \$44.0 million (2009), \$40.7 million (2008) and \$37.5 million (2007). Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal years 2009, 2008 and 2007 the College's current assets of \$19.7 million (2009), \$22.4 million (2008) and \$22.7 million (2007) were sufficient to cover current liabilities of \$7.5 million (2009), \$5.2 million (2008) and \$4.0 million (2007) producing current ratios of 2.65 (2009), 4.26 (2008) and 5.68 (2007). The decrease of the current ratio in fiscal year 2009 was due to increased revenue debt to finance the new student center. Cash and cash equivalents (bank deposits, pooled cash with the State Treasurer, and highly liquid investments) comprised almost \$18.5 million (2009), \$19.6 million (2008) and \$21.3 million (2007) in assets.

Bonds payable of \$34.1 million (2009), \$15.3 million (2008) and \$16.0 million (2007) represent almost 82% (2009), 54% (2008) and 55% (2007) of the College's total liabilities of \$41.4 million (2009), \$29.1 million (2008) and \$28.9 million (2007). The College issued \$19.5 million in revenue bonds in fiscal

year 2009 to finance a new student center as discussed in Note E. The current portion of the bonds payable is \$720,000 (2009), \$700,000 (2008) and \$680,000 (2007).

The College's financial position declined during the fiscal year as evidenced by the decrease in net assets of \$136 thousand (see the Statement of Revenues, Expenses and Changes in Net Assets) from \$40.39 million at June 30, 2008 to \$40.25 million at June 30, 2009 because enrollment and therefore tuition revenues were less than anticipated. Net Assets consisted of \$32.4 million (2009), \$28.5 million (2008) and \$25 million (2007) in invested in capital assets net of related debt, \$2.2 million (2009), \$6 million (2008) and \$5.6 million (2007) is externally restricted for specific purposes, and \$5.7 million (2009), \$5.9 million (2008) and \$7.1 million (2007) 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 2009 accounted for \$10.8 million (a \$0.7 million decrease from 2008 due to increased scholarships applied to the scholarship allowance and a decrease to the Colorado Opportunity Fund stipends provided to students) of the \$32.4 million in operating revenues. Tuition and fee revenue in 2008 was \$11.5 million, a \$0.1 million decrease from 2007. The tuition and fee amount is net of scholarship allowances of \$3.5 million (2009), \$3.4 million (2008) and \$3.1 million (2007). 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.

An operating deficit of \$3.9 million in fiscal year 2009, \$1.1 million in fiscal year 2008 and \$1.7 million in fiscal year 2007 was offset by state and federal grants 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, 2009 of \$40.25 million, a decrease of \$136 thousand from the previous year-end because enrollment and therefore tuition revenues were less than anticipated. Ending net assets at June 30, 2008 were \$40.4 million, an increase of \$2.7 million from the previous year-end.

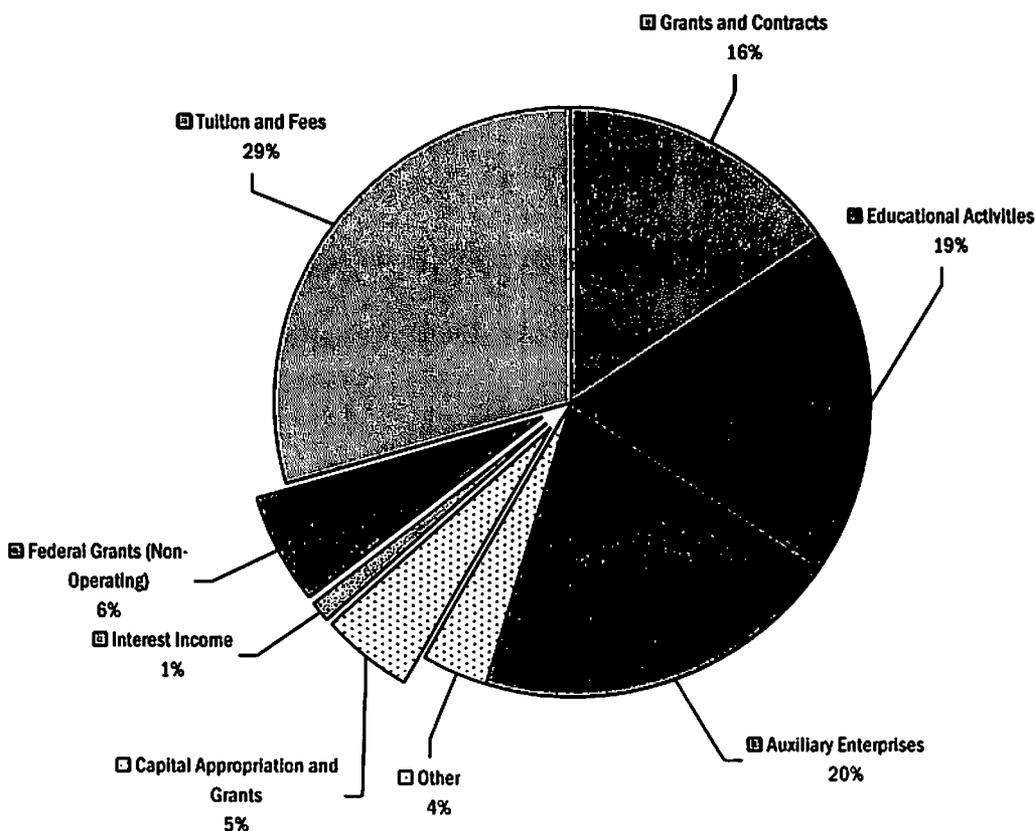
Condensed Statements of Revenue, Expenses, and Changes in Net Assets
June 30, 2009, 2008 and 2007
(in thousands)

