



**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

June 30, 2004 and 2003

(With Independent Auditors' Report Thereon)



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# COLORADO COMMUNITY COLLEGE SYSTEM

## Financial and Compliance Audit

### Report Summary

Year ended June 30, 2004

#### **Purpose and Scope**

The Office of the State Auditor engaged KPMG LLP (KPMG) to conduct a financial and compliance audit of the Colorado Community College System (CCCS) for the year ended June 30, 2004. KPMG performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from April to November 30, 2004.

The purpose and scope of our audit was to:

- Express opinions on the basic financial statements of CCCS as of and for the year ended June 30, 2004. This includes a consideration of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Express an opinion on CCCS' compliance and report on internal control over financial reporting based on our audit of the basic financial statements performed in accordance with *Government Auditing Standards*.
- Express an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs of CCCS for the year ended June 30, 2004.
- Evaluate progress in implementing prior audit findings and recommendations.

CCCS' schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2004 Statewide Single Audit Report issued under separate cover.

#### **Audit Opinions and Reports**

We expressed unqualified opinions on CCCS' basic financial statements and its Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs as of and for the year ended June 30, 2004. In Fiscal Year 2004, CCCS implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment to GASB Statement No. 14, *The Financial Reporting Entity*. As a result, college foundations have been included as discretely presented component units in CCCS' basic financial statements.

Nine audit adjustments were proposed and made to the basic financial statements totaling \$1,700,000. Seven audit adjustments were not made to the basic financial statements totaling \$71,000, which is less than 1% of net assets. These passed differences are not considered material to CCCS' basic financial statements.

We issued a report on CCCS' compliance and internal control over financial reporting based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*. We noted two matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect CCCS' ability to record, process, summarize, and report financial data consistent with the assertions of

# **COLORADO COMMUNITY COLLEGE SYSTEM**

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### **Report Summary**

**Year ended June 30, 2004**

management in the basic financial statements. Material weaknesses are reportable conditions 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. The reportable conditions summarized below and described in the Findings and Recommendations section as recommendations No. 1 and 2 are not considered to be material weaknesses.

### **Summary of Key Findings**

#### ***Reportable Condition Over Community College of Aurora's Accounting and Financial Reporting***

During our audit, we noted areas for improvement at Community College of Aurora (CCA or the College) related to accounting and financial reporting. These potential internal control improvements include changes to business processes, and policies and procedures, as well as segregation of duties and appropriate supervision of certain business processes and employees.

#### ***Reportable Condition Over System Access Controls***

We tested system access controls to the Financial Reporting System (FRS) and the Student Information System (SIS), which includes the Billing Receivable System (BRS). At CCA, Community College of Denver (CCD), Colorado Northwestern Community College (CNCC), Front Range Community College (FRCC), Red Rocks Community College (RRCC), and the System office we noted 287 instances in which system access was not established based on job responsibilities and business policy, where access was granted to functions that were incompatible or where terminated employees had access to accounting systems.

#### ***Student Financial Aid***

We performed procedures required by the Office of Management and Budget (OMB) Circular A-133 and the Compliance Supplement for *Student Financial Aid* (SFA). We also performed procedures as required by *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2004 revision. We noted that CCCS needs to improve controls over its SFA processes and ensure compliance with certain regulations. Specifically, we noted findings with regards to return of Title IV and cash management. Our findings noted approximately \$10,500 of questioned costs related to CCCS' student financial aid programs.

#### ***Front Range Community College Student Financial Aid***

FRCC is the largest college in the community college system and has campuses located in Westminster, Boulder, and Larimer and a center located in Brighton. In February 2004, FRCC appointed a new College-wide Student Financial Aid director. During the transition, information came to the attention of FRCC that caused concerns related to the College-wide Student Financial Aid Department's structure and supervision, and the Westminster Campus Student Financial Aid Office's business processes, supervision, communication, training, and policies and procedures. During our audit, several items also came to our attention that indicated a lack of adequate internal controls over student financial aid.



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***Recommendations and CCCS Responses***

Our recommendations and responses from CCCS can be found in the Recommendation Locator section of this report.

**Summary of Progress in Implementing Prior Year Audit Recommendations**

The audit report for the year ended June 30, 2003 included 19 recommendations. The audit report for the year ended June 30, 2002 included two recommendations that were reported as not implemented in the 2003 audit report. The disposition of these audit recommendations as of November 30, 2004 was as follows.

Implemented	15
Partially implemented	1
Not implemented	5
	<hr/>
Total	21
	<hr/> <hr/>

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Recommendation Locator

Year ended June 30, 2004

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
1	14	CCCS should ensure that Community College of Aurora (CCA) develops and implements a plan to address the accounting and internal control weaknesses noted in this audit. This plan should address CCA business processes as well as supervision, training, and skill levels of employees responsible for accounting and financial reporting. CCA should submit this plan to the System President for approval. The System President should monitor implementation of the plan and require at least quarterly updates from CCA.	Colorado Community College System	Agree	June 2005
2	15	CCCS should improve controls over access to computer information systems.	Colorado Community College System	Agree	June 2005
3	17	CCCS should ensure that Pueblo Community College (PCC) implements controls over grant accounting to ensure account balances are fairly stated in accordance with applicable accounting standards. PCC should also ensure the cash flow statement is properly reviewed for accuracy.	Colorado Community College System	Agree	June 2005
4	17	CCCS should work with CNCC to ensure FTE information is accurately tracked and maintained.	Colorado Community College System	Agree	June 2005

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Recommendation Locator

Year ended June 30, 2004

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
5	19	CCCS should ensure that Community College of Denver (CCD) implements procedures to improve controls over its accounting and financial reporting. CCD should ensure management review is performed over journal entries and calculations such as the allowance for doubtful accounts, the scholarship allowance, and revenue and deferred revenue. CCD should also ensure that someone who does not have check writing privileges on the account prepares the imprest account bank reconciliation.	Colorado Community College System	Agree	June 2005
6	20	CCCS should ensure that Red Rocks Community College (RRCC) implements procedures to ensure manual journal entries are reviewed and approved by a person other than the preparer prior to posting to the general ledger. RRCC should also evaluate all cash controls and make changes as considered necessary to safeguard assets.	Colorado Community College System	Agree	June 2005
7	20	CCCS should develop and implement a policy for the colleges to account and report on the student loan programs and gifts from foundations.	Colorado Community College System	Agree	June 2005
8	21	CCCS should ensure that its anonymous concerns hotline, for callers to report suspected waste, fraud, or abuse, is properly communicated on a regular basis and is available to employees.	Colorado Community College System	Agree	November 2004

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Recommendation Locator

Year ended June 30, 2004

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
9	22	To improve information technology general controls, CCCS should perform the following:  a. Document the software development and change process.  b. Document all emergency fixes.  c. Ensure remote access requests are submitted on an approved form and that all are tracked.  d. Consider a single anti-virus server and distribute updates to all other servers, including the colleges.  e. Document the mainframe user administration procedure so that users are aware of the process for granting, modifying, and removing access and password parameters.  f. Consider installing cameras in the computer room to monitor activity.	Colorado Community College System	Agree	June 2005
10	24	CCCS should ensure that Arapahoe Community College establishes procedures to ensure that declined awards are returned to the federal government in a timely manner.	Colorado Community College System	Agree	February 2005

