



REPORT OF THE STATE AUDITOR

**STATE COLLEGES IN COLORADO
FINANCIAL AND COMPLIANCE AUDIT**

**FISCAL YEAR ENDED
JUNE 30, 1999**

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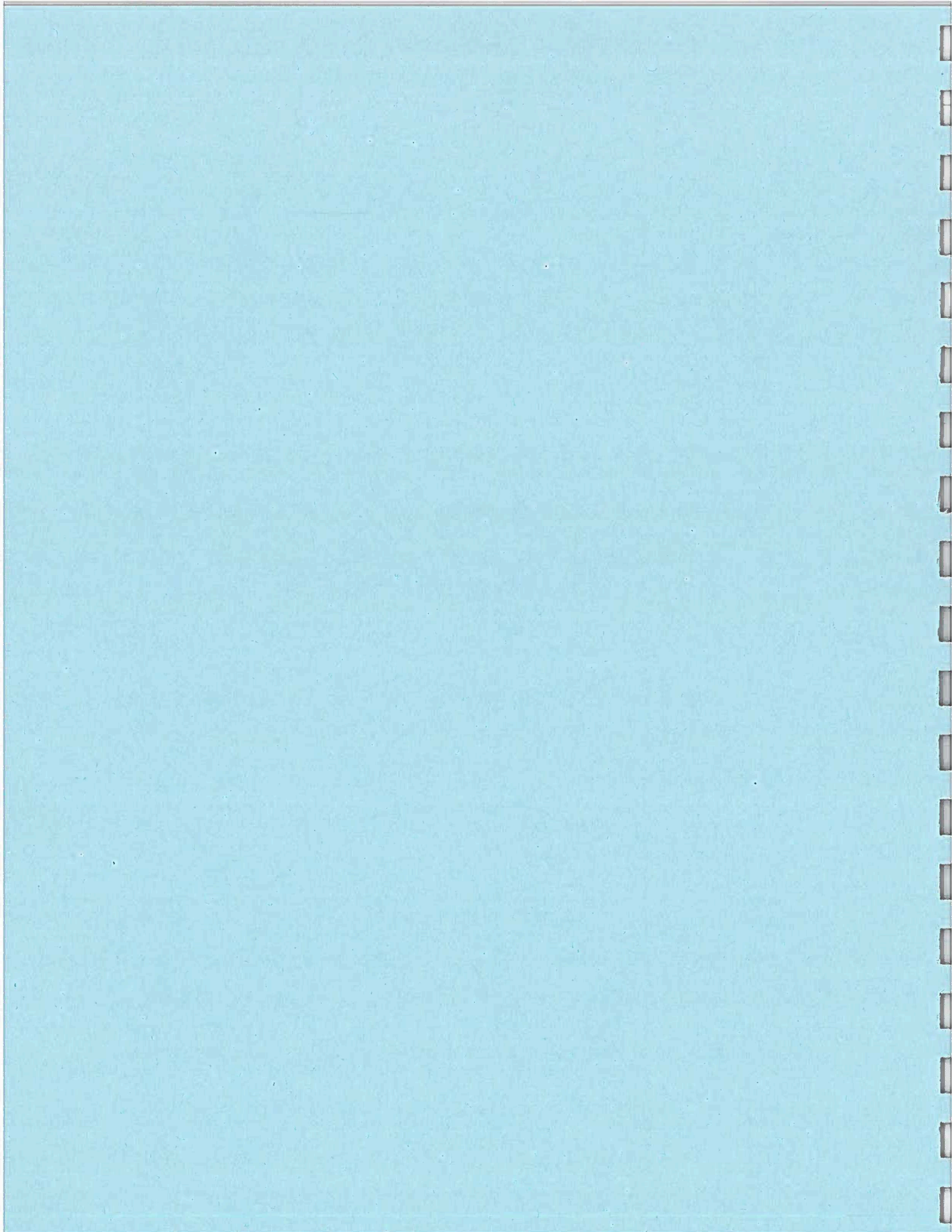
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STATE OF COLORADO

OFFICE OF THE STATE AUDITOR
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State Auditor

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

December 23, 1999

Members of the Legislative Audit Committee:

This report contains the results of our financial and compliance audit of the State Colleges in Colorado. The audit included examinations of the consolidated financial statements and the statements of state-funded student assistance programs. The report also presents the findings and recommendations resulting from the examinations, and the responses of the State Colleges in Colorado.

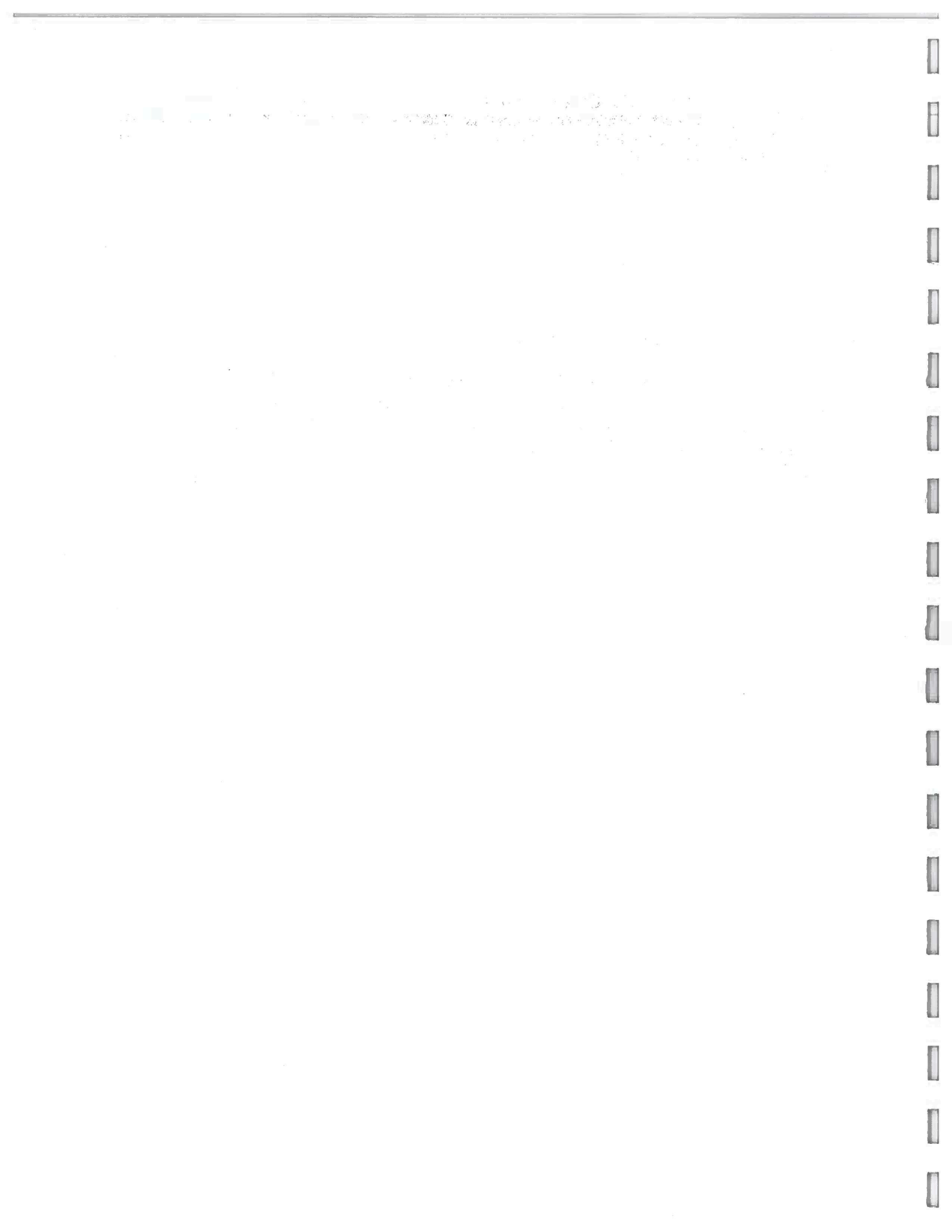


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**STATE OF COLORADO
OFFICE OF THE STATE AUDITOR**

REPORT SUMMARY

**J. DAVID BARBA, CPA
State Auditor**

**STATE COLLEGES IN COLORADO
FINANCIAL AND COMPLIANCE AUDIT
FISCAL YEAR ENDED JUNE 30, 1999**

Authority, Purpose, and Scope

The audit of the State Colleges in Colorado was conducted under the authority of Section 2-3-103, C.R.S., which authorizes the Office of the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The audit was conducted in accordance with generally accepted auditing standards. Audit work was performed from May 1999 through October 1999.

The purposes and scope of our audit were to:

- Express an opinion on the consolidated financial statements of the State Colleges in Colorado for the year ended June 30, 1999. This included a review of the related internal control structure as required by generally accepted auditing standards.
- Evaluate compliance with rules and regulations governing the expenditure of federal and state funds.
- Express an opinion on the Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Adams State College, Mesa State College, Metropolitan State College of Denver, and Western State College for the year ended June 30, 1999.
- Evaluate progress in implementing prior audit recommendations.

The Schedules of Expenditures of Federal Awards of the State Colleges in Colorado and applicable audit opinions are included in the June 30, 1999, Statewide Single Audit Report issued under a separate cover.

Audit Opinions and Reports

We expressed unqualified opinions on the consolidated financial statements and the Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for the State Colleges in Colorado for the year ended June 30, 1999.

For further information on this report, contact the Office of the State Auditor at (303) 866-2051.

SUMMARY

We issued a report on the State Colleges' compliance with applicable laws and regulations and internal controls over financial reporting. We did not note any material instances of noncompliance with legal or regulatory requirements or material internal control weaknesses. Certain areas where the State Colleges can improve their internal controls are described in the Findings and Recommendations section of this report.

Summary of Findings and Recommendations

The State Colleges in Colorado issue a single set of financial statements that consolidates the financial activity of the four state colleges (Adams, Mesa, Metro, Western), the Western Colorado Graduate Center, and the Office of State Colleges. The consolidated financial statements are prepared by the Office of State Colleges and audited by the Office of the State Auditor. Our review included determining the appropriateness of information reported in the consolidated financial statements based on audit work performed by certified public accounting firms at the four state colleges. The Office of the State Auditor also audited the financial balances of the Office of State Colleges and the Western Colorado Graduate Center.

The following is a summary of the findings and recommendations contained in the report.

METROPOLITAN STATE COLLEGE OF DENVER

Some general ledger accounts were not reconciled to supporting detail in a timely manner. For example:

- Reconciliations between the monthly bank statements and the general ledger were not performed during the six-month period from January 1, 1999 and June 30, 1999. It took two people approximately four weeks to prepare the reconciliation for the Bank One accounts after the end of the fiscal year.
- Financial aid reports were not reconciled to the general ledger on a monthly basis. At June, 30, 1999, the amount of State Work Study expenditures reported to the Colorado Commission on Higher Education differed from the general ledger amount by approximately \$32,000. The difference was the result of a reclassification between State Work Study funds and institutional funds which was not recorded on the general ledger.

Timely reconciliations are needed to ensure the accuracy of general ledger balances. Some reconciliations are currently not being performed due to the implementation of the new accounting software (Banner System) during the year. The lack of understanding of the new system has impacted the ability of the accounting department to perform account reviews and reconciliations in an efficient and timely manner. **We recommend that Metropolitan State College of Denver**

perform reconciliations of significant accounts on a monthly basis to ensure the accuracy of the general ledger and monthly financial statements.

Metropolitan State College of Denver Response:

Agree. Metropolitan State College will continue to improve its reconciliations of significant accounts on a monthly basis.