	2009	2008	2007
Operating Revenue			
Tuition and Fees, net	\$10,845	\$11,531	\$11,591
Grants and Contracts	5,785	5,169	4,960
Educational Activities	6,978	7,624	5,724
Auxiliary Enterprises	7,482	7,709	7,123
Other	1,304	1,185	1,416
<i>Total Operating Revenue</i>	<u>32,394</u>	<u>33,218</u>	<u>30,814</u>
Operating Expenses			
Instruction	11,580	10,454	9,920
Academic Support	1,194	1,083	1,135
Student Services	3,701	3,515	3,142
Institutional Support	3,640	3,778	3,032
Operation and Maintenance of Plant	2,903	2,702	2,701
Auxiliary Enterprises	9,521	9,176	8,910
Depreciation	3,486	3,370	3,326
Other	316	274	381
<i>Net Operating Loss</i>	<u>(3,947)</u>	<u>(1,134)</u>	<u>(1,733)</u>
Nonoperating Revenue (Expense)			
Grants and Contracts	2,281	0	970
Interest Income	462	673	640
Other Nonoperating	(801)	(1,609)	(795)
<i>Net Nonoperating Revenue</i>	<u>1,942</u>	<u>(936)</u>	<u>815</u>
<i>Gain (Loss) Before Other Revenue, Expenses, Gains, or Losses</i>	<u>(2,005)</u>	<u>(2,070)</u>	<u>(918)</u>
State Appropriations, Capital	1,708	4,348	678
Other	161	439	4
<i>Increase (Decrease) in Net Assets</i>	<u>(136)</u>	<u>2,717</u>	<u>(236)</u>
Net Assets:			
Net Assets-Beginning of Year	<u>40,390</u>	<u>37,673</u>	<u>37,909</u>
Net Assets-End of Year	<u>\$40,254</u>	<u>\$40,390</u>	<u>\$37,673</u>

The following is a graphic illustration of total revenue by source for the College for fiscal year 2009. Each major revenue component is displayed relative to its proportionate share of total revenues.

Revenue by Source – Fiscal Year 2009

Operating Revenues



Non-Operating Revenues

Capital Assets

At June 30, 2009, the College had approximately \$58.8 million invested in capital assets, net of accumulated depreciation of \$44.0 million. Depreciation charges were \$3.5 million for the year ended June 30, 2009. At June 30, 2008, the College had approximately \$44.2 million invested in capital assets, net of accumulated depreciation of \$40.7 million. Depreciation charges were \$3.4 million for the year ended June 30, 2008. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Land and Improvements	\$2,599,499	\$2,599,499	\$2,599,499
Construction in Progress	18,623,141	6,397,529	165,471
Land Improvements, Net	497,496	527,647	557,798
Buildings and Improvements, Net	35,645,444	33,170,565	36,159,445
Furniture and Equipment, Net	641,142	739,724	707,600
Library Materials, Net	807,500	807,274	783,804
Total	<u>\$58,814,222</u>	<u>\$44,242,238</u>	<u>\$40,973,617</u>

The following significant capital projects were in progress at June 30, 2009:

Taylor Hall renovation funded by state Certificates of Participation	\$524,186
College Union project funded by capital bonds and private grants	18,098,955
	<u>\$18,623,141</u>

The following significant capital projects were in progress at June 30, 2008:

Kelley Hall renovation funded by state capital appropriation	\$4,790,069
College Union project funded by capital lease	1,607,460
	<u>\$6,397,529</u>

Debt

At June 30, 2009, the College had approximately \$34.1 million in debt outstanding. This is a change of \$9.7 million. The table below summarizes the amounts by type of debt.

Outstanding Debt at Year-End

	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Auxiliary Revenue Bonds	\$34,060,622	\$15,326,059	\$15,964,510
Capital Lease Obligations	0	9,053,294	9,500,000
Total	<u>\$34,060,622</u>	<u>\$24,379,353</u>	<u>\$25,464,510</u>

In fiscal year 2009, the College issued \$19.5 million in revenue bonds to finance the construction of a new student center and to pay off the capital lease obligation.

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 in rural areas in which the cost of delivering the services is not sustained by the amount received in student tuition, through fee-for-service contracts. For fiscal year 2010, the College is projected to receive \$1.9 million in funds from the College Opportunity Fund program, \$4.1 million in fee-for-service contracts and \$6.2 million from State Fiscal Stabilization Funds.

Enrollments for the College are projected to be flat in fiscal year 2010. However, tuition rate increases of 9.0% for full time Colorado resident students and 4.0% for nonresident students are projected to generate an additional \$590,000 in tuition revenue beyond fiscal year 2009 levels.