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Recommendation Locator

Year ended June 30, 2004

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
11	25	CCCS should ensure that Front Range Community College (FRCC) and Trinidad State Junior College (TSJC) establish procedures to ensure that Return of Title IV calculations are processed correctly with accurate charges and period-end dates.	Colorado Community College System	Agree	June 2005
12	26	CCCS should ensure that TSJC establishes procedures to ensure that the withdrawal date of students who withdraw without providing notification is determined within thirty days after the end of the term and the resulting return is made no later than 30 days after the date of this determination.	Colorado Community College System	Agree	June 2005
13	27	CCCS should ensure that Community College of Denver establishes procedures to ensure that the institution's portion of a student's unearned Title IV funds is returned within 30 days after the College has determined a student has withdrawn.	Colorado Community College System	Agree	June 2005
14	28	CCCS should ensure that Pikes Peak Community College (PPCC) establishes procedures to ensure that term breaks are calculated properly on the Return of Title IV funds calculations.	Colorado Community College System	Agree	June 2005
15	29	CCCS should ensure that FRCC establishes procedures to ensure that return calculations are made and that students are requested to repay grant overpayments.	Colorado Community College System	Agree	June 2005

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Recommendation Locator

Year ended June 30, 2004

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
16	30	CCCS should ensure that FRCC establish procedures to properly verify student financial aid application information.	Colorado Community College System	Agree	June 2005
17	30	CCCS should ensure that PPCC implements procedures so that the appropriate supervisor reviews cash drawdowns and entries. Documentation of the review should be affixed to the reconciliation. The supervisory review should include clerical testing of the reconciliations, as well as follow-up procedures to help ensure all errors are investigated and resolved.	Colorado Community College System	Agree	June 2005
18	31	CCCS should ensure TSJC establishes procedures that require Government Opportunity Scholarship (GOS) recipients to agree to not take out a loan while receiving GOS awards and document such agreement.	Colorado Community College System	Agree	February 2005
19	33	CCCS should ensure that FRCC develops and implements a plan to improve internal control and compliance over student financial aid. This plan should include a review the organization structure, business process, policies, and procedures in place in the Financial Aid department to ensure compliance with applicable laws and regulations. Students who received aid inappropriately should be required to repay these funds.	Colorado Community College System	Agree	June 2005

## **COLORADO COMMUNITY COLLEGE SYSTEM**

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#### Description of the Colorado Community College System

Year ended June 30, 2004

#### **Organization**

The State Board for Community Colleges and Occupational Education (SBCCOE or the Board) was established by the Community College and Occupational Education Act of 1967, Title 23, Article 60 of the Colorado Revised Statutes. The Board functions as a separate entity and, as such, may hold money, land, or other property for any educational institution under its jurisdiction. The statute assigns responsibility and authority to the Board for three major functions:

- The Board is the governing board of the state system of community and technical colleges.
- The Board administers the occupational education programs of the state at both secondary and postsecondary levels.
- The Board administers the state's program of appropriations to local district colleges and area vocational schools.

The Board consists of nine members appointed by the Governor to four-year staggered terms of service. The statute requires that Board members be selected so as to represent certain economic, political, and geographical constituencies.

State funds are provided to the Board for the fulfillment of these responsibilities under two methodologies. A lump-sum appropriation is made in the Long Bill pursuant to Colorado Revised Statutes 23-1-104. The lump-sum appropriation is made to the Board to provide funds for the operation of the thirteen colleges, and for the Board administrative oversight. Line item appropriations are made to the Board for other activities including occupational education and local district junior college grants. The accompanying basic financial statements of the Colorado Community College System (CCCS) report the operations of thirteen state community colleges, the System Office (including the Lowry campus), and distributions of state appropriations to area vocational schools and local district colleges. Funding for local district colleges and area vocational schools is passed through CCCS.

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Description of the Colorado Community College System

Year ended June 30, 2004

The thirteen colleges in the community college system are as follows:

<u>College</u>	<u>Main Campus Location</u>
Arapahoe Community College	Littleton
Community College of Aurora	Aurora
Community College of Denver	Denver
Colorado Northwestern Community College	Rangely
Front Range Community College	Westminster
Lamar Community College	Lamar
Morgan Community College	Fort Morgan
Northeastern Junior College	Sterling
Otero Junior College	La Junta
Pikes Peak Community College	Colorado Springs
Pueblo Community College	Pueblo
Red Rocks Community College	Lakewood
Trinidad State Junior College	Trinidad

Enrollment, tuition, and faculty and staff information is presented below. Enrollment information was obtained from the Format 10 and 40 of the Budget Data Book for Fiscal Year 2003-2004, prepared for the Colorado Commission on Higher Education (CCHE). Staff information was obtained from CCHE's final student FTE report.

CCCS reports full-time equivalent (FTE) student, faculty, and staff for three continuous fiscal years as follows:

***FTE Student Enrollment***

	<u>Resident</u>	<u>Nonresident</u>	<u>Total</u>
Fiscal year:			
2003 – 2004	44,573	2,002	46,575
2002 – 2003	41,914	1,965	43,879
2001 – 2002	37,805	1,850	39,655

***FTE Faculty and Staff***

	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
Fiscal year:			
2003 – 2004	3,123	1,535	4,658
2002 – 2003	2,929	1,557	4,486
2001 – 2002	2,775	1,578	4,353



## **COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2004

We have audited the basic financial statements of the Colorado Community College System (CCCS) for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. In planning and performing our audit of the basic financial statements, we considered CCCS' internal control solely to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control. In addition, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we also have issued our report dated October 22, 2004 on our consideration of CCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. We have not considered internal control since October 22, 2004.

We noted two matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect CCCS' ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. Material weaknesses are reportable conditions 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. The reportable conditions described in this Findings and Recommendations section, as recommendations No. 1 and 2 are not considered to be material weaknesses.

Our procedures were designed primarily to enable us to form opinions on the basic financial statements and on management's assertion regarding compliance. In addition, we considered the effectiveness of internal control over financial reporting. Our procedures may not bring to light all weaknesses in policies or procedures that may exist. We have attempted, however, to use our knowledge of CCCS gained during our work to make comments and suggestions that we hope will be useful to CCCS.

During our engagement, we noted certain other matters involving internal control and other operational matters that are presented for CCCS' consideration. These comments and recommendations, all of which have been discussed with the appropriate members of CCCS' management, are intended to improve internal control or result in other operating efficiencies.

### **Observation No. 1: Reportable Condition Over Community College of Aurora's Accounting and Financial Reporting**

During our audit, we noted areas for improvement at Community College of Aurora (CCA) related to accounting and financial reporting. These potential internal control improvements include changes to business processes, and policies and procedures, as well as segregation of duties and appropriate supervision of certain business processes and employees. CCA's financial statements could be misstated and activity may not be recorded timely during the year if these issues are not corrected. Further, errors and irregularities, including fraud, could occur and go undetected. These areas for improvement are discussed below.

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Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2004

### ***Cash Receipts***

In February 2004, CCA requested that the Colorado Community College System (CCCS) Internal Audit Department (the Department) investigate discrepancies related to the cash collection process. As a result of the procedures performed by the Department, it was determined there were inadequate controls over cash receipts and that approximately \$75,000 had possibly been misappropriated, including \$21,300 in Fiscal Year 2004. CCA had notified local law enforcement of the discrepancy in cash.

In conjunction with the Department's investigation, we noted the following internal control weaknesses:

- There was improper segregation of duties within the cashier's office. Specifically, the head cashier had access to his co-workers' operator/identification numbers, passwords, and daily cash deposit paperwork and was also responsible for preparing the monthly bank account reconciliation. However, no accurate or complete reconciliation had been completed for the current fiscal year.
- The head cashier had unrestricted access to the cash cage whenever the College was open for business, which included evenings and weekends when the accounting office was otherwise vacant.
- Each cashier maintained a bank deposit book, but the entries to these deposit books were not reconciled to the amounts that were received by the bank.
- The Vice President for Administration/Controller who was the supervisor of the head cashier in question did not properly monitor this head cashier's daily activities.