WESTERN STATE COLLEGE

The Colorado Commission on Higher Education conducted a review of Western State College. During this review, it noted instances of students being awarded more than the allowable cost of tuition and fees for Colorado Merit Scholarships during Fiscal Year 1998. During our audit we reviewed for overawards on all disbursements made for this scholarship program for Fiscal Year 1999 (i.e., \$228,381 awarded to 247 students.) We noted that although the occurrence of awards in excess of allowable limits decreased in frequency, the College overawarded \$1,637 to two students. **We recommend the College implement computer controls to prevent awards that exceed the allowable limits.**

Western State College Response:

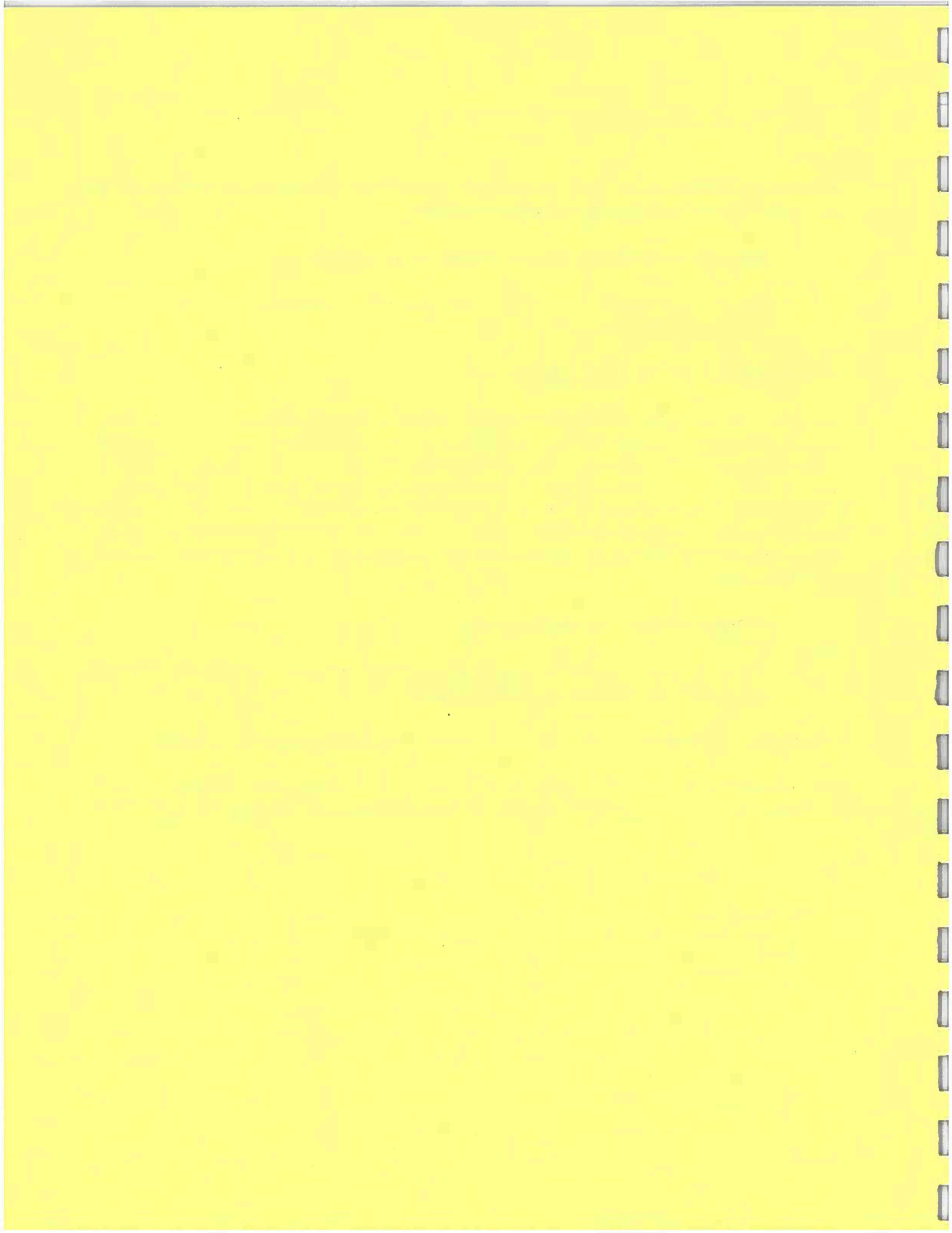
Agree. Western State College implemented computer system controls in January 1999 that will properly limit awards for Fiscal Year 2000.

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the State Colleges in Colorado for Fiscal Year 1998 contained two audit recommendations. The disposition of these recommendations, as of October 29, 1999, was as follows:

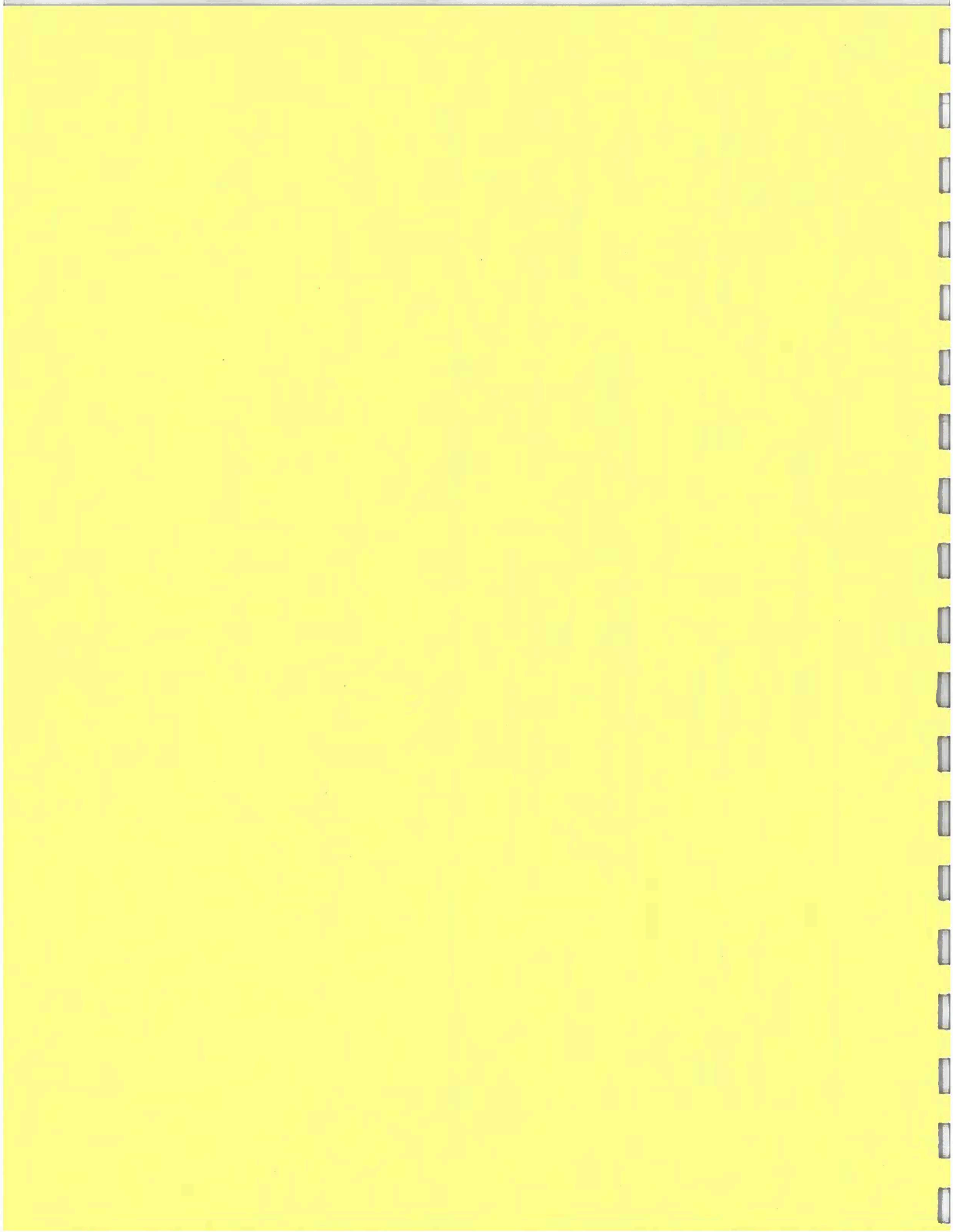
Metropolitan State College

Implemented	2
Partially Implemented	0
Deferred	<u>0</u>
Total	<u><u>2</u></u>



RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	14	Perform reconciliations of significant general ledger accounts on a monthly basis.	Metropolitan State College of Denver	Agree	June 2000
2	15	Implement computer controls to prevent overawards of Colorado Merit Scholarships.	Western State College	Agree	January 1999



Description of the State Colleges in Colorado

The State Colleges in Colorado

The Board of Trustees of the State Colleges in Colorado (State Colleges) is the governing board for Adams State College, Mesa State College, Metropolitan State College of Denver, Western State College, and the Western Colorado Graduate Center. The Board of Trustees has oversight responsibility for the four state colleges and the Graduate Center in the areas of finance, resources, academic programs, admissions, role and mission, and personnel policies.

The Board has three goals:

- To provide outstanding teaching in four distinctive institutions with diverse student populations.
- To confer Board and campus leadership that connects educational issues with the future of Colorado and the communities in which the institutions are located.
- To assure the people of Colorado that human and financial resources are utilized most effectively.

The Board consists of seven members appointed by the Governor to serve four-year terms. Additionally, a faculty and student Trustee are elected to serve one-year terms. The President of the State Colleges is responsible for providing leadership for the system and for administering the policies and procedures of the Trustees. The Board conducts its business at regular monthly meetings and special meetings, all of which are open to the public.

Office of State Colleges

The Office of State Colleges, under the direction of the President of the State Colleges in Colorado, is responsible for administering the Trustees' policies and procedures, and for coordinating reporting requirements and external matters for the four state colleges.

Adams State College, Alamosa

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

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

	1997	1998	1999
Resident Students	1,869.1	1,797.7	1,898.5
Nonresident Students	426.5	378.7	367.8
Total Students	<u>2,295.6</u>	<u>2,176.4</u>	<u>2,266.3</u>
Faculty FTE'S	121.6	122.5	126.8
Staff FTE'S	120.7	123.9	129.2
Total Staff and Faculty FTE'S	<u>242.3</u>	<u>246.4</u>	<u>256.0</u>

Mesa State College, Grand Junction

Mesa State College offers certificate programs, associate degrees, baccalaureate degrees, and selected graduate programs. Section 23-53-101, C.R.S., provides for Mesa State College to be a general baccalaureate and specialized graduate institution with moderately selective admission. Mesa State College is to offer liberal arts and sciences programs and a limited number of professional, technical, and graduate programs. Mesa State College is also to maintain a community college role and mission, including vocational and technical programs.

Section 23-53-115, C.R.S., authorizes Mesa State College to offer graduate courses and programs in selected areas to ensure that persons living in western Colorado have reliable, consistent, and cost-effective access to necessary graduate courses and programs.