The College regained its enterprise status in fiscal year 2009 because its support from the State of Colorado was less than 10%. It is anticipated that the College will retain its enterprise status in fiscal year 2010. 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, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 18,478,586	\$ 19,550,581
Short-term investments	-	44,742
Student accounts receivable, net	335,004	333,796
Other accounts receivable, net	407,697	1,859,920
Student loans receivable, net	79,864	72,576
Inventories	376,340	404,086
Prepaid expenses	45,687	87,777
<i>Total Current Assets</i>	19,723,178	22,353,478
Non-current Assets		
Restricted Cash & Cash Equivalents	1,706,133	-
Restricted investments	-	1,706,133
Student loans receivable, net	808,724	696,358
Other long-term assets	638,370	478,702
<i>Total Non-Current Assets</i>	3,153,227	2,881,193
Non-depreciable Capital Assets		
Land	695,416	695,416
Land improvements	1,904,083	1,904,083
Construction in progress	18,623,141	6,397,529
<i>Total Non-Depreciable Capital Assets</i>	21,222,640	8,997,028
Depreciable Capital Assets, Net		
Land improvements (less accumulated depreciation of \$105,529 (2009) and \$75,378 (2008))	497,496	527,647
Buildings and improvements, less accumulated depreciation of \$37,304,371 (2009) and \$34,260,906 (2008)	35,645,444	33,170,565
Furniture and equipment, less accumulated depreciation of \$1,821,815 (2009) and \$1,738,608 (2008)	641,142	739,724
Library materials, less accumulated depreciation of \$4,764,700 (2009) and \$4,604,432 (2008)	807,500	807,274
<i>Total Depreciable Capital Assets, Net</i>	37,591,582	35,245,210
<i>Total Non-current Assets</i>	61,967,449	47,123,431
<i>Total Assets</i>	81,690,627	69,476,909
LIABILITIES		
Current Liabilities		
Accounts payable	4,057,262	1,659,428
Accrued liabilities	1,991,191	1,786,517
Deferred revenue	431,805	372,110
Student deposits	174,894	157,309
Bonds payable, current portion	720,000	700,000
Capital leases payable, current portion	-	468,176
Compensated absence liabilities, current portion	75,131	101,858
<i>Total Current Liabilities</i>	7,450,283	5,245,398
Non-current Liabilities		
Bonds payable	33,340,622	14,626,059
Capital leases payable	-	8,585,118
Compensated absence liabilities	645,724	629,883
<i>Total Non-current Liabilities</i>	33,986,346	23,841,060
<i>Total Liabilities</i>	41,436,629	29,086,458
NET ASSETS		
Invested in capital assets, net of related debt	32,356,030	28,460,312
Restricted for expendable purposes:		
Loans	1,393,860	1,359,663
Other purposes	766,302	4,644,675
Unrestricted	5,737,806	5,925,801
<i>Total Net Assets</i>	\$ 40,253,998	\$ 40,390,451

The accompanying notes are an integral part of these statements.

WESTERN STATE COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	\$ 220,843	\$ 359,238
Certificates of deposit	34,635	74,818
Investments	14,242,182	20,518,553
Contributions receivable, net	2,005,796	181,961
Due from Western State College	--	2,639
Other assets	85,488	73,368
Debt issuance costs	67,343	83,505
Property and equipment, net of depreciation	7,490,882	7,697,700
Total Assets	\$ 24,147,169	\$ 28,991,782
Liabilities		
Accounts payable	\$ 28,596	\$ 30,687
Due to Western State College	--	439,449
Bonds payable	4,060,671	4,857,835
Accrued interest	68,524	81,975
Total Liabilities	4,157,791	5,409,946
Net Assets		
Unrestricted	(3,443,582)	701,236
Temporarily restricted	9,372,696	8,917,655
Permanently restricted	14,060,264	13,962,945
Total Net Assets	19,989,378	23,581,836
Total Liabilities and Net Assets	\$ 24,147,169	\$ 28,991,782

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, 2009 and 2008

	2009	2008
OPERATING REVENUE		
Tuition and fees, including pledged for bonds of \$1,713,540 (2009) and \$943,993 (2008)	\$ 14,318,104	\$ 14,922,148
Less: scholarship allowances	(3,473,399)	(3,390,815)
<i>Net Tuition and Fees</i>	10,844,705	11,531,333
Federal, state, private grants and contracts	5,785,160	5,168,138
Sales and services of Educational Activities	6,977,661	7,624,361
Sales and services of auxiliary enterprises, including revenue pledged for bonds of \$7,946,789 (2009) and \$7,981,647 (2008)	8,102,226	8,164,580
Less: scholarship allowances	(620,054)	(455,828)
<i>Net Auxiliary Sales and Services</i>	7,482,172	7,708,752
Other operating revenue, including \$97,084 (2009) and \$76,137 (2008) of revenue pledged for bonds	1,304,596	1,184,742
<i>Total Operating Revenue</i>	32,394,294	33,217,326
OPERATING EXPENSES		
Instruction	11,580,076	10,453,856
Research	29,233	69,289
Public Service	127,385	98,170
Academic support	1,194,192	1,083,325
Student services	3,700,661	3,514,530
Institutional support	3,639,998	3,778,291
Operation and maintenance of plant	2,902,687	2,702,415
Scholarships and fellowships	159,362	105,425
Auxiliary enterprises	9,521,026	9,175,803
Depreciation	3,486,445	3,370,464
<i>Total Operating Expenses</i>	36,341,065	34,351,568
<i>Operating Loss</i>	(3,946,771)	(1,134,242)
NON-OPERATING REVENUE (EXPENSES)		
State Fiscal Stabilization	2,280,870	-
Investment and interest income, including \$90,963 (2009) and \$266,787 (2008) of revenue pledged for bonds	462,344	673,332
Loss on disposal of assets	-	(80,498)
Interest expense on capital debt	(711,094)	(730,169)
Other nonoperating expenses	(90,229)	(797,886)
<i>Net Non-operating Revenue</i>	1,941,891	(935,221)
<i>Gain (Loss) Before Other Items</i>	(2,004,880)	(2,069,463)
Other Revenue, Expenses, Gains, Losses, or Transfers		
State appropriation, capital	1,707,872	4,347,829
Capital grants	160,555	439,449
<i>Increase (Decrease) in Net Assets</i>	(136,453)	2,717,815
Net Assets - Beginning of year	40,390,451	37,672,636
Net Assets - End of year	\$ 40,253,998	\$ 40,390,451

The accompanying notes are an integral part of these statements.