We noted through discussion with the Vice President of Administration/Controller, that additional preventative and detective controls have been implemented as a result of this incident. A contractor has been hired to create bank reconciliations for each month of the current fiscal year. Going forward, a monthly reconciliation will be performed by the head cashier who does not have access to cash. Additionally, an employee in the accounting department will reconcile each daily cash report to that day's deposit per the on-line bank statement. Each cashier now uses a separate armored car bag for deposits rather than combining them in one bag. As each pre-numbered bag is used, its number and total dollar amount is entered onto a log sheet. The bag is then sealed nightly before being locked up in the safe. The bag number is verified and the log sheet signed by the armored car carrier when the cash is picked up the next day. We also noted security cameras and motion sensors have been installed in the cash cage in order to monitor activity.

### ***Account Reconciliations***

CCA does not reconcile several accounts and subsidiary systems and does not perform a review of several other reconciliations, both of which are a weakness in control activities. If these reconciliations are not performed on a routine basis, errors and irregularities may go undetected. Specifically, we noted the following:

- The Billing Receivable System (BRS), which is the system used to bill and collect student tuition and fees, was not reconciled to Financial Reporting System (FRS) or the general ledger during the course of the year for all relevant accounts.
- The suspense account is reconciled on a monthly basis by the accounts payable clerk. However, the journal entries made to reconcile the account are not reviewed. Suspense accounts are used when further research is required to accurately post to a revenue or expense account or to post reconciling items until resolved.

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Year ended June 30, 2004

- The cash account is not reconciled to the bank statement as noted earlier.
- The imprest cash account is reconciled on a monthly basis by an administrative assistant, but the reconciliation is not reviewed or approved. Journal entries made as a result of the reconciliation are reviewed. CCA should evaluate the need for its imprest account. Imprest accounts were popular when the State's accounting system took a long time to process checks; however, the current system handles checks in a timely manner.

### ***Lack of Review and Approval of Journal Entries***

Journal entries are used by CCA to record certain financial statement transactions not generated by other systems, correct errors, clear suspense accounts, and record other reconciling items. During our test work, we determined that the Vice President of Administration/Controller prepares approximately 80 of 600 journal entries each year, which are not reviewed or approved by another individual. This individual also keys these entries into FRS. This represents a weakness in CCA's control activities, which could result in improper entries or errors not being identified.

### ***Capital Assets***

During our interim test work over capital assets, we noted one disbursement of \$6,355 for a capital asset was made in fiscal year 2004. However, this item was acquired in 2003 and should have been capitalized in fiscal year 2003. Also, the Vice President/Controller did not approve the purchase requisition for this capital asset in accordance with CCA policy. This review is designed to ensure capital asset purchases are properly coded to the correct object code so that at year-end assets can be recorded in capital asset inventories and on the balance sheet. The cost center administrator approved the purchase. This issue represents weaknesses in CCA's control activities.

### ***Inadequate Information Technology System Access Controls***

We evaluated system access by staff to the FRS, the Student Information System (SIS), which includes BRS, and Central Payroll and Personnel System (CPPS). We noted certain individuals had access to these systems that was inconsistent with their job responsibilities. Also, certain individuals have access to incompatible systems. For example, at least two individuals have the ability to create a vendor record and generate an accounts payable check in FRS. However, we did note other controls that may detect errors or fraud.

In addition, CCA does not have a process in place to remove access to systems for terminated employees. Specifically, we noted that an employee who was terminated in March 2004 had not had his access removed as of April 30, 2004. These issues represent weaknesses in CCA's control activities.

### ***Procurement Card Controls***

The Department of Personnel and Administration has issued *Suggested Minimum Guidelines*, which outline the basic procurement card controls that agencies and institutions should have in place to ensure that policies and procedures are followed and that the risk of misuse is adequately addressed. Specifically, approving officials must review and sign off (approve) each account statement including reviewing each statement to ensure: 1) supporting documentation is attached for each transaction including disputed transaction or lost or unavailable

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Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2004

transaction information forms; 2) transactions are in accordance with guidelines and there are no violations such as personal purchases, split or cash transactions, and/or patterns of lost documentation; and 3) violations are reported to the liaison or program administrator in accordance with department/agency guidelines.

Employees of the Physical Plant Department reconcile procurement card receipts to the respective individual statements each month. An administrative employee in the department reviews these reconciliations. The guidelines require that a supervisor such as the cost center administrator perform the review. In addition, a signature or initials do not evidence the administrative review; therefore, we could not determine if such reviews had in fact occurred.

### ***Recommendation No. 1***

CCCS should ensure CCA develops and implements a plan to address the accounting and internal control weaknesses noted in this audit. This plan should address the College's business processes as well as supervision, training, and skill levels of employees responsible for accounting and financial reporting. CCA should submit this plan to the System President for approval. The System President should monitor implementation of the plan, and require at least quarterly updates from CCA. Specifically, we recommend that the following actions be taken:

- a. Develop a complete accounting policies and procedures manual to document CCA policies and procedures related to key business processes and accounting functions.
- b. Review staff skill sets and workloads and make adjustments as needed to ensure adequate resources are in place to perform accounting and financial reporting and that proper supervision is provided over the Vice President of Administration/Controller's Office employees.
- c. Evaluate the current business processes to ensure transactions are posted and accounts reconciled in an accurate and timely manner. Account reconciliations should be reviewed and approved by someone other than the preparer.
- d. Ensure changes made to the cash receipts process are implemented and that proper segregation of duties is maintained.
- e. Ensure entries made by the Vice President of Administration/Controller are reviewed and someone with knowledge of the activity approves those journal entries.
- f. Ensure capital assets are recorded in the correct accounting period and that purchase requisitions are properly approved in accordance with College policy.
- g. Review the appropriateness of system access and make modifications as needed.
- h. Develop procedures to remove access of terminated employees in a timely manner.
- i. Ensure procurement card transactions of the Physical Plant Department are reconciled and approved in accordance with state policy, including evidence of review by the cost center administrator.

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Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2004

### *CCCS Response*

Agree. CCA will develop and submit a plan to the System President to address the accounting and internal control weaknesses noted. This plan will be reviewed by the System President and monitored on a regular basis to ensure the accounting and internal control weaknesses are addressed. Additionally, CCCS will develop and implement a system-wide cash handling procedure and a system-wide procedure requiring second level review of journal entries.

### **Observation No. 2: Reportable Condition Over System Access Controls**

System access is the ability that individual users or groups of users have within a computer information system-processing environment, as determined and defined by access rights configured in the system. The access rights in the system should agree to the access required for job responsibilities and consistent with policies.

We tested system access controls to the Financial Reporting System (FRS) and the Student Information System (SIS), which includes the Billing Receivable System (BRS). At CCA, Community College of Denver (CCD), Colorado Northwestern Community College (CNCC), Front Range Community College (FRCC), Red Rocks Community College (RRCC), and the System office we noted 287 instances in which system access was not established based on job responsibilities and business policy, where access was granted to functions that were incompatible, or where terminated employees had access to accounting systems. The System office information technology department has a process in place to cancel network access; however, this process does not delete the user account.

The information technology department also sends a list out annually to each college detailing users that have been inactive in the system for over one year. The goal of this process is to identify users that can be deleted from the system. However, based on our discussion with System office personnel, there is very little response to this request, and therefore, few changes or updates are made.

The conditions noted above are the result of inadequate procedures to evaluate user access on a periodic basis; failure to remove user's access upon termination; and of copying templates or other user's access, rather than setting up appropriate access for each individual. Inappropriate access to programs and data may result in loss, damage, or theft of valuable information and/or resources. At a minimum, users may obtain access to sensitive data and systems that are not commensurate with their job requirements.