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>
Resident Students	3,666.5	3,663.2	3,778.5
Nonresident Students	<u>406.1</u>	<u>421.7</u>	<u>410.2</u>
Total Students	<u><u>4,072.6</u></u>	<u><u>4,084.9</u></u>	<u><u>4,188.7</u></u>
Faculty FTE'S	212.2	225.1	236.2
Staff FTE'S	<u>145.9</u>	<u>149.2</u>	<u>150.1</u>
Total Staff and Faculty FTE'S	<u><u>358.1</u></u>	<u><u>374.3</u></u>	<u><u>386.3</u></u>

Metropolitan State College of Denver

Metropolitan State College of Denver serves a student population in the greater metro-Denver area. Section 23-54-101, C.R.S., provides that Metropolitan State College of Denver be a comprehensive baccalaureate institution with modified open admission standards, except that nontraditional students who are at least twenty years of age only need to have an admission requirement of a high school diploma, a GED high school equivalency certificate, or the equivalent. Metropolitan State College of Denver is to offer a variety of liberal arts and science, technical, and educational programs. The College may offer a limited number of professional programs, but cannot offer any graduate program.

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>
Resident Students	11,988.0	12,166.3	11,909.4
Nonresident Students	<u>358.5</u>	<u>390.3</u>	<u>407.8</u>
Total Students	<u>12,346.5</u>	<u>12,556.6</u>	<u>12,317.2</u>
Faculty FTE'S	623.7	620.5	644.1
Staff FTE'S	<u>359.6</u>	<u>354.1</u>	<u>353.9</u>
Total Staff and Faculty FTE'S	<u>983.3</u>	<u>974.6</u>	<u>998.0</u>

Western State College, Gunnison

Western State College is an undergraduate college of liberal arts and sciences. Section 23-56-101, C.R.S., provides that Western State College be a general baccalaureate institution with moderately selective admission standards. The College is to provide a limited number of professional programs, educational programs, and traditional arts and sciences. The Colorado Commission on Higher Education, after consultation with the College and Governing Board, shall determine which graduate programs, if any, shall be phased out. Western State College cannot offer any two-year programs.

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>
Resident Students	1,525.0	1,478.3	1,501.1
Nonresident Students	<u>754.6</u>	<u>746.1</u>	<u>697.1</u>
Total Students	<u>2,279.6</u>	<u>2,224.4</u>	<u>2,198.2</u>
Faculty FTE'S	111.9	114.1	117.1
Staff FTE'S	<u>108.5</u>	<u>109.9</u>	<u>114.0</u>
Total Staff and Faculty FTE'S	<u>220.4</u>	<u>224.0</u>	<u>231.1</u>

Western Colorado Graduate Center

The Western Colorado Graduate Center is designed to provide the residents of western Colorado access to graduate degree programs offered in Colorado's western communities by Colorado colleges and universities. The Center serves as a resource and referral service as well as a broker of degree programs.

Section 23-53-116, C.R.S., provides that the Western Colorado Graduate Center be established on the campus of Mesa State College. The Center's mission is to ensure reliable, consistent, and cost-effective access for residents of western Colorado to graduate courses and programs necessary to maintain or strengthen employment knowledge and skills. The Center is not authorized to provide graduate courses or programs. The Center is under the authority and governance of the Trustees of the State Colleges in Colorado who are responsible for developing a plan of implementation and operation of the Center consistent with the Center's mission. The Center operates independently of Mesa State College and commenced operation on July 1, 1996.

Findings and Recommendations

Adams State College

The public accounting firm of Johnson, Holscher & Company, Inc., completed audit work for Adams State College. There were no report findings and recommendations resulting from the audit work completed for Fiscal Year 1999.

Mesa State College

The public accounting firm of Dalby, Wendland & Company, P.C., completed audit work for Mesa State College. There were no report findings and recommendations resulting from the audit work completed for Fiscal Year 1999.

Metropolitan State College of Denver

The following comment was prepared by the public accounting firm of Kunderling & Associates, P.C., who completed audit work for Metropolitan State College of Denver.

Perform Reconciliations of Significant Accounts

The general ledger is not reconciled to supporting detail in a timely manner. We noted the following specific instances:

- Bank reconciliations between the monthly bank statements and the general ledger were not performed during the six-month period from January 1, 1999 to June 30, 1999. It took two staff people approximately four weeks to prepare the reconciliation for the Bank One accounts after the end of the fiscal year.
- Financial aid reports are not reconciled to the general ledger on a monthly basis. At June, 30, 1999, the amount reported to the Colorado Commission on Higher Education as the amount of State Work Study funds spent in the current year did not agree to the general ledger by approximately \$32,000.

The difference was the result of a reclassification between State Work Study funds and institutional funds which were not recorded on the general ledger.

Other accounts lacked month-end reconciliations as well. Appropriate internal controls over the subsidiary ledgers provide a reasonable basis for reliance in the general ledger amounts. Some instances in which reconciliations are currently not being performed are due to the implementation of the new accounting software (Banner) during the year. The lack of understanding of the new system has impacted the ability of the accounting department to perform account reviews and reconciliations in an efficient manner.

Recommendation No. 1:

Metropolitan State College of Denver should perform reconciliations of significant accounts on a monthly basis to ensure the accuracy of the general ledger and monthly financial statements.

Metropolitan State College of Denver Response:

Agree. Metropolitan State College of Denver will continue to improve its reconciliations of significant accounts on a monthly basis.

Western State College

The following comment was prepared by the public accounting firm of Chadwick, Steinkirchner, Davis & Co., P.C., who completed audit work for Western State College.

Improve Colorado Merit Scholarship Controls

The Colorado Commission on Higher Education conducted an onsite visit of Western State College in October 1998. During this review, it noted instances of students being awarded more than the allowable cost of tuition and fees for Colorado Merit Scholarships. During our audit work we examined all of the disbursements for the fiscal year (\$228,381 awarded to 247 students). We noted that although the occurrence of this type of award in excess of allowable limits has decreased in frequency, the problem still exists. The College overawarded two students \$1,637. The College's system is not adequately designed to prevent this from recurring, but

rather, relies on College personnel to prevent or detect awards that exceed allowable limits.

Recommendation No. 2:

Western State College should implement computer system controls that will not allow awards that exceed the allowable limits.

Western State College Response:

Agree. Western State College implemented computer system controls in January 1999 that will properly limit awards for Fiscal Year 2000.

Office of State Colleges and the Western Colorado Graduate Center

The Office of the State Auditor completed audit work for the Office of State Colleges and the Western Colorado Graduate Center. There were no report findings and recommendations resulting from the audit work completed for Fiscal Year 1999.

Disposition of Prior Audit Recommendations

Listed below are the recommendations included in the State Colleges in Colorado audit report for the year ended June 30, 1998, and their disposition as of October 29, 1999.

Recommendation

Disposition

ADAMS STATE COLLEGE

There were no recommendations in the prior year.

MESA STATE COLLEGE

There were no recommendations in the prior year.

METROPOLITAN STATE COLLEGE OF DENVER

- | | |
|--|--------------|
| 1. The College should continue to analyze the loan clearing account to ensure it is operating as intended. | Implemented. |
| 2. The College should consider suspending or greatly reducing the charge to the unemployment reserve until significant unemployment claims become likely or the charge is otherwise justified. | Implemented. |

WESTERN STATE COLLEGE

There were no recommendations in the prior year.

FINANCIAL STATEMENT SECTION



STATE OF COLORADO

OFFICE OF THE STATE AUDITOR
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J. DAVID BARBA, C.P.A.
State Auditor

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

November 15, 1999

Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying consolidated balance sheet of the State Colleges in Colorado, a component unit of the State of Colorado, as of June 30, 1999, and the related consolidated statement of changes in fund balances for the year then ended. These financial statements are the responsibility of the management of the State Colleges. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the State Colleges in Colorado as of June 30, 1999, and the changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 1999 on our consideration of the State Colleges in Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements of the State Colleges in Colorado. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

STATE COLLEGES IN COLORADO

Consolidated Balance Sheet

June 30, 1999

	Current Funds		Student	Endowment and
	Unrestricted	Restricted	Loan Funds	Similar Funds
ASSETS				
Cash	\$ 2,207,665	\$ 4,248	\$ 93,444	\$ 51,855
Cash With State Treasurer (Note 2)	14,713,541	730,773	1,235,119	
Investments	738,047			
Accounts Receivable (Note 3)	3,242,160	1,299,296	8,588	
Loan Receivable (Note 3)			12,862,579	
Interest Receivable	3,442		12,747	
Inventories	1,363,098			
Prepaid Expenses	384,932	3,852		
Deferred Charges	34,929			
Due from Other Funds	34,500	810,496		
Due from State Agencies		10,854		
Due from Federal Government		23,501	14,901	
Other Assets	267		4,500	
Land				
Land Improvements				
Buildings				
Construction in Progress				
Equipment				
Library Books				
Total Assets	<u>22,722,581</u>	<u>2,883,020</u>	<u>14,231,878</u>	<u>51,855</u>
LIABILITIES				
Accounts Payable	1,321,195	157,149	500	
Accrued Payroll	1,083,014	42,791		
Accrued Interest				
Student Deposits	359,522	328,625		
Deposits Held in Custody for Others	317,894	25,200		
Due to State Treasurer		1,387,920		
Due to Other Agencies	15,716	5,601		
Accrued Compensated Absence Liability	3,631,862			
Deferred Revenue	5,256,599	46,091		
Notes Payable				
Capital Lease Obligations				
Bonds Payable				
Due to Other Funds		22,500		
Due to Mesa State College Foundation			200,000	
Other Liabilities	80,647	81,261	210	
Total Liabilities	<u>12,066,449</u>	<u>2,097,138</u>	<u>200,710</u>	<u>-</u>
FUND BALANCE				
U.S. Government Grants Refundable			4,221,141	
Unrestricted	14,287,994			
Restricted		785,882	9,810,027	51,855
Designated for Compensated Absences	(3,631,862)			
Net Investment in Plant				
Total Fund Balance	<u>10,656,132</u>	<u>785,882</u>	<u>14,031,168</u>	<u>51,855</u>
Total Liabilities and Fund Balance	\$ 22,722,581	\$ 2,883,020	\$ 14,231,878	\$ 51,855

The accompanying notes to the financial statements are an integral part of this statement.

Plant Funds				Memorandum Only	
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant	Agency Funds	Total
	\$ 715,710	\$ 265,954		\$ 7,535	\$ 3,346,411
318	732,895	243,431		2,110,586	19,766,663
	465,717	300,351			1,504,115
23,417				125,654	4,699,115
		1,067			12,862,579
					17,256
					1,363,098
				3,229	392,013
					34,929
					844,996
					10,854
					38,402
				4,000	8,767
			1,836,843		1,836,843
			6,920,438		6,920,438
			138,001,243		138,001,243
7,217,478	137,819				7,355,297
			23,239,197		23,239,197
			14,235,848		14,235,848
<u>7,241,213</u>	<u>2,052,141</u>	<u>810,803</u>	<u>184,233,569</u>	<u>2,251,004</u>	<u>236,478,064</u>
	21,076	28,155		883,153	2,411,228
		257,752		386,870	1,512,675
					257,752
				22,903	711,050
				652,193	995,287
					1,387,920
				4,780	26,097
					3,631,862
				289,434	5,592,124
			25,000		25,000
			4,093,700		4,093,700
			36,949,707		36,949,707
12,000					34,500
	1,327				200,000
<u>12,000</u>	<u>22,403</u>	<u>285,907</u>	<u>41,068,407</u>	<u>11,671</u>	<u>175,116</u>
					4,221,141
	509,537				14,797,531
7,229,213	1,520,201	524,896			19,922,074
					(3,631,862)
			143,165,162		143,165,162
<u>7,229,213</u>	<u>2,029,738</u>	<u>524,896</u>	<u>143,165,162</u>	<u>-</u>	<u>178,474,046</u>
<u>\$ 7,241,213</u>	<u>\$ 2,052,141</u>	<u>\$ 810,803</u>	<u>\$ 184,233,569</u>	<u>\$ 2,251,004</u>	<u>\$ 236,478,064</u>