WESTERN STATE COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2009 and 2008

	2009	2008
Changes in Unrestricted Net Assets		
Revenues, gains and other support:		
Contributions	\$ 194,227	\$ 164,599
Investment income (loss).....	(3,931,422)	(206,507)
Rental income.....	14,484	14,482
	(3,722,711)	(27,426)
Net assets released from restrictions:		
Satisfaction of program restrictions.....	2,642,932	3,016,674
	(1,079,779)	2,989,248
Expenses:		
Programs.....	2,164,244	2,422,288
Management and general.....	652,568	596,771
Fund-raising.....	248,227	281,464
	3,065,039	3,300,523
Transfers	--	32,812
Decrease in Unrestricted Net Assets	(4,144,818)	(278,463)
Changes in Temporarily Restricted Net Assets		
Revenues and gains:		
Contributions	3,324,207	2,413,727
Investment income (loss).....	(477,106)	(497,520)
Royalties	98,787	118,828
	2,945,888	2,035,035
Net assets released from restrictions:		
Satisfaction of program restrictions.....	(2,642,932)	(3,016,674)
Transfers	152,085	409,681
Increase (Decrease) in Temporarily Restricted Net Assets	455,041	(571,958)
Changes in Permanently Restricted Net Assets		
Revenues and gains:		
Contributions	249,404	3,726,688
Transfers	(152,085)	(442,493)
Increase in Permanently Restricted Net Assets	97,319	3,284,195
Increase (Decrease) in Net Assets	(3,592,458)	2,433,774
Net Assets - July 1	23,581,836	21,148,062
Net Assets - June 30	\$ 19,989,378	\$ 23,581,836

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, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received		
Tuition and fees	\$ 10,903,191	\$ 11,918,503
Sales of services	13,355,443	13,734,014
Sales of product	1,121,975	1,168,699
Grants, contracts and gifts	5,785,160	5,168,139
Student loans collected	92,214	83,315
Other operating receipts	2,317,371	246,563
Cash Payments		
Payments to or for employees	(19,811,841)	(18,505,355)
Payments to suppliers	(13,313,226)	(11,456,725)
Scholarships disbursed	(159,362)	(105,425)
Student loans disbursed	(211,867)	(149,016)
<i>Net Cash Provided (Used) by Operating Activities</i>	79,058	2,102,712
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal, state, private grants & contracts	2,280,870	-
Other agency (outflows)	(90,229)	(797,886)
<i>Net Cash Provided by Noncapital Financing Activities</i>	2,190,641	(797,886)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations - capital	1,707,872	4,347,829
Capital grants, contracts and gifts	600,004	-
Proceeds from Capital Debt	19,535,000	-
Payment for bond discount	(142,382)	-
Payment of bond issuance costs	(244,392)	-
Acquisition or construction of capital assets	(14,946,596)	(6,263,716)
Principal paid on capital debt	(9,753,295)	(1,126,706)
Interest on capital debt	(604,991)	(688,620)
<i>Net Cash Provided (Used) by Capital and Related Financing Activities</i>	(3,848,780)	(3,731,213)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	1,750,875	-
Investment earnings (interest/dividends)	462,344	673,332
Purchase of investments	-	(35,956)
<i>Net Cash Provided by Investing Activities</i>	2,213,219	637,376
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	634,138	(1,789,011)
Cash and cash equivalents - beginning of year	19,550,581	21,339,592
Cash and cash equivalents - end of year	\$ 20,184,719	\$ 19,550,581
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (3,946,771)	\$ (1,134,242)
Adjustments to reconcile:		
Depreciation and amortization	3,571,169	3,370,464
Provision for uncollectable accounts	(521)	(29,878)
Decrease (increase) in assets	962,270	(905,492)
Increase (decrease) in liabilities	(507,089)	801,860
<i>Net Cash Provided (Used) by Operating Activities</i>	\$ 79,058	\$ 2,102,712
NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES		
Bond premium amortization	\$ 4,450	\$ 4,844
Loss on refunding amortization	46,395	46,393
Loss on disposal of assets	-	80,498
Capital grant receivable	-	439,449
Accounts payable used to purchase capital assets	3,567,700	455,867

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

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, 2009. The College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the state Comprehensive Annual Financial Report may be obtained from the State Controller's Office, Department of Personnel and Administration, Denver, Colorado.

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

Basis of Accounting

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

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

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

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.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted Cash and Cash Equivalents

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

Capital Assets

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

Deferred Revenue

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

Compensated Absences

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

Classification of Revenue

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

Operating Revenue – Operating revenue generally results from providing goods and services for instruction, public service or related support services to an individual or 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.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$4,093,453 (2009) and \$3,846,643 (2008)

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.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 \$19,750,704 (2009) and \$9,356,571 (2008) 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:

	<u>2009</u>	<u>2008</u>
Cash on hand	\$ 195,371	\$ 222,153
Cash in checking accounts at bank	238,644	9,971,857
	<u>\$ 434,015</u>	<u>\$10,194,010</u>

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE B – CASH AND INVESTMENTS – CONTINUED

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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 \$238,644 (2009) and \$9,971,857 (2008) and the bank balance was \$436,276 (2009) and \$10,193,329 (2008). Of this bank balance, \$38,903 (2009) and \$400,904 (2008) 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, the College had investments with a carrying value of \$0 (2009) and \$1,750,875 (2008) and a market value of \$0 (2009) and \$1,750,875 (2008), which are categorized to give an indication of the level of risk assumed. Of this total, \$0 (2009) and \$1,750,875 (2008) 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% (2008).

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, Colorado statutes do not allow investment maturities to exceed five years. The College currently does not have a policy which limits its exposure to fair value losses from rising interest rates by limiting purchases to certain maturities, except as provided by statute.