### ***Recommendation No. 2***

CCCS should improve controls over access to computer information systems. Specifically, CCCS should:

- a. Perform an analysis of system access and users' accounts and make changes as appropriate to ensure system access is restricted to appropriate users' files and that user profiles are commensurate with job responsibilities and policies.
- b. Implement a process to ensure that user access is removed upon termination of employment.
- c. Evaluate the practice of copying current user templates to grant new user system access. Instead, specific identification of screen access requirements for new users should be considered.

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- d. Complete an annual review of system access for all users and remove and update access rights necessary.

### ***CCCS Response***

Agree. CCCS will work with colleges to ensure appropriate controls are in place to safeguard access to computer information systems.

### **Observation No. 3: Pueblo Community College**

#### ***Deferred Revenue***

Pueblo Community College (PCC or the College) administers a number of federal, state, and local grants. Most grants are on a reimbursement basis in which program costs must be paid for by College funds before reimbursement can be requested from the federal government or other entity. In cases where grant funds may be advanced, the College must follow procedures to minimize the time elapsing between the transfer of funds to the College from the U.S. Treasury or other entity and the disbursement of the funds to the grant recipient.

We tested PCC's deferred revenue balance as of June 30, 2004. This account is meant to maintain revenue or income received but not yet earned. At June 30, 2004, the account balance was \$1,500,000, of which approximately \$635,000 was deferred grant revenue and \$865,000 was deferred summer session revenue. We did not identify errors in summer session deferred revenue. Based on our test work, we determined that PCC had incorrectly recorded deferred revenue and accounts receivable at the same amount for most of its federal and state grants. These entries were not supported by fiscal year revenue and expense activity, or cash balances on hand at June 30, 2004. As a result, deferred revenue and accounts receivable were overstated by approximately \$572,000.

The College also did not properly apply Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting for Nonexchange Transactions*. Specifically, the College did not properly recognize revenue on grants that were received in advance of incurring expenses. These grants were determined to be voluntary nonexchange transactions with no time requirements. Therefore, the College should have recorded revenue when cash was received and reported restricted net assets for the amount not spent as of year-end. Instead, the College recorded deferred revenue. As a result, at least \$63,000 of revenue should have been recognized in prior years.

Based on our test work, it also appears that certain grant accounts in FRS were not properly reported. For example, the College's largest grant, the Carl Perkins Vocational Education program, is accounted for on a reimbursement basis, yet one FRS account reported a positive cash balance of \$132,018. Since the grant is on a reimbursement basis, it should not report cash on hand. The College indicated that many accounts are used to manage the Carl Perkins Vocational Education program and that the cash accounts net to zero. However, adjustments are necessary to clean up individual cash account balances as entries were not posted to the proper accounts during the year.

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### ***Cash Flow Statement***

During our test work, we noted that PCC's cash flow statement was inaccurate and required adjustment. Specifically, PCC did not properly present principal paid on capital debt, proceeds from capital debt, acquisitions and construction of capital assets, and changes in inventories, prepaid expenses, and accounts payable. It appears that the financial statements prepared by the Controller are not reviewed by another person with knowledge of the financial statements. Such a review would help detect and correct these types of errors. In total, approximately \$1 million was incorrect on the cash flow statement.

### ***Recommendation No. 3***

CCCS should ensure PCC implements controls over grant accounting to ensure account balances are fairly stated in accordance with applicable accounting standards. PCC should also ensure the cash flow statement is properly reviewed for accuracy.

### ***CCCS Response***

Agree. CCCS will work with PCC to ensure grants are accounted for properly and their statement of cash flow is prepared accurately.

### **Observation No. 4: Colorado Northwestern Community College**

During our test work over payroll expense, we requested Colorado Northwestern Community College's (CNCC or the College) full-time equivalent (FTE) faculty and staff figures. The original figures provided by the College were inaccurate and caused significant variances between our expectation of payroll expense and actual results. Specifically, we noted 10% variances between our expectation and actual results for faculty, 22% for adjunct faculty and 17% for exempt professionals/administration. We discussed the variances with CNCC management and were informed that the FTE figures were not accurate and reliable. We noted all other colleges we visited were able to provide reliable FTE figures in a timely manner from management information systems or through other processes. It is our understanding that FTE figures are routinely used by colleges in budget formulation and should be tracked and maintained on a regular basis. FTE figures are also a useful management tool if tracked and maintained. Upon further discussions and requests, the College was able to create more accurate faculty and staff FTE figures for the year.

### ***Recommendation No. 4***

CCCS should work with CNCC to ensure FTE information is accurately tracked and maintained.

### ***CCCS Response***

Agree. CCCS will develop and implement a system-wide procedure to ensure FTE are tracked properly.

### **Observation No. 5: Community College of Denver**

During our audit, we noted areas for improvement at Community College of Denver (CCD or the College) related to accounting and financial reporting. These potential internal control improvements include changes to business processes, and policies and procedures, as well as segregation of duties.

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### ***Allowance for Doubtful Accounts***

CCD calculated the allowance for doubtful accounts as of June 15, 2004 and made no adjustments at year-end. In addition, the allowance calculation requires adding back a certain percentage of summer session accounts receivable. CCD added 50% of summer session receivables instead of the 44% that should have been used based on the summer session split between fiscal years. Both of these errors could result in a misstatement of the allowance. In addition, based on the June 15 calculation, CCD recorded the allowance; however, an error was made in the calculation of the adjustment, resulting in an inaccurate ending allowance balance. The misstatement was approximately \$62,000 on a total allowance balance of \$675,000 or about 10%.

### ***Scholarship Allowance***

Scholarship allowance is the difference between the stated charge for goods and services provided by the institution and the amount that is paid by students and/or third parties making payments on behalf of students. Each year, the College calculates the scholarship allowance on a student-by-student basis using a standard report generated from the management information system. For the year ended June 30, 2004, CCD's scholarship allowance was understated by \$422,000 due to an error made by the College in reading the scholarship allowance report incorrectly. The College did not detect this error.

### ***Deferred Grant Revenue***

CCD did not properly apply GASB Statement No. 33, *Accounting for Nonexchange Transactions*. Specifically, the College recorded deferred revenue instead of properly recognizing revenue on grants that received cash in advance of incurring expenses. These grants were determined to be voluntary nonexchange transactions with no time requirements. Therefore, the College should have recorded revenue when cash was received and reported restricted net assets for the amount not spent as of year-end. As a result, approximately \$400,000 of revenue should have been recognized in prior years.

### ***Imprest Checking Account***

CCD has an imprest checking account, which is used to write manual checks in emergency and unusual situations. The Controller and the Vice President for Administration have check writing privileges on this account. Each month, the Controller reconciles the account to the bank statement; however, a second party without check writing privileges does not review the reconciliation. As a result, adequate segregation of duties does not exist in authorizing transactions, recording transactions, and maintaining custody.

The account maintains a balance of approximately \$2,500, and has little activity during the month. However, CCD has not implemented segregation of duties and management review of this reconciliation. As a result, an opportunity exists to both perpetrate and conceal an error or irregularity in the imprest account. Further, CCD should evaluate the need for its imprest account. Imprest accounts were popular when the State's accounting system took a long time to process checks; however, the current system handles checks in a timely manner.



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### ***Recommendation No. 5***

CCCS should ensure that CCD implements procedures to improve controls over its accounting and financial reporting.

- a. CCD should ensure supervisory review is performed over journal entries and calculations such as the allowance for doubtful accounts, the scholarship allowance, and grant revenue and deferred revenue.
- b. CCD should also ensure that someone who does not have check writing privileges on the account reviews the imprest account bank reconciliation.

### ***CCCS Response***

Agree. CCCS will develop and implement a system-wide procedure requiring second level review of journal entries. CCD has changed its process on the imprest account so that the reconciliation is performed by someone who does not have check writing privileges on the account.