STATE COLLEGES IN COLORADO

Consolidated Statement of Changes in Fund Balances
Year Ended June 30, 1999

	Current Funds		Student Loan Funds	Endowment and Similiar Funds
	Unrestricted	Restricted		
Revenues and Other Additions				
Tuition & Fees	\$ 57,985,219			
State of Colorado Appropriation	70,486,073			
Sales & Services of Auxiliary Enterprises	23,238,277			
Federal Grants & Contracts	108,888	19,951,320	4,004	
State Grants & Contracts		14,293,136		
Private Gifts, Grants & Contracts	611,958	2,161,198		
U. S. Government Advances			437,131	
Investment & Interest Income	2,963,776	7,661	431,230	3,106
Indirect Costs Recovered	568,110			
Expended for Plant Facilities				
Retirement of Indebtedness				
Capitalization of Asset/Debt				
Other Sources	3,499,713	50	61,597	
Total Revenues and Other Additions	159,462,014	36,413,365	933,962	3,106
Expenditures and Other Deductions				
Instruction	63,524,439	6,706,432		
Research		10,292		
Public Service		919,736		
Academic Support	13,517,881	766,752		
Student Services	14,052,624	2,443,423		
Institutional Support	16,815,054	790,608		
Operation of Plant	13,087,874	139,009		
Scholarships & Fellowships	2,237,977	24,192,036		
Auxiliary Enterprises Expenditures	30,360,206	298,090		
Refunded to Grantors			140,990	
Indirect Costs Recovered		525,854	42,256	
Loan Cancellations & Write-offs			321,475	
Administrative and Collection Costs			117,469	
Expended for Plant Facilities				
Retirement of Indebtedness				
Interest on Indebtedness				
Disposal of Plant Facilities				
Capitalization of Asset/Debt				
Other Deductions	302,282	13,574		
Total Expenditures and Other Deduction	153,898,337	36,805,806	622,190	-
Transfers Among Funds - Additions (Deductions)				
Mandatory Transfers:	(4,303,835)	(126,012)	126,012	
Non-mandatory Transfers	(1,977,741)	203,478	33,151	(3,400)
Total Transfers	(6,281,576)	77,466	159,163	(3,400)
Net Increase (Decrease) in Fund Balance	(717,899)	(314,975)	470,935	(294)
Fund Balance- Beginning of Year	11,374,031	1,103,002	13,560,231	52,149
Fund Balance- End of Year	\$ 10,656,132	\$ 788,027	\$ 14,031,166	\$ 51,855

The accompanying notes to the financial statements are an integral part of this statement.

Plant Funds

<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
7,661,497	622,199		
22,000			
(2,510)	41,523	34,094	
			17,872,533
			1,973,258
			353,685
15,361			
<u>7,696,348</u>	<u>663,722</u>	<u>34,094</u>	<u>20,199,476</u>

14,860,527	1,985,923	6,548	8,530
		1,973,258	
		2,318,994	15,741
			2,693,367
336,470			
		5,875	11,672
<u>15,196,997</u>	<u>1,985,923</u>	<u>4,304,675</u>	<u>2,729,310</u>

		4,303,835	
(83,661)	723,916	68,125	
(83,661)	723,916	4,371,960	-
(7,584,310)	(598,285)	101,379	17,470,166
14,813,523	2,628,023	423,517	125,694,995
<u>\$ 7,229,213</u>	<u>\$ 2,029,738</u>	<u>\$ 524,896</u>	<u>\$ 143,165,161</u>

**STATE COLLEGES IN COLORADO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governance

The Board of Trustees of the State Colleges in Colorado ("State Colleges") is the governing board for Adams State College (ASC), Mesa State College (MSC), Metropolitan State College of Denver (MSCD), Western State College (WSC), and the Western Colorado Graduate Center (WCGC). The Trustees are statutorily charged with responsibility in the areas of finance, resources, academic programs, admissions, role and mission, and personnel policies. The Board consists of seven members appointed by the Governor serving four-year terms. Additionally, a faculty and student trustee are elected to serve for one-year terms.

Basis of Presentation and Financial Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 (GASB No. 14), the financial reporting entity of the State Colleges includes the combined operations of the component institutions, the Office of State Colleges (OSC), and all related entities for which State Colleges is financially accountable. As defined in GASB No. 14, financial accountability may stem from the State Colleges' ability to appoint a majority of the governing boards of the related organization, its ability to impose its will on the related organization, or its ability to access assets or be held responsible for the debts of the related organization.

Accordingly, the accompanying financial statements contain the operations of the Office of State Colleges, the Western Colorado Graduate Center and the following four component colleges:

Adams State College
Mesa State College
Metropolitan State College of Denver
Western State College

In addition, the accompanying financial statements contain the results of operations of the following related entity for which the State Colleges are financially accountable:

State Colleges Educational Authority, Inc.

As of March 31, 1994, all assets and liabilities of the State Colleges Educational Authority, Inc. were liquidated. The entity had no financial activity during Fiscal Year 1999.

For financial reporting purposes, the State Colleges System is considered to be a component unit of the State of Colorado.

The significant accounting policies followed by the State Colleges are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The financial statements of the State Colleges are prepared on the accrual basis, except for depreciation related to plant fund assets, which is not recorded.

Generally accepted accounting principles for colleges and universities provide that encumbrances representing outstanding purchase orders and other commitments for materials or services not received as of the final reporting date should not be reported as expenditures nor included as liabilities. This policy is reflected in the financial statements. However, the encumbrance concept is implemented throughout the year as a management tool to enhance budgetary control and responsive management.

Investments are stated at their market value at date of gift, or at cost, if purchased by the colleges.

Inventories are stated at the lower of cost or market. The central stores inventory, accounted for in the Current Unrestricted Fund, consists primarily of office supplies and other consumable goods. It is valued using the average cost method. The bookstore inventory, which is accounted for in the Current Unrestricted Fund, includes instructional materials and soft goods held for resale. It is valued using the first-in-first-out method.

Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of donation. A physical inventory of all inventory of all plant assets is taken annually with appropriate adjustments made to the financial records. Annual revisions of statement of values for insurance purposes are performed. Depreciation on physical plant and equipment is not recorded. Adams State College, Metropolitan State College of Denver, and the Western Colorado Graduate Center follow the policy of capitalizing only those plant assets with an initial cost or fair value greater than or equal to \$1,000. Mesa State College, Western State College and the Office of State Colleges follows a policy of capitalizing only those plant assets with an initial cost or fair value greater than or equal to \$5,000.

To the extent that current funds are used to finance plant assets, the amounts are accounted for as 1) expenditures, in the case of normal replacement of movable equipment and library books; 2) mandatory transfers, in the case of required provisions for debt service and facilities renewal and replacement; and, 3) as transfers of a nonmandatory nature, in all other cases.

Summer session tuition and fees and related direct academic expenditures are deferred and reflected in the subsequent fiscal year.

To the extent that current funds are used for debt amortization and interest and for equipment renewal and replacement reserves, the amounts are accounted for as mandatory transfers.

Interfund borrowings are recorded on each fund as due to/from other funds. All interfund loans are temporary in nature; no interest is charged on interfund loans. Such borrowings are authorized in advance by administrative action. The borrowings have identifiable repayment schedules in most instances and provide needed working capital or cash advances for special projects.

Fund Accounting

Accounts are maintained in accordance with principles of "Fund Accounting." These principles require resources to be classified for accounting and reporting purposes into account groups in accordance with the activities or objectives specified for the resources. Accounts are separately maintained for each fund;

however, in the accompanying financial statements, funds that have similar characteristics have been combined. Accordingly, all financial transactions have been recorded and reported by fund group.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets.

Description of Funds

Current Operating Funds. The current operating funds are used primarily to account for transactions which are expended in performing the primary and support objectives of the college (i.e., instruction, research grants and contracts, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, and auxiliary activities). Current operating funds include:

1. The Unrestricted Fund is used to account for transactions related to the State Colleges state appropriated budget as approved by the Colorado State Legislature and the Trustees of the State Colleges and transactions of substantially self-supporting activities that primarily provide services for students, faculty, and staff. Auxiliary enterprises include, but are not limited to, student housing, food services, the bookstore, and athletics. Included in the auxiliary fund are self-supporting activities which are funded by unrestricted gifts and other income designated for specific purposes.
2. Within the Restricted Funds, fund balances restricted by outside sources have been identified. Externally restricted funds may only be utilized in accordance with the restrictions placed upon the resources by the external source. Within the restricted group of funds, revenue is recognized only to the extent that expenditures are made. Resources received in excess or deficiency of expenditures made are recorded as "Excess (Deficiency) of Restricted Receipts over Transfer to Revenues" in the Statement of Current Funds Revenue, Expenditures, and Other Changes.

Non-operating Funds. Non-operating funds include:

1. The Student Loan Fund, funded primarily by the federal government, is used to account for loans to students. Interest on loans to students is recognized as income when received.
2. The Endowment and Similar Funds consist of endowment income funds which are subject to the restrictions of donor gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized.
3. Plant Funds are used to account for transactions relating to investment in properties. They include 1) Unexpended Plant Fund, 2) Renewal and Replacement fund, 3) Retirement of Indebtedness Fund, and 4) Investment in Plant Fund. The Unexpended Plant Fund is composed of amounts which have been appropriated or designated for purchase of land, improvements, buildings, and equipment. The Renewal and Replacement Fund is to account for renewal and replacement of plant fund assets rather than additions and improvements to plant. The Retirement of Indebtedness Fund represents funds to provide for payment of principal and interest, primarily pursuant to the terms of bond indentures. The Investment in Plant Fund represents the total of property, buildings, and equipment, and the related liabilities.
4. Agency funds consist of funds held as custodian or fiscal agent for others.

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

Cash with the State Treasurer. At year-end June 30, 1999, the State Colleges had \$18,378,743 on deposit with the State Treasurer. The difference between the State Colleges' balance and the amount on deposit with the State Treasurer is due to deposits in transit to the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

The State Colleges deposit cash with the Colorado State Treasurer as required by Colorado Revised Statutes. The State Treasurer pools these deposits and invests them in securities approved by 24-75-601.1 C.R.S. The State Colleges report their share of the Treasurer's unrealized gains and losses based on their 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, 1999. 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 losses included in "Investment Income" reflect 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.

Cash on Hand and in Banks. At year end, cash on hand and in banks consisted of the following:

Cash on Hand	\$ 328,334
Checking Accounts	2,008,981
Certificates of Deposit	<u>1,009,097</u>
	<u>\$3,346,412</u>

The carrying amount of the State Colleges' cash on deposit was \$4,134,327 and the bank balance was \$10,345,616. Of this bank balance, \$796,059 was covered by Federal Note Depository Insurance or by collateral held by the institution's agent in the institution's name and \$9,549,557 was covered by collateral held in the pledging institution's trust department in the name of the public deposit pool, as required by the Public Deposit Protection Act.

Investments. A summary of the State Colleges' investments at June 30, 1999 by risk category described below, is as follows. Yield on investments ranged from 3.78% to 7.885%.

	<i>Risk Categories</i>		Book Value	Market Value
	<i>A</i>	<i>B</i>		
U.S. Government Securities	\$1,190,239	\$0	\$1,190,239	\$1,203,764
Investments in Mutual Funds			<u>300,351</u>	<u>300,351</u>
Total Investments			<u>\$1,490,590</u>	<u>\$1,504,115</u>

Risk Category Descriptions:

A- investments which are insured, registered, or held by the State or its agent in the State's name.

B- investments which are uninsured and held by the counter party's trust department or agent.