Western State College deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. Western State College reports its share of the treasurer's unrealized gains/losses based on its participation in the State Treasurer's pool. All of the treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2009. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gain included in "Investment Income" reflects only the change in fair value during the current fiscal year. Additional information on the treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

At June 30, the Foundation had investments with a cost of \$14,966,282 (2009) and \$20,384,215 (2008) and a market value of \$14,242,182 (2009) and \$20,518,553 (2008).

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE C – RECEIVABLES AND PAYABLES

At June 30, receivable balances were as follows:

	Gross Receivable	Allowance for Uncollectible Amounts	Net Receivable
<u>2009</u>			
Student accounts receivable	\$ 423,734	\$ (88,730)	\$ 335,004
Other accounts receivable	\$ 407,697	\$ -	\$ 407,697
Student loans receivable	\$ 106,439	\$ (26,575)	\$ 79,864
Non-current student loans receivable	\$ 1,118,546	\$ (309,822)	\$ 808,724
<u>2008</u>			
Student accounts receivable	\$ 421,590	\$ (87,794)	\$ 333,796
Other accounts receivable	\$ 1,859,920	\$ -	\$ 1,859,920
Student loans receivable	\$ 106,886	\$ (34,310)	\$ 72,576
Non-current student loans receivable	\$ 1,025,912	\$ (329,554)	\$ 696,358

At June 30, 2008, other accounts receivable included a receivable from Western State College Foundation for \$439,449 as reimbursement for construction for expenses incurred in the construction on Kelly Hall.

At June 30, accrued liabilities balances were as follows:

	2009	2008
Accrued payroll	\$ 1,820,304	\$ 1,679,789
Accrued interest payable	170,887	106,728
<i>Total Accrued liabilities</i>	<u>\$ 1,991,191</u>	<u>\$ 1,786,517</u>

NOTE D – CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the years ended June 30, 2009 and 2008 respectively.

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Non-depreciable Capital Assets				
Land	\$ 695,416	\$ -	\$ -	\$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	6,397,529	17,743,956	(5,518,344)	18,623,141
<i>Total Non-depreciable Capital Assets</i>	<u>\$ 8,997,028</u>	<u>\$ 17,743,956</u>	<u>\$ (5,518,344)</u>	<u>\$ 21,222,640</u>
Depreciable Capital Assets				
Land Improvements	\$ 603,025	\$ -	\$ -	\$ 603,025
Buildings and improvements	67,431,471	5,518,344	-	72,949,815
Furniture and equipment	2,478,332	153,979	(169,354)	2,462,957
Library materials	5,411,706	160,494	-	5,572,200
<i>Total Depreciable Capital Assets</i>	<u>75,924,534</u>	<u>5,832,817</u>	<u>(169,354)</u>	<u>81,587,997</u>

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE D – CAPITAL ASSETS – CONTINUED

Less: accumulated depreciation				
Land Improvements	(75,378)	(30,151)	-	(105,529)
Buildings and improvements	(34,260,906)	(3,043,465)		(37,304,371)
Furniture and equipment	(1,738,608)	(252,561)	169,354	(1,821,815)
Library materials	(4,604,432)	(160,268)		(4,764,700)
<i>Total Accumulated Depreciation</i>	<u>(40,679,324)</u>	<u>(3,486,445)</u>	<u>169,354</u>	<u>(43,996,415)</u>
<i>Net Depreciable Capital Assets</i>	<u>\$35,245,210</u>	<u>\$ 2,346,372</u>	<u>\$ -</u>	<u>\$ 37,591,582</u>

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Non-depreciable Capital Assets				
Land	\$ 695,416	\$ -	\$ -	\$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	165,471	6,232,058	-	6,397,529
<i>Total Non-depreciable Capital Assets</i>	<u>\$ 2,764,970</u>	<u>\$ 6,232,058</u>	<u>\$ -</u>	<u>\$ 8,997,028</u>

Depreciable Capital Assets				
Land Improvements	\$ 603,025	\$ -	\$ -	\$ 603,025
Buildings and improvements	67,661,465	-	(229,994)	67,431,471
Furniture and equipment	2,241,273	303,353	(66,294)	2,478,332
Library materials	5,227,644	184,172	(110)	5,411,706
<i>Total Depreciable Capital Assets</i>	<u>75,733,407</u>	<u>487,525</u>	<u>(296,398)</u>	<u>75,924,534</u>
Less: accumulated depreciation				
Land Improvements	(45,227)	(30,151)	-	(75,378)
Buildings and improvements	(31,502,020)	(2,908,382)	149,496	(34,260,906)
Furniture and equipment	(1,533,673)	(271,229)	66,294	(1,738,608)
Library materials	(4,443,840)	(160,702)	110	(4,604,432)
<i>Total Accumulated Depreciation</i>	<u>(37,524,760)</u>	<u>(3,370,464)</u>	<u>215,900</u>	<u>(40,679,324)</u>
<i>Net Depreciable Capital Assets</i>	<u>\$38,208,647</u>	<u>\$(2,882,939)</u>	<u>\$ (80,498)</u>	<u>\$ 35,245,210</u>

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

	2009	2008
Land	\$ 38,225	\$ 38,225
Buildings and improvements	8,379,170	8,379,170
Furniture and equipment	100,848	94,223
	<u>8,518,243</u>	<u>8,511,618</u>
Less: accumulated depreciation	(1,027,361)	(813,918)
	<u>\$ 7,490,882</u>	<u>\$ 7,697,700</u>