### **Observation No. 6: Red Rocks Community College**

#### ***Journal Entries***

The Red Rocks Community College (RRCC or the College) Controller and Assistant Controller create and post manual journal entries without secondary review prior to posting to the general ledger. RRCC also does not use a standard form for manual journal entries that denotes the preparer and reviewer by initials or signatures. We noted no erroneous entries made by RRCC personnel. However, failure to review and approve journal entries could result in errors or irregularities in financial reporting.

#### ***Student Activity Accounts***

In Fiscal Year 2004, RRCC discovered a suspected theft by an employee. Specifically, the employee in question allegedly misappropriated cash from RRCC's Student Life desk from October 2002 to July 2004. The alleged theft was discovered by the employee's replacement during the employee's absence from the College. Approximately \$47,000 is alleged to have been misappropriated. RRCC notified local law enforcement of the allegation of theft.

The students who staff the Student Life desk tally each day's receipts of cash and checks and turn them over to the Student Life Director, who is responsible for depositing the receipts with the College cashier's office. Allegedly the Student Life Director had deposited the checks, but kept the cash for himself. The College has copies of some of the deposit slips submitted by the students to the Student Life Director, and also copies of some of the deposit slips submitted by the Student Life Director to the cashier's office. The cash receipts noted on the deposits submitted by the students do not appear on the deposits submitted by the Student Life Director to the cashier's office.

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### ***Recommendation No. 6***

CCCS should ensure that RRCC implements procedures to ensure manual journal entries are reviewed and approved by a person other than the preparer prior to posting to the general ledger. The individual should have sufficient knowledge to perform the review. RRCC should also evaluate all cash controls and make changes as considered necessary to safeguard assets.

### ***CCCS Response***

Agree. CCCS will develop and implement a system-wide procedure requiring second level review of journal entries as well as a system-wide cash handling procedure.

### **Observation No. 7: System-Wide Accounting and Financial Reporting**

Each college within CCCS is responsible for accounting and financial reporting. The System office has issued 23 System Accounting Policies (SAP) to provide consistent guidance to colleges on accounting and financial reporting for items such as scholarship allowance, summer session revenue, restricted net assets, and compensated absences. During our audit, we noted certain inconsistencies among colleges in areas in which guidance is lacking, including the following:

- **Loans.** Most colleges participate in a federal loan program administered through the Colorado Student Loan Program. Five colleges account for loan activity in an agency fund and report inflows and outflows on the statement of cash flows. However, three colleges account for activity as pass-through and report the activity on the statement of cash flows through changes in accounts receivable.
- **Gifts.** Colleges receive various gifts from their separate foundations to fund scholarships and programs and purchase capital assets. We noted inconsistent accounting for these types of gifts. For example, some colleges record certain scholarship funds as gifts instead of as agency activity.

### ***Recommendation No. 7***

CCCS should develop and implement a policy for the colleges to account and report on the student loan programs and gifts from foundations.

### ***CCCS Response***

Agree. CCCS will develop System Accounting Procedures in both areas to ensure activity is recorded consistently.

### **Observation No. 8: Reporting Fraud and Abuse**

In March 2003, CCCS created an anonymous concern hotline for employees to report among other things, allegations of suspected ethics violations, waste, fraud, or abuse. However, we could not easily find the hotline information on the CCCS website and personnel indicated that existence of the hotline had not been communicated to employees on a regular basis.

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Given the size, complexity, and decentralization of CCCS, such a hotline for anonymous callers to report suspected fraud, waste, or abuse, is a valuable tool and considered a best practice. For example, under the federal Sarbanes-Oxley Act of 2002, publicly traded companies are required to implement the following:

4) Complaints. — Each audit committee shall establish procedures for —

“(A) the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

(B) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.”

### ***Recommendation No. 8***

CCCS should ensure that its anonymous concerns hotline, for callers to report suspected waste, fraud, or abuse, is properly communicated on a regular basis and is available to employees.

### ***CCCS Response***

Agree. CCCS created a Concerns Hotline in 2003. CCCS is committed to ensuring this hotline is an effective tool by regularly communicating its existence to employees and making it easy to find on the CCCS website.

### **Observation No. 9: Information Technology**

CCCS utilizes a number of information systems for accounting and financial reporting including the following:

- Financial Reporting System (FRS) – the general ledger and accounts payable system.
- Student Information System (SIS) – the system used to track student information, enrollment, credit hours, classes, student financial aid, etc.
- Billing Receivable System (BRS) – the system used to bill and collect student tuition and fees.
- Central Payroll Processing System (CPPS) – the payroll processing system.

General controls are policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. General controls commonly include controls over data center and network operations; system software acquisition and maintenance; access security; and application system acquisition, development, and maintenance.

The scope of our audit related to information technology general controls included: change management, access controls, and the data center. Based on our review, CCCS has not implemented adequate policies and control procedures to ensure changes made to systems are appropriate, user access is tracked, and access to computer equipment is monitored. Failure to ensure adequate general controls are in place and operating effectively could impact proper operation of information systems. Our specific observations are described below.

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### ***Change Management***

The CCCS computer services department has standardized its change management procedures for any changes to the FRS or SIS. However, these procedures are not formally documented. Also, application fixes are considered emergencies and do not go through this process. These emergency fixes are also not documented.

### ***Access Controls***

Remote access is only granted to a limited number of users such as vice presidents, information technology administrators, and users who have been authorized because of special circumstances; however, requests are not formally tracked. These requests currently are submitted through e-mail. While the information technology department is aware of remote users, there is no formal listing of these persons.

CCCS has deployed anti-virus software on all servers and desktops. Anti-virus definition files are updated on an hourly basis. Each college is responsible for updating its anti-virus files and applying operating system patches. The System office does not ensure patches are properly applied in a timely manner. CCCS plans to centralize all IT services and should ensure this issue is addressed as part of this process.

We also evaluated user administration procedures for maintaining access at the system and application level. Each user who needs an account on the FRS or SIS must have a VMS (mainframe) account. The Operations group administers VMS accounts; however, the process and procedures for granting, modifying, and removing access and password parameters are not documented.

### ***Data Center***

The main computer room does not have cameras installed. Cameras are installed in the hallways outside the computer rooms. Cards, assigned to each person, are used to access the computer rooms.

### ***Recommendation No. 9***

To improve information technology general controls, CCCS should perform the following:

- a. Document the software development and change process.
- b. Document all emergency fixes.
- c. Ensure remote access requests are submitted on an approved form and that all are tracked.
- d. Establish a single anti-virus server and distribute updates to all other servers, including the colleges.
- e. Document the mainframe user administration procedure so that users are aware of the process for granting, modifying, and removing access, and password parameters.
- f. Consider installing cameras in the computer room to monitor activity.

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***CCCS Response***

Agree. CCCS is committed to ensuring general IT controls are in place and effective. CCCS will explore the most effective way to address the concerns noted.

**Student Financial Assistance**

We performed procedures required by federal Office of Management and Budget (OMB) Circular A-133 and the Compliance Supplement for Federal Student Aid. We also performed procedures as required by the 2003-2004 Audit Guide for Colorado Funded Student Aid, issued by the Colorado Commission on Higher Education (CCHE). For Fiscal Year 2004, CCCS received approximately \$67 million of federal and state student financial assistance. The 10 findings and recommendations below result from this work and are presented in the format required under OMB Circular A-133 and *Government Auditing Standards*. In the prior year, we also noted 15 findings and recommendations. The implementation status of those comments is located in the Disposition of Prior Year Findings and Recommendation section of this report.