NOTE 3: ACCOUNTS AND LOANS RECEIVABLE

At June 30, 1999, accounts receivable were as follows:

	<u>Adams</u>	<u>Mesa</u>	<u>MSCD</u>	<u>Western</u>	<u>OSC</u>	<u>WCGC</u>	<u>Total</u>
<u>Accts Rec</u>	\$600,721	\$990,099	\$ 3,465,749	\$ 484,377	\$5,009	\$52	\$ 5,546,007
<u>Less Allow</u>							
<u>Doubt Acct</u>	<u>139,851</u>	<u>312,356</u>	<u>286,050</u>	<u>140,982</u>	<u>-</u>	<u>-</u>	<u>879,239</u>
<u>Net Acct Rec</u>	<u>\$ 460,870</u>	<u>\$ 677,743</u>	<u>\$ 3,179,699</u>	<u>\$ 343,395</u>	<u>\$5,009</u>	<u>\$ 52</u>	<u>\$ 4,666,768</u>
 <i>Loan Funds:</i>							
<u>Loans Rec</u>	\$1,451,271	\$ 1,086,352	\$10,130,021	\$2,359,740	-	-	\$15,027,384
<u>Less Allow</u>							
<u>Doubt Acct</u>	<u>228,277</u>	<u>117,745</u>	<u>1,388,813</u>	<u>429,970</u>	<u>-</u>	<u>-</u>	<u>2,164,805</u>
<u>Net Loans Rec</u>	<u>\$1,222,994</u>	<u>\$968,607</u>	<u>\$8,741,208</u>	<u>\$1,929,770</u>			<u>\$12,862,579</u>

NOTE 4: LEASE OBLIGATIONS**Adams State College**

A capital lease for Energy Conservation Equipment was entered into May 17, 1996 in the amount of \$1,144,242. This lease consisted of two purchase agreements. Phase I agreement requires monthly payments of \$4,527 for ten years with an interest rate of 6.75%. Phase II agreement, which went into effect July 1, 1999, requires monthly payments of \$8,612 for ten years with an interest rate of 6.75%.

Principal and interest requirements to maturity are as follows:

<u>Year Ending June 30</u>	
2000	\$157,664
2001	157,664
2002	157,664
2003	157,664
2004	157,664
2005 - 2009	<u>567,278</u>
	1,355,598
Less amount representing interest	<u>-330,194</u>
Principal outstanding	<u>\$1,025,404</u>

Mesa State College

Mesa State College leases phone system equipment under a capital lease through October 1, 2004, at which time the title will be transferred to Mesa State College. The lease can be terminated due to lack of funding with 30 days written notice, and the College has an option to purchase at any time during the lease.

Future minimum lease payments:

Year Ending June 30

2000	\$83,297
2001	83,297
2002	83,297
2003	83,297
2004	83,297
2005 and later	<u>41,649</u>
Total principal & interest payments	458,134
Less amount representing interest	<u>63,123</u>
Principal outstanding	<u>\$395,011</u>

Metropolitan State College of Denver

MSCD leases building space and equipment under operating lease agreements. Rental expense for the year ended June 30, 1999 under these agreements was \$941,871. Minimum future rentals (excluding contingent rentals) required by the above agreements are as follows:

Year Ending June 30

2000	\$531,398
2001	426,038
2002	412,583
2003	321,603
2004 and later	<u>306,484</u>
Total	<u>\$1,998,106</u>

MSCD has a sub-lease rental agreement for four more years totaling \$454,727. Payments made in FY 99 totaled \$143,904.

Western State College

A capital lease for an Energy Management System was entered into December 16, 1996 in the amount of \$3,335,000, which requires semi-annual payments of \$223,100 for ten year and includes interest at 5.897%. Title to the equipment passed to the college at the beginning of the lease term.

Principal and interest requirements to maturity on both leases are as follows:

Year Ending June 30

2000	\$446,200
2001	446,200
2002	446,200
2003	446,200
2004	446,200
2005 - 2007	<u>1,115,500</u>
Total principal & interest	3,346,500
Less amount representing interest	<u>-673,214</u>
Principal outstanding	<u>\$2,673,286</u>

Office of State Colleges

OSC has a lease agreement to rent office space at 1580 Lincoln, Suite 750, Denver through August 31, 2003 with monthly payments varying between \$6,233 and \$7,452 per month. Following is a schedule of future minimum lease payments.

Year Ending June 30

2000	\$74,130
2001	78,158
2002	83,245
2003	<u>14,021</u>
Net minimum lease payments	<u>\$249,554</u>

In addition to the net minimum lease payment listed above, there is a variable expense component that is paid.

NOTE 5: REVENUE BONDS PAYABLE

Adams State College

The Series A 1994 Enterprise Revenue bonds have annual maturities through 2006, then the bonds will mature in 2009, 2014, and 2019. Interest rates vary from 3.30% to 5.75% with an average rate of 5.55%. The bonds are collateralized by first lien on all net revenues of the Auxiliary Facilities System, which consists of all dormitories, the cafeteria, apartment buildings, and the college center. Also, the Series A 1994 Bonds are insured through the Municipal Bond Investors Assurance Corporation (MBIA).

Under the terms of the bond resolution the Debt Service Reserve Requirement may be maintained by cash, or a qualified surety bond or a combination of both in the amount of \$1,182,180. The College fulfilled this requirement with the purchase of a Debt Service Reserve Surety Bond in the amount of \$1,182,180 issued through the MBIA.

Under the terms of the bond resolution the Repair and Replacement Reserve Requirement was to start with an initial amount of \$200,000 with deposits in the amount of not less than \$25,000 each year from 1995-1998, or until a reserve of \$300,000 was met. As of June 30, 1999, the College had a Repair and Replacement Reserve balance of \$745,201.

Principal and interest requirements to maturity are as follows:

Year Ending June 30	
2000	\$1,166,288
2001	1,185,437
2002	1,101,877
2003	1,010,553
2004	931,803
2005 – 2019	<u>13,105,137</u>
	18,501,095
Less Discount & Issue Costs	<u>-337,425</u>
Less Amount Representing Interest	<u>-7,231,085</u>
Principal Outstanding	<u>\$10,932,585</u>

Mesa State College

Mesa Auxiliary Facilities Revenue Bonds, Series B 1994, require annual debt service payments ranging from \$586,913 to \$830,756, including interest at 4.6% to 5.75%. Final payments are due November, 2019. The bonds are secured by a first lien on and pledge of certain net revenues of the Mesa Auxiliary Facilities System. A \$300,000 renewal and replacement reserve fund is maintained, as required by the bond resolution. Bonds maturing in 2004 are callable at a premium of 1% and bonds maturing in 2005 at .5%. Bonds maturing in 2006 and thereafter are subject to mandatory sinking fund redemption without premium.

Mesa Auxiliary Facilities Revenue Bonds, Series A 1996, require annual debt service payments ranging from \$508,200 to \$514,115, including interest at 4.65% to 6.0%. Final payments are due in May of 2016. The bonds are secured by a first lien on and pledge of certain net revenues of the Mesa Auxiliary Facilities System. A \$25,000 renewal and replacement reserve fund is maintained, as required by the bond resolution. Bonds maturing in 2011 and thereafter are subject to mandatory sinking fund redemption without premium.

The following is a schedule of future minimum bond payments as of June 30, 1999:

	<u>Auxiliary Facility</u> <u>1994B</u>	<u>Revenue Bonds</u> <u>1996A</u>
2000	\$830,756	\$514,115
2001	827,896	514,275
2002	828,936	513,740
2003	823,705	517,490
2004	827,205	515,250
2005-2009	3,235,500	2,544,913
2010-2014	3,074,430	2,531,131
2015-2019	2,946,488	1,012,838
	<u>0</u>	<u>0</u>
Subtotals	13,394,916	8,663,752
Less: interest included above	<u>-5,134,916</u>	<u>-3,233,751</u>
Total Principal Outstanding	8,260,000	5,430,001
Less: unamortized discount and issue cost	<u>-248,838</u>	<u>-109,041</u>
Bonds Payable	<u>\$8,011,162</u>	<u>\$5,320,960</u>

Western State College

On March 31, 1994 the College issued \$14,145,000, Series C 1994, in Student Housing Revenue Bonds with an average interest rate of 5.458%. The 1994 bonds require interest only payments until May 15, 1996 when the bonds begin to mature in increasing amounts through May 15, 2015. Interest rates may vary from 4.000% on bonds maturing May 15, 1996 to 5.625% on all bonds maturing after May 15, 2009. The bonds are collateralized by a first lien on and pledge of all revenues of the Auxiliary Facilities System.

Debt Service Reserve Requirement - Under the terms of the bond agreement the College is required to maintain in a Debt Service Reserve Fund an amount equal to the lesser of (1) the combined maximum annual principal and interest payments on all bonds outstanding, (2) the combined average annual principal and interest payments on all bonds outstanding, or (3) ten percent of the original principal amount of each issue outstanding. The initial debt service reserve requirement of \$1,220,812 is satisfied by a surety bond obtained at bond closing.

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, 1999 is as follows:

Retirement of Indebtedness	<u>\$320,640</u>
Renewal and Replacement	<u>\$581,217</u>

Principal and interest requirements to maturity are as follows:

<u>Year Ending June 30</u>	
2000	\$1,215,864
2001	1,210,954
2002	1,214,554
2003	1,216,279
2004	1,210,779
2005 - 2009	6,070,311
2010 - 2014	6,078,718
2015	<u>1,209,406</u>
Total Principal and Interest	19,426,865
Less Interest	<u>-6,741,865</u>
Total Principal Outstanding	<u>\$12,685,000</u>

NOTE 6: EXTINGUISHMENT OF DEBT

Adams State College

In 1991, Adams defeased its outstanding Series 1972, Adams State College Center Revenue Bonds totaling \$1,345,000, with an average interest rate of 5.6% by placing the proceeds of certificates of participation, Series 1991 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the college's financial statements. As of June 30, 1999 \$530,000 of the bonds outstanding are considered economically defeased.

In 1994, Adams State College defeased its Certificates of Participation, Series 1991 totaling \$925,000, with an average interest rate of 7.16% by placing a portion on the proceeds of the Adams Auxiliary Facilities System-Enterprise Revenue Bonds, Series A 1994, in a Certificate Escrow Fund. This Escrow Fund is maintained by an Escrow Agent in accordance with the terms of the Series A Resolution and the Certificate Escrow Agreement. This Escrow Agreement provides for the full and timely payment of all future debt service payments on the Certificates of Participation. Accordingly, the Escrow Fund assets and the liability of the defeased Certificates of Participation are not included in the College's financial statements. On June 30, 1999 \$470,000 of the Certificates of Participation outstanding are considered economically defeased.

Mesa State College

In 1994, the College defeased its outstanding Certificates of Participation, Series 1991, totaling \$3,135,000, outstanding Series 1965 Housing Revenue Bonds totaling \$100,000, outstanding Series 1966 Housing Revenue Bonds totaling \$300,000, and outstanding Series 1967 Housing Revenue Bonds Totaling \$150,000 by placing the proceeds of Mesa Auxiliary Facilities Revenue Bonds, Series 1994, in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the College's financial statements. On June 30, 1999 \$2,005,000 is considered economically defeased.

Western State College

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, 1999, \$11,830,000 of bonds outstanding is considered defeased.