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NOTE E – LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>6/30/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2009</u>	<u>Due within</u> <u>One Year</u>
Bonds and Leases					
Payable:					
Bonds	\$ 15,565,000	\$ 19,535,000	\$ 700,000	\$ 34,400,000	\$ 720,000
Premium/Discount	81,948	-	146,832	(64,884)	-
Gain/Loss on refunding	<u>(320,889)</u>	<u>46,395</u>	<u>-</u>	<u>(274,494)</u>	<u>-</u>
Total Bonds Payable	15,326,059	19,581,395	846,832	34,060,622	720,000
Capital Leases	<u>9,053,294</u>	<u>-</u>	<u>9,053,294</u>	<u>-</u>	<u>-</u>
Total Bonds and Leases Payable	<u>24,379,353</u>	<u>19,581,395</u>	<u>9,900,126</u>	<u>34,060,622</u>	<u>720,000</u>
Other Liabilities:					
Compensated Absences	<u>731,741</u>	<u>-</u>	<u>10,886</u>	<u>720,855</u>	<u>75,131</u>
Total Other Liabilities	<u>731,741</u>	<u>-</u>	<u>10,886</u>	<u>720,855</u>	<u>75,131</u>
Total Long-Term Liabilities	<u>\$25,111,094</u>	<u>\$19,581,395</u>	<u>\$ 9,911,012</u>	<u>\$34,781,477</u>	<u>\$ 795,131</u>

The College's long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Balance</u> <u>6/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2008</u>	<u>Due within</u> <u>One Year</u>
Bonds and Leases					
Payable:					
Bonds	\$16,245,000	\$ -	\$ 680,000	\$15,565,000	\$ 700,000
Premium/Discount	86,792	-	4,844	81,948	-
Gain/Loss on refunding	<u>(367,282)</u>	<u>46,393</u>	<u>-</u>	<u>(320,889)</u>	<u>-</u>
Total Bonds Payable	15,964,510	46,393	684,844	15,326,059	700,000
Capital Leases	<u>9,500,000</u>	<u>-</u>	<u>446,706</u>	<u>9,053,294</u>	<u>468,176</u>
Total Bonds and Leases Payable	<u>25,464,510</u>	<u>46,393</u>	<u>1,131,550</u>	<u>24,379,353</u>	<u>1,168,176</u>
Other Liabilities:					
Compensated Absences	<u>632,600</u>	<u>99,141</u>	<u>-</u>	<u>731,741</u>	<u>101,858</u>
Total Other Liabilities	<u>632,600</u>	<u>99,141</u>	<u>-</u>	<u>731,741</u>	<u>101,858</u>
Total Long-Term Liabilities	<u>\$26,097,110</u>	<u>\$ 145,534</u>	<u>\$ 1,131,550</u>	<u>\$25,111,094</u>	<u>\$ 1,270,034</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.

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NOTE E – LONG-TERM LIABILITIES – CONTINUED

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.

On May 28, 2009, the College issued \$19,535,000 in Revenue Bonds, Series 2009 with an interest rate of 5.00%. The 2009 bonds begin to mature on May 15, 2025 in increasing amounts through May 15, 2039. The bonds are collateralized by a pledge of certain revenues of the auxiliary facilities system. The bonds are being used to finance a portion of the new student center and to terminate the Wells Fargo Lease Purchase Agreement.

Long-term liabilities for the Foundation consist of the following as of June 30:

On August 30, 2006, the City of Gunnison issued its Revenue Bond (Western State College Foundation Project) Series 2006 to finance the construction of the Borick Business Building to be owned and operated by the Foundation and utilized by Western State College. The proceeds of the bond will be loaned by the city to the Foundation. Under the terms of the agreement with the city, the Foundation is obligated to repay the loan by paying to the registered owner of the bond, on behalf of the city, moneys sufficient to pay the principal of and interest on the bond. The bond was issued in the aggregate principal amount of \$6,000,000 at a 4.50% annual interest rate.

The future maturities of the bond are as follows:

<u>Year ended</u>	<u>Amount</u>
June 30, 2010	\$ 833,439
2011	871,366
2012	911,019
2013	952,476
2014	<u>492,371</u>
Total	\$ 4,060,671

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.

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NOTE E – LONG-TERM LIABILITIES – CONTINUED

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

	2009	2008
Retirement of Indebtedness	\$ 1,624,846	\$ 1,666,843
Renewal and Replacement	\$ 336,311	\$ 503,940

Principal and interest requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>2003 Series A</u>	<u>2003 Series B</u>	<u>Series 2009</u>	<u>Total</u>
2010	\$1,075,433	\$295,125	\$941,478	\$2,312,036
2011	1,075,952	295,125	976,750	2,347,827
2012	1,079,133	295,125	976,750	2,351,008
2013	1,075,070	295,125	976,750	2,346,945
2014	1,074,270	295,125	976,750	2,346,145
2015-2019	5,384,300	2,260,625	4,883,750	12,528,675
2020-2024		5,386,888	4,883,750	10,270,638
2025-2029		1,076,250	9,182,750	10,259,000
2030-2034			9,603,000	9,603,000
2035-2039			9,602,750	9,602,750
<i>Total Principal and Interest</i>	10,764,158	10,199,388	43,004,478	63,968,024
Less interest	-2,169,158	-3,929,388	-23,469,478	-29,568,024
<i>Total Principal</i>	\$8,595,000	\$6,270,000	\$19,535,000	\$34,400,000

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, 2009, the remaining \$5,870,000 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, 2009, the remaining \$6,045,000 of 1994 bonds outstanding is considered defeased.

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NOTE G – 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, 2009 is \$720,855. Current expenses include \$(10,886) for the decrease in the estimated compensated absence liability. The recording of the liability for compensated absences may result in fund-balance deficits, which will be funded by state appropriation, self-supporting funds, or other sources available in future years when the liability is paid.