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**Observation No. 10: Federal Student Aid Cluster**

<p>Criteria:</p>	<p>Once a school has provided loan award notification, if the student or parent wishes to cancel all or a portion of a loan, he or she must inform the school. The school must honor the request if the request is received not later than</p> <ul style="list-style-type: none"> <li>• 14 days after the date the school sends the notice; or</li> <li>• The first day of the payment period, if the school sends the notice more than 14 days before the first day of the payment period. If a student or parent’s request for cancellation is received within the specified time period, the school must return the loan proceeds and/or cancel the loan as appropriate.</li> </ul> <p><i>(2003-2004 United States Department of Education Student Financial Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 5 – Cash Management)</i></p>
<p>Condition:</p>	<p>Arapahoe Community College (ACC or the College) sent out a \$375 unsubsidized Federal Family Education Loan award notification to a student dated January 14, 2004. ACC received a request for cancellation from the student on January 21, 2004. This is within the 14-day period allowed for cancellation. However, ACC cancelled the loan in Collegien, the Colorado Student Loan Program database, on March 2, 2004 and reversed it off the student’s account on March 29, 2004 after the student withdrew from the college. This cancellation was not within the 14-day requirement.</p>
<p>Questioned Costs:</p>	<p>None.</p>
<p>Context:</p>	<p>In a sample of 30 students (4 from ACC), 1 ACC student declined a loan that was not cancelled within the 14-day period.</p>
<p>Effect:</p>	<p>By not ensuring that declined awards are cancelled within the appropriate time period, the awards may disbursed and not be returned in a timely manner. The College could also be holding federal funds beyond the timeframe allowed and owe interest.</p>

**Recommendation No. 10**

CCCS should ensure that ACC establishes procedures to ensure that declined awards are returned to the federal government in a timely manner.

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***CCCS Response***

Agree. CCCS will work with Financial Aid Council to develop common procedure related to cancellation of declined and no-show awards. CCCS will work with the Financial Aid Council to develop and implement systematic data reporting tool to monitor campus financial aid processing.

**Observation No. 11: Federal Student Aid Cluster**

Criteria:	In a Return of Title IV Funds calculation, the school must return the lesser of (1) the amount of Title IV Funds that the school does not earn or (2) the amount of institutional charges that the student incurred for the payment period or period of enrollment multiplied by the percentage of funds that was not earned. Institutional charges are tuition and other educationally related expenses assessed by the institution. The institutional charges used in the calculation are always the charges that were initially assessed the student for the payment period or period of enrollment. The charges used in the return calculation are always the charges on the student’s account prior to withdrawal. (34 CFR 668.22(g)(1)(ii); 2003-2004 United States Department of Education Student Financial Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 6 – Return of Title IV Funds)
Condition:	In Return of Title IV Funds calculations, Trinidad State Junior College (TSJC) did not use correct book charges and period-end date, while Front Range Community College (FRCC) used budgeted tuition, fees, and book charges rather than actual charges on the student’s account.
Questioned Costs:	None.
Context:	In a sample of 30 students (including 9 from FRCC and 3 from TSJC), 2 students (1 each from FRCC and TSJC) had incorrect Return of Title IV calculations.
Effect:	Using incorrect institutional charges and incorrect term end dates creates incorrect refund amounts. The FRCC student had completed over 60% of the period, so no return was necessary.

***Recommendation No. 11***

CCCS should ensure that FRCC and TSJC establish procedures to ensure that Return of Title IV calculations are processed correctly with accurate charges and period-end dates.

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***CCCS Response***

Agree. CCCS will work with the Financial Aid Council to review and enhance President's Procedure # 4-20c, Return of Title IV Funds to ensure system wide adherence to regulatory requirements.

**Observation No. 12: Federal Student Aid Cluster**

Criteria:	A school is required to determine the withdrawal date for a student who withdraws without providing notification by 30 days after the end of the term from which the student withdrew. Further, the school must return its portion of unearned Title IV funds by no later than 30 days after the date the school determined the student withdrew. ( <i>34 CFR 668.22; 2003-2004 United States Department of Education Student Financial Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 6 – Return of Title IV Funds</i> )
Condition:	TSJC did not determine the withdrawal date time. As a result, the school's portion of the return was submitted late.
Questioned Costs:	None.
Context:	In a sample of 30 students (including 3 from TSJC), 1 student did not have the return made timely. This is a repeat comment from Fiscal Year 2003.
Effect:	Failure to determine withdrawal dates in a timely manner causes the College's portion of aid to be returned beyond the timeframe established by the regulations.

***Recommendation No. 12***

CCCS should ensure that TSJC establishes procedures to ensure that the withdrawal date of students who withdraw without providing notification is determined within 30 days after the end of the term and the resulting return is made no later than 30 days after the date of this determination.

***CCCS Response***

Agree. CCCS will work with the Financial Aid Council to review and enhance President's Procedure # 4-20c, Return of Title IV Funds to ensure system wide adherence to regulatory requirements.



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**Observation No. 13: Federal Student Aid Cluster**

Criteria:	A school must return its portion of unearned Title IV funds by no later than 30 days after the date the school determined the student withdrew. ( <i>34 CFR 668.22; 2003-2004 United States Department of Education Student Financial Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 6 – Return of Title IV Funds</i> )
Condition:	CCD returned its portion of a student’s unearned Title IV funds 52 days late (or 82 days after the school determined the student had withdrawn).
Questioned Costs:	None.
Context:	In a sample of 30 students (including 4 from CCD), 1 student’s institutional portion of unearned Title IV funds was made after the 30 days allowed. This is repeat comment from Fiscal Year 2003.
Effect:	CCD returned its portion of unearned Title IV funds beyond the timeframe established by the regulations.

**Recommendation No. 13**

CCCS should ensure that CCD establishes procedures to ensure that the institution’s portion of a student’s unearned Title IV funds are returned within 30 days after the College has determined a student has withdrawn.

**CCCS Response**

Agree. CCCS will work with the Financial Aid Council to review and enhance President’s Procedure # 4-20c, Return of Title IV Funds to ensure system wide adherence to regulatory requirements.

**Observation No. 14: Federal Student Aid Cluster**

Criteria:	Institutionally scheduled school day breaks of five or more consecutive days are excluded from the total number of calendar days in the term in Return of Title IV Funds calculations and therefore do not affect the calculation of the amount of Title IV aid earned. This provides for more equitable treatment of students who withdraw near each end of a scheduled break. All days between the last scheduled day of classes before a scheduled break and the first day classes resume are excluded from both the numerator and denominator in calculating the percentage of the term completed. ( <i>34 CFR 668.22; 2003-2004 United States Department of Education Student Financial Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 6 – Return of Title IV Funds</i> )
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Condition:	Pikes Peak Community College’s (PPCC or the College) return calculation included five days for a break rather than seven.
Questioned Costs:	None.
Context:	In a sample of 30 students (including 8 from PPCC), 2 students did not have breaks calculated properly in their Return of Title IV Funds calculations.
Effect:	PPCC improperly calculated the breaks in its Return of Title IV funds calculations, causing incorrect amounts to be returned.

***Recommendation No. 14***

CCCS should ensure that PPCC establishes procedures to ensure that breaks are calculated properly on the Return of Title IV funds calculations.

***CCCS Response***

Agree. CCCS will work with the Financial Aid Council to review and enhance President’s Procedure # 4-20c, Return of Title IV Funds to ensure system wide adherence to regulatory requirements.

**Observation No. 15: Federal Student Aid Cluster**

Criteria:	If a recipient of SFA grant or loan funds withdraws from a school after beginning attendance, the amount of SFA grant or loan assistance earned by the student must be determined by calculating a Return of Title IV Funds. If the amount disbursed to the student is greater than the amount the student earned, unearned funds must be returned. The school must return the lesser of (1) the amount of Title IV funds that the student does not earn or (2) the amount of institutional charges that the student incurred for the payment period or period of enrollment multiplied by the percentage of funds that was not earned. If the school returns amount (2), then the student must return the difference between the amount of unearned Title IV funds and amount (2). ( <i>34 CFR 668.22; 2003-2004 United States Department of Education Student Financial Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 6 – Return of Title IV Funds</i> )
Condition:	FRCC did not perform Return of Title IV Funds calculations and, therefore, did not make the required returns for five students in the sample.
Questioned Costs:	\$10,514 (\$4,202 Pell, \$3,937 Subsidized Loan, and \$2,375 Unsubsidized Loan). Likely questioned costs would be greater based on findings in Recommendation No. 19. Since FRCC did not perform Return of Title IV Funds calculations, the questioned costs represent the total award of the five students.