NOTE 7: COLLEGE FOUNDATIONS

Foundations in the State Colleges are unconsolidated nonprofit corporations formed to provide financial assistance to college students and to otherwise assist the colleges in serving educational needs. The foundations engage in activities that may be beyond the scope of the Board of Trustees. Their financial records are maintained separately from the colleges' financial accounting systems. As of June 30, 1999, the foundations' audited summarized balance sheets and statements of revenues and expenses for Mesa, MSCD and Western were as follows:

	<u>Mesa</u>	<u>MSCD</u>	<u>Western</u>
Assets	\$8,308,615	\$5,780,048	\$6,887,244
Liabilities	<u>23,560</u>	<u>238,668</u>	<u>237,643</u>
Fund Balance	<u>8,285,055</u>	<u>5,541,380</u>	<u>6,649,601</u>
Revenue	\$2,373,747	\$3,270,769	\$1,205,446
Expenses	1,242,398	2,283,305	980,199
Unrealized appreciation/loss on Investments	<u>-497,319</u>	<u>-169,795</u>	<u>315,778</u>
Excess of Revenue	<u>\$634,030</u>	<u>\$987,464</u>	<u>\$541,025</u>

Under a memorandum of understanding between Mesa State College and the Mesa State College Foundation, the College is to grant and manage student loans made from designated Foundation funds. The College absorbs any associated costs in excess of loan interest collections, including loan write-offs and administrative expenses. Student loan fund assets at June 30, 1999, consisting primarily of loans receivable, are held by the College and represent a payable to the Foundation of \$200,000.

Adams State College Foundation adopted a calendar year-end for audit and tax purposes. As of December 31, 1998 the Foundation's summarized balance sheet and statement of revenue and expenses were as follows:

<u>Adams</u>	<u>1998</u>
Assets	\$6,264,400
Liabilities	<u>0</u>
Fund Balance	<u>\$6,264,400</u>
Revenue	\$371,103
Expenses	<u>298,015</u>
Excess of Revenue	73,088
Gain on Investments	<u>311,543</u>
Total Change in Net Assets	<u>\$384,631</u>

During the year ended June 30, 1999, the College received funds totaling \$456,413 from the Foundation for special projects, library materials, scholarships and grants-in-aid. These funds are appropriately accounted for and reported in the financial statements. In addition, the Foundation has expended funds for the purchase of an insignificant quantity of supplies and other services from the College.

NOTE 8: CONTINGENT LIABILITIES

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

The State Colleges System, in the course of conducting business, is a party to various litigation and other claims. Although the final outcome of these legal actions cannot be determined at this time, management does not believe the ultimate resolution of these matters will have a significant adverse effect on the financial position of the system.

NOTE 9: COMPENSATED ABSENCES FOR ANNUAL AND SICK LEAVE

Employees may accrue annual and sick leave based on length of service and subject to certain limitations regarding the amount which will be paid upon termination. Estimated costs of compensated absences for which employees are vested for the year ended June 30, 1999 is estimated at \$3,631,862. Current expenses include an increase of \$64,615 for the estimated compensated absence liability. Recording the liability may result in fund balance deficits which will be funded by the state appropriation, federal funds, or other fund sources available in future years when the liability is paid.

NOTE 10: PENSION PLAN OBLIGATION

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. Eligible employees were offered the choice of remaining in PERA or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

The ORP is a defined contribution pension plan with three vendors, Fidelity Investments, TIAA-CREFF and VALIC, providing a range of investment accounts for participants. Contributions to the ORP are the same as PERA contributions for covered payroll. The colleges' contribution to the ORP is 11.4% of covered payroll and contributions by employees is 8% of covered payroll.

Optional Retirement Plan:

Contributions to the ORP will be the same as PERA contributions for covered payroll. The State Colleges' contributions to the ORP for the fiscal years ending June 30, 1999, 1998, and 1997 were \$3,598,233, \$3,350,095 and \$3,044,931 respectively. These contributions were equal to the required contributions for each year, or 11.6% of covered payroll in the fiscal years ending June 30, 1997, 11.5% of covered payroll for 1998 and 11.4% of covered payroll in the fiscal year ending June 30, 1999. Contributions by employees were 8% of covered payroll. All ORP contributions are immediately invested in the employee's account. Normal retirement age for the ORP is 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.

Several employees of OSC elected to continue as members with the Public Employee's Retirement Association of Colorado (PERA).

A. PERA PLAN DESCRIPTION

The PERA Plan's purpose is to provide income to members and their families at retirement or in the case of death or disability. The Plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the Plan is placed with the Board of Trustees of PERA. Changes to the Plan require legislation by the General Assembly. The state plan, as well as the other divisions' plans, are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203.

Plan members vest after five years of service and are eligible for retirement benefits at age 55 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. State troopers are eligible for retirement at age 50 with 25 years of service. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

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, the deceased member's eligible children under the age of 18 (23 if a full-time student) or the deceased member's spouse are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

B. FUNDING POLICY

Most employees contribute 8 percent (11.5 percent for state troopers) of their annual gross covered wages to an individual account in the plan. The state contributes 10.8 percent (12.4 percent for state troopers) of the employees' gross covered wages. The annual gross covered wages subject to PERA are the 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. The contribution requirements of plan members and their employers are established, and may be amended, by the general assembly.

The State College System's contributions to PERA for the fiscal years ending June 30, 1999, 1998 and 1997, were \$5,325,050, \$5,331,601, and \$5,208,516 respectively. These contributions were equal to the required contributions for each year.

Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5% contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan, for the State College System was \$794,617. Employee contributions were 7.5% of covered payroll.

NOTE 11: POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. 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. During 1998, the subsidy was \$115.00 for those with 20 years of service credit and reduced by \$5.75 for each year under 20.

The Health Care Fund is maintained by a contribution of 0.8 percent of covered salary. During Fiscal Year 1998-99, the State College System paid \$401,873 into this Fund.

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 a retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans and with health maintenance organizations to provide services within Colorado. During 1998 there were approximately 37,400 participants, including spouses and dependents from all contributors to the plan.

Life Insurance Program

PERA provides its members access to two group life insurance plans offered by Prudential and Rocky Mountain Life. Members may join one or both plans and they may continue coverage into retirement. Premiums are paid monthly by payroll deduction.

Other Programs

Separate post-retirement health care and life insurance benefit plans exist for the State College System, but are small in comparison to the PERA plan for state employees. The state has no liability for any of these other post-retirement health care and life insurance plans.

NOTE 12: CAMPUS SHARED CONTROLLED COSTS

Legislation enacted in 1974 established the Auraria Higher Education Center (AHEC) and included MSCD as one of the constituent institutions, along with the Community College of Denver, and the University of Colorado at Denver. Each institution operates independently as an educational institution responsible to its own governing board while sharing common operations.

For the purpose of total financial disclosure and instruction, such intercampus costs must be considered. MSCD's portion of campus shared costs for the Auraria Campus is as follows:

	Year Ended <u>June 30, 1999</u>
Administration of AHEC, plant operations	\$6,247,470
Library and media center	<u>3,440,171</u>
Total	<u>\$9,687,641</u>

NOTE 13: CAPITAL CONSTRUCTION

Unexpended capital construction state appropriations as of June 30, 1999 are as follows:

Adams State College	\$1,395,675
Mesa State College	525,896
Western State College	2,502,404
Office of State Colleges	<u>0</u>
Total	<u>\$4,423,975</u>

NOTE 14: SALE OF TRUSTEE PROPERTY

From the sale of real property owned by the Trustees of the State Colleges, \$127,037 was realized. Pursuant to House Bill 87-1234 the proceeds and interest earned on the proceeds were continuously credited to the "State Colleges Undergraduate Enrichment Fund" created by Section 23-50-113, Colorado Revised Statutes. Interest earned from June 1998 through May 1999 (\$7,661) will be transferred to Metropolitan State College of Denver to advance and enrich undergraduate education.

NOTE 15: HOUSE BILL 85-1187 PROVISIONS

HB 85-1187 provides that each governing board may expend all cash reserves generated and retain them from fiscal year to fiscal year. Consistent with the 1994-95 long bill headnote provisions, all unexpended cash funds at year end, pursuant to approval of the Trustees of the State Colleges, have been retained by the colleges and OSC and rolled forward into Fiscal Year 1999-2000.

NOTE 16: RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

NOTE 17: LEGISLATIVE APPROPRIATION

Appropriated Funds

The Colorado Legislature establishes spending authority for the Trustees of the State Colleges 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 year ended June 30, 1999, the Trustees of the State Colleges had a total appropriation of \$128,159,566. Actual appropriated revenues earned totaled \$124,552,791. Actual appropriated expenditures and transfers totaled \$124,111,417. The net increase in appropriated fund balances was \$441,374

Non-appropriated Funds

All other revenues and expenditures reported by the Trustees of the State Colleges 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.

Financial Statement Presentation

The accompanying financial statements contain revenues and expenditures from both appropriated and non-appropriated funds. Appropriated and non-appropriated revenues and expenditures are included in each fund group based on the principles of fund accounting.

**SUPPLEMENTAL INFORMATION
COMBINING FINANCIAL STATEMENTS**

State Colleges in Colorado
Combining Balance Sheet
June 30, 1999

Unrestricted Funds						
ASSETS	Adams	Mesa	MSCD	Western	OSC	WCGC
						Total
Cash	\$ 1,005,919	\$ 158,832	\$ 764,662	\$ 278,152	\$ 100	\$ 2,207,665
Cash With State Treasurer (Note 2)	3,870,759	1,083,243	5,430,299	1,464,536	2,843,181	14,713,541
Investments		547,413	190,634			738,047
Accounts Receivable (Note 3)	395,269	494,269	2,090,204	257,357	5,009	3,242,160
Interest Receivable	3,442					3,442
Inventories	429,655	535,986		397,457		1,363,098
Prepaid Expenses	52,292	118,337	74,677	133,395	61	384,932
Deferred Charges		34,929				34,929
Due from Other Funds		34,500				34,500
Other Assets			267			267
Total Assets	<u>5,757,336</u>	<u>3,007,509</u>	<u>8,550,743</u>	<u>2,530,897</u>	<u>2,854,460</u>	<u>22,722,581</u>
LIABILITIES						
Accounts Payable	384,096	168,089	315,462	443,174	8,884	1,321,195
Accrued Payroll	601,315	143,540	152,580	185,579		1,083,014
Student Deposits	105,969	136,059		117,494		359,522
Deposits Held in Custody for Others			317,894			317,894
Due to Other Agencies			15,716			15,716
Accrued Compensated Absence Liability	629,527	652,744	1,690,204	542,963	109,669	3,631,862
Deferred Revenue	768,950	435,214	3,543,461	508,974		5,256,599
Other Liabilities	80,647					80,647
Total Liabilities	<u>2,570,504</u>	<u>1,535,646</u>	<u>6,035,317</u>	<u>1,798,184</u>	<u>118,553</u>	<u>12,066,449</u>
FUND BALANCE						
Unrestricted	3,816,359	2,124,607	4,205,630	1,275,676	2,845,576	14,287,994
Designated for Compensated Absences	(629,527)	(652,744)	(1,690,204)	(542,963)	(109,669)	(3,631,862)
Total Fund Balance	<u>3,186,832</u>	<u>1,471,863</u>	<u>2,515,426</u>	<u>732,713</u>	<u>2,735,907</u>	<u>10,656,132</u>
Total Liabilities and Fund Balance	<u>\$ 5,757,336</u>	<u>\$ 3,007,509</u>	<u>\$ 8,550,743</u>	<u>\$ 2,530,897</u>	<u>\$ 2,854,460</u>	<u>\$ 22,722,581</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Balance Sheet
June 30, 1999