NOTE H – EMPLOYEE PENSION PLANS

A. Optional Retirement Plan

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

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

The College's contributions to the ORP for fiscal years ending June 30, 2009, 2008, and 2007 were \$987,998, \$936,814, and \$826,460, 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

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NOTE H – EMPLOYEE PENSION PLANS – CONTINUED

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.

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

Beginning on July 1, 2009, the administration of the state's defined contribution retirement plan will be transferred to PERA. New non-higher education employees will have the choice of participating in either the PERA defined benefit or the PERA defined contribution plan. Existing plan members will become participants in the PERA defined contribution plan and retain their current vesting schedule on employer contributions.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

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

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

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

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NOTE H – EMPLOYEE PENSION PLANS – CONTINUED

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

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

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

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated at 2.5 percent times the number of years of services 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 the contribution were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between period. 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 nation Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

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.

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NOTE H – EMPLOYEE PENSION PLANS – CONTINUED

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, 2008, to December 31, 2008, the College contributed 12.05 percent of the employee's salary. From January 1, 2009, through June 30, 2009, the College contributed 12.95 percent. During all of Fiscal Year 2009, 1.02 percent of the contribution was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2007, the State and School Division of PERA 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, 2009, 2008, and 2007 were \$735,798, \$656,169, and \$602,154, respectively. These contributions were equal to the required contributions for each year.

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NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE H – EMPLOYEE PENSION PLANS – CONTINUED

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 \$258,768 (2009) and \$202,824 (2008).

NOTE I – 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. The College offers each of these plans to employees.

NOTE J – POST-RETIREMENT HEALTH CARE 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 H-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, 2008, there were 45,888 enrollees in the plan. At December 31, 2008, the Health Care Trust Fund had an unfunded actuarial liability of \$1.11 billion, a funded ratio of 18.7 percent, and a 39-year amortization period.

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WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE K – RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

NOTE L – SCHOLARSHIP ALLOWANCE

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

	<u>Tuition and Fees</u>	<u>Auxiliary Revenue</u>	<u>Total</u>
<u>2009</u>			
Gross revenue	\$14,318,104	\$ 8,102,226	\$ 22,420,330
Scholarship allowances:			
Federal	(1,288,631)	(230,040)	(1,518,671)
State	(691,206)	(123,391)	(814,597)
Private	(434,175)	(77,507)	(511,682)
Institutional	<u>(1,059,387)</u>	<u>(189,116)</u>	<u>(1,248,503)</u>
<i>Total Allowances</i>	<u>(3,473,399)</u>	<u>(620,054)</u>	<u>(4,093,453)</u>
<i>Net Revenue</i>	<u>\$10,844,705</u>	<u>\$ 7,482,172</u>	<u>\$ 18,326,877</u>
<u>2008</u>			
Gross revenue	\$14,922,148	\$ 8,164,580	\$ 23,086,728
Scholarship allowances:			
Federal	(1,390,234)	(186,889)	(1,577,123)
State	(667,991)	(89,798)	(757,789)
Private	(342,472)	(46,039)	(388,511)
Institutional	<u>(990,118)</u>	<u>(133,102)</u>	<u>(1,123,220)</u>
<i>Total Allowances</i>	<u>(3,390,815)</u>	<u>(455,828)</u>	<u>(3,846,643)</u>
<i>Net Revenue</i>	<u>\$11,531,333</u>	<u>\$ 7,708,752</u>	<u>\$ 19,240,085</u>

NOTE M – 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 was completed in 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 THE FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE N – 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 \$23,257,939 (2009) and \$26,038,920 (2008). Actual appropriated revenue earned, including capital appropriations, totaled \$22,186,258 (2009) and \$25,390,794 (2008). Actual appropriated expenditures and transfers totaled \$22,186,258 (2009) and \$24,924,931 (2008).

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, 2009 and 2008

	2009	2008
REVENUE		
College Service Fees	\$ 960,237	\$ 943,993
Extended Studies Tuition	753,303	-
Bookstore Sales	1,121,975	1,168,699
Rental Income	3,936,418	3,918,478
Food Service Income	2,307,467	2,258,740
Sales/Service Auxiliaries	678,013	711,867
Interest Income	90,963	266,787
<i>Total Revenues</i>	9,848,376	9,268,564
EXPENSES		
Employee Compensation	1,334,918	1,002,421
Costs of Goods	841,348	817,908
Utilities	722,223	751,330
Rental	42,179	19,652
Contract Food	1,430,849	1,379,925
Travel	166,875	20,239
Supplies	232,122	289,704
Purchased Services-Personal	53,009	114,100
Financial Aid	178,815	176,174
Administrative Cost Allowance	1,651,488	1,507,428
Furniture & Equipment	103,210	103,210
Other Operating Expenses	400,358	594,830
<i>Total Expenses</i>	7,157,394	6,776,921
<i>Net Revenues before Transfers</i>	2,690,982	2,491,643
TRANSFERS		
Mandatory Transfers	(1,305,755)	(1,298,185)
Non-mandatory Transfers	(2,305,755)	(739,406)
<i>Total Transfers</i>	(3,611,510)	(2,037,591)
<i>Net Revenue (Loss)</i>	\$ (920,528)	\$ 454,052



**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***

December 10, 2009

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, 2009 and 2008, and have issued our report thereon dated December 10, 2009. 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 College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the 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.



Members of the Legislative Audit Committee
December 10, 2009
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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 identified one deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above.