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Context:	In a sample of 30 students (including 9 from FRCC), 5 students did not have the return calculation made. This is a repeat comment from Fiscal Year 2003.
Effect:	Grant overpayments were not required to be returned to the College by the student.

***Recommendation No. 15***

CCCS should ensure that FRCC establishes procedures to ensure that return calculations are made and that students are requested to repay grant overpayments. FRCC should also repay the federal government as necessary.

***CCCS Response***

Agree. CCCS will work with the Financial Aid Council to review and enhance President's Procedure # 4-20c, Return of Title IV Funds to ensure system wide adherence to regulatory requirements.

**Observation No. 16: Federal Student Aid Cluster**

Criteria:	Because students sometimes make significant errors on their application, the law includes a verification process as part of the Federal Student Aid program requirements. The Department of Education only requires that a portion of the Free Application for Federal Student Aid filers at a school be verified. The following five major data elements must be verified: household size, number in college, Adjusted Gross Income, U.S. taxes paid, and certain types of untaxed benefits – Social Security benefits, child support, IRA/Keough deductions, foreign income exclusion, Earned Income Credit, and interest on tax-free bonds. (2003-2004 United States Department of Education Student Financial Aid Handbook Volume 3 Federal Pell Grant Program Chapter 3 – Pell Reporting)
Condition:	Two students from FRCC had verification performed incorrectly. The two students' tax returns and worksheets did not match what was reported on the Student Information System. One student's information reported was not on the student's worksheet or tax return submitted. Another FRCC student had various items on the worksheet and tax return that were not on the Student Information System.
Questioned Costs:	Unknown.
Context:	In a sample of 30 students (including 9 from FRCC), 2 students' tax returns did not match information in the Student Information System.
Effect:	FRCC could have potentially overawarded or underawarded aid based on incorrect student information if the information was not properly verified and reported.

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***Recommendation No. 16***

CCCS should ensure that FRCC establishes procedures to properly verify student financial aid application information. If necessary, FRCC should repay the federal government.

***CCCS Response***

Agree. CCCS will work with the Financial Aid Council to develop and implement a system-wide verification procedure. CCCS will also monitor FRCC progress related to their Corrective Action Plan.

**Observation No. 17: Federal Student Aid Cluster**

Criteria:	Appropriate cash management requires the timely drawing of federal funds to reimburse local funds initially disbursed for federal programs. Entries to record student financial aid activity in the general ledger should be reviewed by another individual.
Condition:	At Pikes Peak Community College (PPCC), the same individual who performs federal cash drawdowns is also responsible for posting the journal entries. A supervisor does not subsequently review these entries.
Questioned Costs:	None.
Context:	A second individual did not review entries and drawdowns performed during the year.
Effect:	Without proper review, errors may be made in the drawdowns or entries, which could lead to inaccurate financial reporting.

***Recommendation No. 17***

CCCS should ensure that PPCC implements procedures so that the appropriate supervisor reviews cash drawdowns and entries. Documentation of the review should be attached to the reconciliation. The supervisory review should include clerical testing of the reconciliations, as well as follow-up procedures to ensure all errors are investigated and resolved.

***CCCS Response***

Agree. CCCS will develop and implement a system-wide procedure requiring appropriate segregation of duties and second level review.

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**Observation No. 18: State Student Financial Assistance**

Criteria:	The Governor’s Opportunity Scholarship (GOS) Program is a unique need-based financial aid program that provides no cost of attendance assistance and academic support to a limited number of low-income students. The student will agree not to take a student loan while receiving the Governor’s Opportunity Scholarship. <i>(Colorado Commission on Higher Education 2003 – 2004 Audit Guide Colorado Funded Student Aid)</i>
Condition:	TSJC does not document that TSJC requires students to agree not to take student loans while receiving GOS funds.
Questioned Costs:	Cannot be determined.
Context:	Based on discussions with the Financial Aid Director, we determined that TSJC could not provide documentation that GOS recipients agreed not to take out a student loan while receiving the award. This is a repeat comment from Fiscal Year 2003.
Effect:	Failure to have GOS recipients agree not to take out a student loan is not compliant with Colorado Commission on Higher Education’s guidelines.

***Recommendation No. 18***

CCCS should ensure that TSJC establishes procedures that require GOS recipients to agree not take out a loan while receiving GOS awards and document such agreement.

***CCCS Response***

Agree. CCCS will work with the Financial Aid Council to develop and implement a system-wide form to be used for all GOS students.

**Observation No. 19: Front Range Community College Student Financial Aid Internal Control**

FRCC is the largest college in the Colorado Community College System and has campuses located in Westminster, Boulder, and Larimer as well as a center located in Brighton. In fiscal year 2004, FRCC disbursed approximately \$7 million in federal financial aid and \$3 million in state funded student financial assistance. In February 2004, FRCC appointed a new College-wide Student Financial Aid director. During the transition, information came to the attention of FRCC that caused concerns related to the College-wide Student Financial Aid Department’s structure and supervision, and the Westminster Campus Student Financial Aid Office’s business processes, supervision, communication, training, and policies and procedures. As a result of its internal assessments, FRCC hired an outside consulting firm to examine certain files of former employees in the Financial Aid Office who received Title IV financial aid and certain Return of Title IV funds calculations. In

## COLORADO COMMUNITY COLLEGE SYSTEM

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2004

In addition to this external review, FRCC requested that the System Office's Director of Student Services review financial aid records to determine if certain employees, referenced above, were eligible to receive financial aid. Based on this review, CCCS also agreed that adequate controls were not in place over financial aid at FRCC.

During our audit, several items came to our attention that indicated a lack of adequate internal controls over student financial aid at FRCC, some of which are noted in Recommendations Nos. 11, 15, and 16 above.

We also evaluated FRCC's Financial Aid Office and processes using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for internal control. The COSO framework of internal control consists of five interrelated components. The evaluation of these components below is based on our audit results as well as our review of the external and internal reports described above.

1. **Control Environment** – sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

*Issues noted:*

- It appears that the former Student Financial Aid Director did not set a proper tone for the Department, including appropriate oversight of that office and review of the work review.
- Employees in the Westminster Campus Financial Aid Office certified loans for other employees and processed appeals for satisfactory academic progress for those same employees. These files were not subject to the monitoring required for federal student financial aid compliance.
- There was a lack of good practices when it came to processing the files for these employees (students). Specifically, there was inadequate review of loans granted to College employees.

2. **Risk Assessment** – the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how risks should be managed.

*Issue noted:*

- The College did not have a thorough risk assessment process to identify and analyze risks during the 2003-2004 award year. If such a process had been in place, the issues noted in this recommendation would have been addressed and resolved in a timely manner.

## COLORADO COMMUNITY COLLEGE SYSTEM

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2004

3. **Control Activities** – the policies and procedures that help ensure management directives are carried out.

*Issues noted:*

- Policies and procedures had not been updated since the 2001-2002 award year.
- Adequate controls were not properly designed or operating effectively over awarding, monitoring satisfactory academic progress, the verification process for student information, updating of disbursement tables, and calculating Return of Title IV.
- In Recommendations No. 11 and 15 above, we noted that FRCC did not perform Return of Title IV Funds calculations for part of the spring and all of the summer of 2004. Therefore, the College did not make the required returns for students who withdrew after beginning attendance. FRCC also made errors in Return of Title IV calculations. An external consulting firm hired to review many calculations for fiscal year 2003-2004 fall and spring semester. This firm noted that only 23% of the Return of Title IV calculations were completed and the error rate for the Westminster campus was 83%. The error rate at the Larimer campus was 33%.