Restricted Funds

ASSETS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Cash	\$ 3,748		\$ 500				\$ 4,248
Cash With State Treasurer (Note 2)	131,301	986	297,141	166,647	134,698		730,773
Accounts Receivable (Note 3)	65,601	183,474	964,183	86,038			1,299,296
Loan Receivable (Note 3)							-
Prepaid Expenses		231	3,621				3,852
Due from Other Funds			810,496				810,496
Due from State Agencies	10,854						10,854
Due from Federal Government				23,501			23,501
Total Assets	211,504	184,691	2,075,941	276,186	134,698	0	2,883,020

LIABILITIES

Accounts Payable	57,225	4,529	26,465	68,930			157,149
Accrued Payroll		42,008		783			42,791
Student Deposits			327,796	829			328,625
Deposits Held in Custody for Others			25,200				25,200
Due to State Treasurer			1,387,920				1,387,920
Due to Other Agencies		4,404	1,197				5,601
Deferred Revenue		46,091					46,091
Due to Other Funds		22,500					22,500
Other Liabilities	81,261						81,261
Total Liabilities	138,486	119,532	1,768,578	70,542	0	0	2,097,138

FUND BALANCE

Restricted	73,018	65,159	307,363	205,644	134,698		785,882
Total Fund Balance	73,018	65,159	307,363	205,644	134,698	0	785,882
Total Liabilities and Fund Balance	\$ 211,504	\$ 184,691	\$ 2,075,941	\$ 276,186	\$ 134,698	\$ 0	\$ 2,883,020

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado

Combining Balance Sheet

June 30, 1999

Student Loan Funds

ASSETS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Cash	\$ 93,444						\$ 93,444
Cash With State Treasurer (Note 2)	13,904	294,847	317,089	609,279			1,235,119
Accounts Receivable (Note 3)				8,588			8,588
Loan Receivable (Note 3)	1,222,994	968,607	8,741,208	1,929,770			12,862,579
Interest Receivable	922			11,825			12,747
Due from Federal Government	14,901						14,901
Other Assets	4,500						4,500
Total Assets	1,350,665	1,263,454	9,058,297	2,559,462	0	0	14,231,878

LIABILITIES

Accounts Payable	500						500
Due to Mesa State College Foundation		200,000					200,000
Other Liabilities	210						210
Total Liabilities	710	200,000	0	0	0	0	200,710

FUND BALANCE

U.S. Government Grants Refundable	840,347	982,136		2,398,658			4,221,141
Restricted	509,608	81,318	9,058,297	160,804			9,810,027
Total Fund Balance	1,349,955	1,063,454	9,058,297	2,559,462	0	0	14,031,168
Total Liabilities and Fund Balance	\$ 1,350,665	\$ 1,263,454	\$ 9,058,297	\$ 2,559,462	\$ 0	\$ 0	\$ 14,231,878

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado

Combining Balance Sheet

June 30, 1999

Endowment and Similar Funds

ASSETS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Cash	\$ 51,855						\$ 51,855
Total Assets	<u>51,855</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>51,855</u>

LIABILITIES

Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>-</u>
<u>FUND BALANCE</u>							
Restricted	51,855						51,855
Total Fund Balance	<u>51,855</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>51,855</u>
Total Liabilities and Fund Balance	<u>\$ 51,855</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 51,855</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado

Combining Balance Sheet

June 30, 1999

Unexpended Plant Funds

ASSETS

Cash With State Treasurer (Note 2)
Accounts Receivable (Note 3)
Construction in Progress
Total Assets

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
		\$ 318					\$ 318
		23,417					23,417
	6,652,140			565,338			7,217,478
	<u>6,652,140</u>	<u>23,735</u>	<u>0.00</u>	<u>565,338</u>	<u>0.00</u>	<u>0.00</u>	<u>7,241,213</u>

LIABILITIES

Due to Other Funds
Total Liabilities

	12,000						12,000
	<u>0.00</u>	<u>12,000</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>12,000</u>

FUND BALANCE

Restricted

Total Fund Balance

	6,652,140	11,735		565,338			7,229,213
	<u>6,652,140</u>	<u>11,735</u>	<u>0.00</u>	<u>565,338</u>	<u>0.00</u>	<u>0.00</u>	<u>7,229,213</u>

Total Liabilities and Fund Balance

	\$ 6,652,140	\$ 23,735	\$ 0	\$ 565,338	\$ 0	\$ 0	\$ 7,241,213
	<u>\$ 6,652,140</u>	<u>\$ 23,735</u>	<u>\$ 0</u>	<u>\$ 565,338</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,241,213</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Balance Sheet
June 30, 1999

Renewal and Replacement Funds

ASSETS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Cash	\$ 715,710						\$ 715,710
Cash With State Treasurer (Note 2)	45,952	72,211		614,732			732,895
Investments		465,717					465,717
Construction in Progress		137,819					137,819
Total Assets	<u>761,662</u>	<u>675,747</u>	<u>\$0</u>	<u>614,732</u>	<u>\$0</u>	<u>\$0</u>	<u>2,052,141</u>

LIABILITIES

Accounts Payable	15,134	3,189		2,753			21,076
Other Liabilities	1,327						1,327
Total Liabilities	<u>16,461</u>	<u>3,189</u>	<u>\$0</u>	<u>2,753</u>	<u>\$0</u>	<u>\$0</u>	<u>22,403</u>

FUND BALANCE

Unrestricted		297,558		211,979			509,537
Restricted	745,201	375,000		400,000			1,520,201
Total Fund Balance	<u>745,201</u>	<u>672,558</u>	<u>\$0</u>	<u>611,979</u>	<u>\$0</u>	<u>\$0</u>	<u>2,029,738</u>
Total Liabilities and Fund Balance	<u>\$ 761,662</u>	<u>\$ 675,747</u>	<u>\$0</u>	<u>\$ 614,732</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 2,052,141</u>

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado

Combining Balance Sheet

June 30, 1999

Retirement of Indebtedness Funds

ASSETS

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Cash	\$ 109,219	\$ 156,735					\$ 265,954
Cash With State Treasurer (Note 2)	317	110,005		133,109			243,431
Investments				300,351			300,351
Interest Receivable				1,067			1,067
Total Assets	109,536	266,740	\$0	434,527	\$0	\$0	810,803

LIABILITIES

Accounts Payable				28,155			28,155
Accrued Interest	77,036	94,984		85,732			257,752
Total Liabilities	77,036	94,984	\$0	113,887	\$0	\$0	285,907

FUND BALANCE

Restricted	32,500	171,756		320,640			524,896
Total Fund Balance	32,500	171,756	\$0	320,640	\$0	\$0	524,896
Total Liabilities and Fund Balance	\$ 109,536	\$ 266,740	\$0	\$ 434,527	\$0	\$0	\$ 810,803

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 1999

Unrestricted Funds

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Revenues and Other Additions							
Tuition & Fees	\$ 6,659,580	\$11,164,680	\$31,365,423	\$ 8,795,536			\$ 57,985,219
State of Colorado Appropriation	9,497,188	14,132,870	39,038,567	5,990,405	1,711,426	115,617	70,486,073
Sales & Services of Auxiliary Enterprises	5,677,874	7,258,657	3,044,302	7,257,444			23,238,277
Federal Grants & Contracts		849	108,039				108,888
Private Gifts, Grants & Contracts	160,474	307,823	18,861	124,800			611,958
Investment & Interest Income		175,628			2,788,148		2,963,776
Indirect Costs Recovered	89,481	48,863	391,306	38,460			568,110
Other Sources	178,684	279,503	2,530,289	501,364		9,873	3,499,713
Total Revenues and Other Additions	22,263,281	33,368,873	76,496,787	22,708,009	4,499,574	125,490	159,462,014
Expenditures and Other Deductions							
Instruction	7,392,148	13,537,239	35,644,571	6,950,481			63,524,439
Academic Support	1,661,528	2,437,266	8,032,281	1,386,806			13,517,881
Student Services	1,878,676	2,300,514	6,725,190	3,148,244			14,052,624
Institutional Support	1,989,098	2,131,011	9,251,554	2,111,795	1,219,768	111,828	16,815,054
Operation of Plant	1,852,615	2,654,798	7,186,112	1,326,900	67,449		13,087,874
Scholarships & Fellowships	320,949	770,173	607,600	539,255			2,237,977
Auxiliary Enterprises Expenditures	6,072,968	7,581,202	10,913,664	5,792,372			30,360,206
Other Deductions				11,848	290,434		302,282
Total Expenditures and Other Deductions	21,167,982	31,412,203	78,360,972	21,267,701	1,577,651	111,828	153,898,337
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:	(1,186,358)	(1,429,028)	-	(1,688,449)			(4,303,835)
Non-mandatory Transfers	143,929	488,774	923,026	150,263	(3,683,733)		(1,977,741)
Total Transfers	(1,042,429)	(940,254)	923,026	(1,538,186)	(3,683,733)	-	(6,281,576)
Net Increase (Decrease) in Fund Balance	52,870	1,016,416	(941,159)	(97,878)	(761,810)	13,662	(717,899)
Fund Balance- Beginning of Year	3,133,962	455,447	3,456,585	830,591	3,497,717	(271)	11,374,031
Fund Balance- End of Year	\$ 3,186,832	\$ 1,471,863	\$ 2,515,426	\$ 732,713	\$ 2,735,907	\$ 13,391	\$ 10,656,132

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 1999

Restricted Funds

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Revenues and Other Additions							
Federal Grants & Contracts	\$ 3,326,594	\$ 4,057,400	\$ 11,063,137	\$ 1,504,189			\$ 19,951,320
State Grants & Contracts	1,696,594	2,144,125	9,438,226	1,014,191			14,293,136
Private Gifts, Grants & Contracts	787,926	251,043	829,569	292,660			2,161,198
Investment & Interest Income					7,661		7,661
Other Sources				50			50
Total Revenues and Other Additions	5,811,114	6,452,568	21,330,932	2,811,090	7,661	0	36,413,365
Expenditures and Other Deductions							
Instruction	807,137	660,839	4,961,799	276,657			6,706,432
Research	833	4,668		4,791			10,292
Public Service		86,212	437,687	395,837			919,736
Academic Support	83,989	65,408	561,647	55,708			766,752
Student Services	684,973	163,727	1,465,987	128,736			2,443,423
Institutional Support	262,981	33,310	439,508	54,809			790,608
Operation of Plant	90,987			48,022			139,009
Scholarships & Fellowships	3,786,094	5,127,741	13,152,924	2,125,277			24,192,036
Auxiliary Enterprises Expenditures		260,165		37,925			298,090
Indirect Costs Recovered	79,263	45,295	391,306	9,990			525,854
Other Deductions				13,574			13,574
Total Expenditures and Other Deductions	5,796,257	6,447,365	21,410,858	3,151,326	0	0	36,805,806
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:	(1,335)	(8,953)	(85,880)	(29,844)			(126,012)
Non-mandatory Transfers	3,400	29,950	162,862	7,266			203,478
Total Transfers	2,065	20,997	76,982	(22,578)	0	0	77,466
Net Increase (Decrease) in Fund Balance	16,922	26,200	(2,944)	(362,814)	7,661	0	(314,975)
Fund Balance- Beginning of Year	56,096	38,959	310,309	568,458	129,180	0	1,103,002
Fund Balance- End of Year	\$ 73,018	\$ 65,159	\$ 307,365	\$ 205,644	\$ 136,841	\$ 0	\$ 788,027