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

December 10, 2009

Members of the Legislative Audit Committee:

We have audited the financial statements of Western State College of Colorado, a blended component unit of the State of Colorado, for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 10, 2009. As required by professional auditing standards, we are providing you with information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on May 13, 2009.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. 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 2009 or 2008. We noted no transactions entered into by Western State College during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events



Members of the Legislative Audit Committee
December 10, 2009
Page Two

affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation is based on the estimated useful life of the fixed assets being depreciated at June 30, 2009. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on historical trends of write-offs related to accounts receivable. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the scholarship allowances is based on the student-to-student method, which uses the lesser of total charges (net of refunds) or total financial aid (net of refunds) by student. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The Governmental Accounting Standards Board's implementation guide issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have administrative requirements for these funds. Historically, Western State College has recorded this Pell grant activity as operating revenue. The Colorado State Controller's Office also recommended that public institutions in the state continue reporting Pell grant activity as operating revenue in its 2009 and 2008 financial statements. Consequently, since implementation guidance and industry practice are both level D GAAP and there are differences in practice, the College has decided to continue reporting Pell grant activity as operating revenue in its 2008 financial statements.

Difficulties Encountered in Performing the Audit

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



Members of the Legislative Audit Committee
December 10, 2009
Page Three

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested and received certain representation from management that are included in the management representation letter dated December 10, 2009.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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.



Members of the Legislative Audit Committee
December 10, 2009
Page Four

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, 2009 and 2008

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, 2009 and 2008 was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department of Higher Education (CDHE). The State-Funded Student Assistance Programs policies are approved 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, 2009 and 2008.

State-Funded Student Assistance Programs

The various state-funded student assistance programs at the College include the Colorado Need-Based Grant Program, Colorado Work-Study Program, Colorado Merit Scholarship Program, Governor's Opportunity Scholarship, Colorado Leveraging Education Assistance Partnership Program (CLEAP), Special Leveraging Education Assistance Partnership Program (SLEAP), and Pre-Collegiate Academic Grant Program.

The state-funded student assistance awards made by the College were \$1,068,432 and \$1,005,396 for the fiscal years ended 2009 and 2008, respectively.

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 \$1,372,466 in the Pell Grant Program, \$127,750 in the Supplemental Educational Opportunity Grant Program, and \$169,602 in the College Work-Study Program.

During the audit period Western State College obtained authorizations to award Colorado student financial aid funds of \$48,568 (2009 and 2008) in total for the CLEAP and SLEAP Programs, \$668,398 (2009) and \$608,161 (2008) in the Colorado Need-Based Grant Program, \$222,926 (2009) and \$208,420 (2008) in the Colorado Work-Study Program, \$23,634 (2009 and 2008) in the Colorado Merit Scholarship Program, \$54,299 (2009) and \$118,333 (2008) in the Governor's Opportunity Scholarship, and \$55,498 (2009) and \$15,152 (2008) in the Pre-Collegiate Academic Grant Program.



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

November 20, 2009

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Appropriations, Expenditures, and Reversions of the State-Funded Student Assistance Programs for Western State College, a blended component unit of the State of Colorado, for the years ended June 30, 2009 and 2008. 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 Assistance Programs, issued by the Colorado Department of Higher Education (CDHE). 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, 2009 and 2008, in conformity with the provisions of the Colorado Department of Higher Education's Colorado Handbook for State-Funded Student Assistance Programs.



Members of the Legislative Audit Committee
November 20, 2009
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009 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, 2009

	Total State-Funded Student Assistance	Colorado Work- Study	Governor's Opportunity Scholarship	CLEAP	SLEAP	Pre-Collegiate Academic Grant	Colorado Need-Based Grant	Colorado Merit Scholarship
Appropriations:								
Original	\$ 1,099,024	\$ 222,926	\$ 80,000	\$ 33,908	\$ 14,660	\$ 55,498	\$ 668,398	\$ 23,634
Supplemental	(25,701)	-	(25,701)	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
TOTAL	1,073,323	222,926	54,299	33,908	14,660	55,498	668,398	23,634
Expenditures	1,068,432	222,926	49,408	33,908	14,660	55,498	668,398	23,634
Reversions to State General Fund	\$ 4,891	\$ -	\$ 4,891	\$ -	\$ -	\$ -	\$ -	\$ -

YEAR ENDED JUNE 30, 2008

	Total State-Funded Student Assistance	Colorado Work- Study	Governor's Opportunity Scholarship	CLEAP	SLEAP	Pre-Collegiate Academic Grant	Colorado Need-Based Grant	Colorado Merit Scholarship
Appropriations:								
Original	\$ 1,011,518	\$ 204,671	\$ 118,333	\$ 33,908	\$ 14,660	\$ 15,152	\$ 601,160	\$ 23,634
Supplemental	10,750	3,749	-	-	-	-	7,001	-
Transfers	-	-	-	-	-	-	-	-
TOTAL	1,022,268	208,420	118,333	33,908	14,660	15,152	608,161	23,634
Expenditures	1,005,396	208,420	101,461	33,908	14,660	15,152	608,161	23,634
Reversions to State General Fund	\$ 16,872	\$ -	\$ 16,872	\$ -	\$ -	\$ -	\$ -	\$ -

WESTERN STATE COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

June 30, 2009 and 2008

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE
STATEMENT OF APPROPRIATIONS, EXPENDITURES, 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 Department of Higher Education's Colorado Handbook for State-Funded Student Assistance Programs.

CLEAP and SLEAP funding is a combination of state and federal dollars. The CLEAP program was funded with 72% state and 28% federal funds in both 2008 and 2009. The SLEAP program was funded with 50% state and 50% federal funds in 2008 and 52% state and 48% federal funds in 2009.

All student aid is expensed on a cash basis except for the College Work Study Program (CWS). The CWS is on the accrual basis in that the expense is recognized when the services are performed.

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