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 1999

Student Loan Funds

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Revenues and Other Additions							
Federal Grants & Contracts							\$ 4,004
U. S. Government Advances		26,859	320,739	89,533			437,131
Investment & Interest Income	53,862	30,199	300,310	46,859			431,230
Other Sources	6,828		43,563	11,206			61,597
Total Revenues and Other Additions	64,694	57,058	664,612	147,598	0	0	933,962
Expenditures and Other Deductions							
Refunded to Grantors			140,990				140,990
Indirect Costs Recovered	10,218	3,568		28,470			42,256
Loan Cancellations & Write-offs	101,437	(31,864)	191,054	60,848			321,475
Administrative & Collection Costs	1,827		115,642				117,469
Other Deductions							
Total Expenditures and Other Deductions	113,482	(28,296)	447,686	89,318	0	0	622,190
Transfers Among Funds - Additions (Deductions)							
Mandatory Transfers:	1,335	8,953	85,880	29,844			126,012
Non-mandatory Transfers		10,603		22,548			33,151
Total Transfers	1,335	19,556	85,880	52,392	0	0	159,163
Net Increase (Decrease) in Fund Balance	(47,453)	104,910	302,806	110,672		0	470,935
Fund Balance- Beginning of Year	1,397,408	958,544	8,755,489	2,448,790			13,560,231
Fund Balance- End of Year	\$ 1,349,955	\$ 1,063,454	\$ 9,058,295	\$ 2,559,462	0	0	\$ 14,031,166

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 1999

Endowment and Similar Funds

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Revenues and Other Additions							
Investment & Interest Income	\$ 3,106						\$ 3,106
Total Revenues and Other Additions	3,106	0	0	0	0	0	3,106
Expenditures and Other Deductions							
Total Expenditures and Other Deductions	0	0	0	0	0	0	0
Transfers Among Funds - Additions (Deductions)							
Non-mandatory Transfers	(3,400)						(3,400)
Total Transfers	(3,400)	0	0	0	0	0	(3,400)
Net Increase (Decrease) in Fund Balance	(294)	0	0	0	0	0	(294)
Fund Balance- Beginning of Year	52,149						52,149
Fund Balance- End of Year	\$ 51,855	0	0	0	0	0	\$ 51,855

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 1999

Unexpended Plant Funds

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Revenues and Other Additions							
State Grants & Contracts	\$ 4,992,116	\$ 66,205		\$ 2,603,176			\$ 7,661,497
Private Gifts, Grants & Contracts		22,000					22,000
Investment & Interest Income		(4,636)		2,126			(2,510)
Other Sources				15,361			15,361
Total Revenues and Other Additions	4,992,116	83,569	0	2,620,663	0	0	7,696,348
Expenditures and Other Deductions							
Expended for Plant Facilities	10,287,637			4,572,890			14,860,527
Capitalization of Asset/Debt		336,470					336,470
Other Deductions							-
Total Expenditures and Other Deductions	10,287,637	336,470	0	4,572,890	0	0	15,196,997
Transfers Among Funds - Additions (Deductions)							
Non-mandatory Transfers				(83,661)			(83,661)
Total Transfers	0	0	0	(83,661)	0	0	(83,661)
Net Increase (Decrease) in Fund Balance	(5,295,521)	(252,901)	0	(2,035,888)	0	0	(7,584,310)
Fund Balance- Beginning of Year	11,947,661	264,636		2,601,226			14,813,523
Fund Balance- End of Year	\$ 6,652,140	\$ 11,735	0	\$ 565,338	0	0	\$ 7,229,213

The accompanying notes to the financial statements are an integral part of this statement.

State Colleges in Colorado
Combining Statement of Changes in Fund Balances
Year Ended June 30, 1999

Renewals and Replacements Funds

	Adams	Mesa	MSCD	Western	OSC	WCGC	Total
Revenues and Other Additions		\$ 622,199					\$ 622,199
State Grants & Contracts	29,545	11,978					41,523
Investment & Interest Income	29,545	634,177	0	0	0	0	663,722
Total Revenues and Other Additions							
Expenditures and Other Deductions	435,391	1,289,071		261,461			1,985,923
Expended for Plant Facilities							0
Other Deductions	435,391	1,289,071	0	261,461	0	0	1,985,923
Total Expenditures and Other Deductions							
Transfers Among Funds - Additions (Deductions)							
Non-mandatory Transfers	377,707	105,408		240,801			723,916
Total Transfers	377,707	105,408	0	240,801	0	0	723,916
Net Increase (Decrease) in Fund Balance	(28,139)	(549,486)	0	(20,660)	0	0	(598,285)
Fund Balance- Beginning of Year	773,340	1,222,044		632,639			2,628,023
Fund Balance- End of Year	\$ 745,201	\$ 672,558	0	\$ 611,979	0	0	\$ 2,029,738

The accompanying notes to the financial statements are an integral part of this statement.



STATE OF COLORADO

STATE AUDITOR'S OFFICE
(303) 866-2051
FAX (303) 866-2060

J. DAVID BARBA, C.P.A.
State Auditor

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

November 15, 1999

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited the financial statements of the State Colleges in Colorado, a component unit of the State of Colorado, as of and for the year ended June 30, 1999, and have issued our report thereon dated November 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State Colleges in Colorado'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*. However, we noted certain immaterial instances of noncompliance that are discussed in the Auditor's Findings and Recommendations section of this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Colleges in Colorado's internal control over financial reporting. This was done to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal controls over financial reporting that we have reported in the Findings and Recommendations section of this report.

J. David Barba

REQUIRED SUPPLEMENTARY INFORMATION SECTION



STATE OF COLORADO

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State Auditor

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November 15, 1999

Independent Auditors' Report On Required Supplementary Information

Members of the Legislative Audit Committee:

Our audit was made for the purpose of forming an opinion on the consolidated financial statements for the State Colleges in Colorado, a component unit of the State of Colorado, as of and for the year ended June 30, 1999, which are presented in the preceding section of this report. The year 2000 supplementary information presented hereinafter is not a required part of the consolidated financial statements but is supplementary information required by the Governmental Accounting Standards Board.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the State Colleges in Colorado are or will become year 2000 compliant, that the State Colleges in Colorado's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State Colleges in Colorado do business are or will become year 2000 compliant.

UNAUDITED

STATE OF COLORADO STATE COLLEGES IN COLORADO REQUIRED SUPPLEMENTARY INFORMATION Y2K COMPLIANCE YEAR ENDED JUNE 30, 1999

The year 2000 issue is the result of shortcomings in many electronic date processing systems and other electronic equipment that may adversely affect the state college system's operations as early as calendar year 1999.

The System follows a 5-step plan, which includes a thorough assessment and inventory of all software, hardware and embedded technology components throughout the campuses. Currently, all four critical systems have been assessed, inventoried, either remediated or are scheduled to be remediated, and either have undergone validation testing or are scheduled to undergo validation testing prior to January 1, 2000. Secondary systems not critical to the system's ability to provide service currently range from the inventory phase to being fully compliant.

The System has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conduct system operations. The following stages have been identified as necessary to implement a year 2000 compliant system:

1. Awareness state – Encompasses establishing a budget and project plan.
2. Assessment state – Identifying the systems and components for which year 2000 compliance work is needed.
3. Remediation state – Making changes to systems and equipment.
4. Validation/testing state – Validating and testing the changes that were made during the remediation state.
5. Systems complete state – Verifying that year 2000 compliance work is completed and system is compliant.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts cannot be fully determined until the year 2000 and thereafter. Management cannot assume that the system is or will be year 2000 ready, or that the system's remediation efforts will be successful in whole or in part.

The System and the colleges depend on numerous third parties, such as the Federal government, the State, banking institutions and vendors in order to meet its financial and service obligations. Disruptions in the services provided by third parties could adversely impact the system's ability to meet its obligations on a timely basis.

While the Y2K issue is not expected to cause significant disruption of operations, contingency plans are being developed for possible disruption.

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

STATE OF COLORADO
MESA STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS
EXPENDITURES AND REVERSIONS
YEAR ENDED JUNE 30, 1999

	TOTAL STATE-FUNDED STUDENT ASSISTANCE	PART-TIME STUDENT GRANTS	STUDENT INCENTIVE GRANTS	STUDENT GRANT PROGRAM	WORK STUDY PROGRAM	COLORADO NURSING PROGRAM	DIVERSITY GRANT PROGRAM	UNDER-GRAD MERIT PROGRAM	PERKINS LOAN MATCH
APPROPRIATIONS:									
ORIGINAL	\$2,076,464	\$36,444	\$48,020	\$1,097,011	\$543,604	\$1,500		\$340,932	\$8,953
SUPPLEMENTAL	1,991				-4,404			6,395	
TRANSFERS	-4,200			-326,187	-54,360		235,873	140,474	
TOTAL	2,074,255	36,444	48,020	770,824	484,840	1,500	235,873	487,801	8,953
EXPENDITURES	2,074,255	36,444	48,020	770,824	484,840	1,500	235,873	487,801	8,953
REVERSIONS TO STATE									
GENERAL FUND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

STATE OF COLORADO
METROPOLITAN STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS
EXPENDITURES AND REVERSIONS
YEAR ENDED JUNE 30, 1999

	TOTAL STATE-FUNDED STUDENT ASSISTANCE	PART-TIME STUDENT GRANTS	STUDENT INCENTIVE GRANTS	STUDENT GRANT PROGRAM	WORK STUDY PROGRAM	GRADUATE GRANT PROGRAM	DIVERSITY GRANT PROGRAM	UNDER-GRAD MERIT PROGRAM	PERKINS LOAN MATCH
APPROPRIATIONS:									
ORIGINAL	\$6,106,885	\$212,550	\$109,156	\$3,105,678	\$1,539,601			\$1,139,900	
SUPPLEMENTAL	232,696				146,816				85,880
TRANSFERS	0			-734,654	-48,180		782,834		
TOTAL	6,339,581	212,550	109,156	2,371,024	1,638,237	0	782,834	1,139,900	85,880
EXPENDITURES	6,339,219	212,550	109,156	2,370,942	1,638,237	0	782,554	1,139,900	85,880
REVERSIONS TO STATE									
GENERAL FUND	\$362	\$0	\$0	\$82	\$0	\$0	\$280	\$0	\$0

STATE OF COLORADO
WESTERN STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS
EXPENDITURES AND REVERSIONS
YEAR ENDED JUNE 30, 1999

TOTAL STATE-FUNDED STUDENT ASSISTANCE	PART-TIME STUDENT GRANTS	STUDENT INCENTIVE GRANTS	STUDENT GRANT PROGRAM	WORK STUDY PROGRAM	GRADUATE GRANT PROGRAM	DIVERSITY GRANT PROGRAM	UNDER-GRAD MERIT PROGRAM	PERKINS LOAN MATCH
APPROPRIATIONS:								
ORIGINAL	\$879,553	\$4,250	\$32,748	\$387,184	\$197,146		\$228,381	\$29,844
SUPPLEMENTAL								
TRANSFERS								
TOTAL	879,553	4,250	32,748	387,184	197,146	0	228,381	29,844
EXPENDITURES	879,553	4,250	32,748	387,184	197,146	0	228,381	29,844
REVERSIONS TO STATE								
GENERAL FUND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**STATE COLLEGES IN COLORADO
STATE FUNDED STUDENT ASSISTANCE PROGRAMS
JUNE 30, 1999**

Summary of significant accounting policies and notes to the Statements of Appropriations, Expenditures, Transfers, and Reversions.

Basis of Accounting

The Colleges' accounting systems are structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in their revised publication College and University Business Administration, as supplemented by the American Institute of Certified Public Accountants industry guide Audits of Colleges and Universities.

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

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

Note A

Student Incentive Grants consist of 75% percent state funds and 25% percent federal funds. The amount shown is the combined total.

Note B

The Undergraduate Merit Award Program included expenditures for both the Colorado Scholars and Colorado Athletic Grant Programs.

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