4. **Information and Communication** – the identification, capture and exchange of information in a form and time frame that enable people to carry out their responsibilities.

*Issue noted:*

- Based on the items noted above, communication processes were not in place in the College and Financial Aid Office to ensure employees carried out their responsibilities in an efficient and effective manner.

5. **Monitoring** – a process that assesses quality of internal control performance over time.

*Issue noted:*

- Based on the items noted above, and our discussions with FRCC personnel, it does not appear that the office had an adequate process to assess its internal control environment.

Each of the issues identified above impact the College's ability to comply with laws and regulations governing both state and federal student financial aid. If the College does not comply with laws and regulations, it may be required to reimburse the federal government for funds that are not expended in accordance with requirements.

### **Recommendation No. 19**

CCCS should ensure FRCC develops and implements a plan to improve internal control and compliance over student financial aid. This plan should include a review the organization structure, business processes, policies and procedures in place in the Student Financial Aid Department to ensure compliance with applicable laws and regulations. Students who received aid inappropriately should be required to repay these funds.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2004

***CCCS Response***

Agree. CCCS will monitor FRCC progress in establishing in-house policy and procedures and progress on their Corrective Action Plan. CCCS will work with Financial Aid Council to develop system-wide procedure for the processing of financial aid for staff, staff relatives and acquaintances, and financial aid office student employees.



**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2004

Following are the audit recommendations made for the year ended June 30, 2003 and their disposition as of October 22, 2004.

<b>Recommendation</b>	<b>Disposition</b>
1. Ensure that Trinidad State Junior College (TSJC) develops and implements a plan to address the financial reporting and internal control weaknesses noted in this audit. This plan should address the college's business processes as well as supervision, training, and skill levels of employees responsible for accounting and financial reporting. TSJC should submit this plan to the System President for approval. The System President should monitor implementation of the plan, and require at least quarterly updates from TSJC.	Implemented.
2. Reassess the internal audit function and consider implementing a more value-added structure and audit plan.	Implemented.
3. Ensure that Red Rocks Community College (RRCC) procurement card transactions are reconciled and approved in accordance with RRCC policy in a timely manner. RRCC should continue to communicate with and train cardholders and approving officials regarding their responsibilities, including signature and reconciliation requirements.	Implemented.
4. Develop and implement a policy that requires the Board to approve debt agreements with foundations or other parties and ensure that proper language is included in loan agreements.	Partially implemented. CCCS discussed requirements with individual colleges to issue debt; however, a Board policy has not been adopted. No new debt was issued in Fiscal Year 2004.
5. Ensure that Arapahoe Community College (ACC) establishes procedures to ensure that carryforward balances are disbursed prior to disbursing current year allocations and it has reimbursed the Department of Education for the difference between the earnings that the excess cash balance would have yielded if invested under the applicable current value of funds rate and the actual interest earned on that balance.	Implemented.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2004

<b>Recommendation</b>	<b>Disposition</b>
6. Ensure that the Community College of Denver (CCD) establishes procedures to ensure that all required data elements in the budget are verified and that all required verification worksheet sections are completed and appropriately signed, with all required documents received. Additionally, CCD should establish procedures to ensure that assigned budgets correspond with verified data.	Implemented.
7. Ensure that Front Range Community College (FRCC) and CCD establish procedures to ensure that enrollment dates are reported correctly in the Pell reporting process.	Implemented.
8. Ensure that TSJC establishes procedures to ensure that Pell disbursements are reported within 30 days after making payment to students.	Implemented.
9. Ensure that FRCC and CCD establish procedures to ensure that Verification Status Codes are reported correctly in the Pell reporting process.	Implemented.
10. Ensure that CCD establishes procedures to ensure that the proper Title IV funds are included in the Return of Title IV Funds calculations.	Implemented.
11. Ensure that CCD, FRCC, TSJC, and PCC establish procedures to ensure that the institution's portion of a student's unearned Title IV funds are returned within 30 days after the school has determined a student has withdrawn.	Not implemented at CCD and FRCC. See current year recommendation Nos. 13 and 15.
12. Ensure that TSJC and PCC establish procedures to ensure that the withdrawal dates of students who withdraw without providing notification are determined by 30 days after the end of the term, at the latest.	Not implemented at TSJC. See current year recommendation No. 12.
13. Ensure that PCC establishes procedures to ensure that students are not requested to repay grant overpayments that are originally less than \$25.	Implemented.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Financial and Compliance Audit

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2004

<b>Recommendation</b>	<b>Disposition</b>
14. Ensure that PCC establishes procedures to ensure that students are allowed the 45-day period of extended eligibility before they are reported to the National Student Loan Data System if they do not take positive action regarding their grant overpayments during the 45 days.	Implemented.
15. Ensure that ACC establishes procedures to ensure amounts that could have been disbursed are properly accounted for in Return of Title IV Funds calculations.	Implemented.
16. Ensure that TSJC implements procedures such that student financial aid cash drawdowns are conducted routinely (i.e., monthly) and that bank reconciliations are reviewed by the appropriate supervisor and documentation of the review should be affixed to the reconciliation.	Implemented.
17. Ensure that CCD establishes procedures to ensure that timesheets reflect the actual hours worked by a student and that timesheets, time record forms (i.e., time cards), and individual earnings records (i.e., payroll system) are consistent.	Implemented.
18. Ensure that TSJC establishes procedures to ensure that GOS recipients agree not to take out a student loan while receiving GOS awards and to ensure that this agreement is documented. Further, offers for work-study, whether accepted by the student or not, should be documented in the student's records.	Not implemented. See current year recommendation No. 18.
19. Ensure that colleges, and specifically TSJC, establish procedures to ensure that reported amounts are reconciled between the general ledger, the Fiscal Report of Expenditures, and the SURDS report for each state-funded financial aid program to ensure accurate reports and records.	Implemented.





**KPMG LLP**  
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Denver, CO 80202

## **Independent Auditors' Report**

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the Colorado Community College System (CCCS), a component unit of the state of Colorado, and its aggregate discretely presented component units as of and for the years ended June 30, 2004 and 2003, as shown on pages 55, 57, and 58. These basic financial statements are the responsibility of CCCS management. Our responsibility is to express opinions on these basic financial statements based on our audits. We did not audit the financial statements of certain discretely presented component units, which represent 99%, 99%, and 98% and 99%, 99%, and 97%, respectively, of the 2004 and 2003 assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of CCCS and of its aggregate discretely presented component units as of June 30, 2004 and 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1, CCCS implemented Governmental Accounting Standards Board Statement No 39, *Determining Whether Certain Organizations Are Component Units*, an amendment to GASB Statement No. 14, *The Financial Reporting Entity*, as of July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2004 on our consideration of CCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 43 to 53 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

October 22, 2004





## COLORADO COMMUNITY COLLEGE SYSTEM

### Management's Discussion and Analysis (Unaudited)

June 30, 2004 and 2003

The following discussion and analysis provides management's view of the financial position of the Colorado Community College System (CCCS or System) as of June 30, 2004 and 2003, and the results of operations for the year then ended. This analysis should be read in conjunction with the System's financial statements and notes thereto which are also presented in this document.

CCCS comprises 13 public community colleges throughout the state that served approximately 116,000 students during fiscal year ended June 30, 2004. The System has approximately 5,500 employees, of which approximately two-thirds are faculty. The colleges offer a wide variety of both academic and career programs leading either to degrees and certificates, or otherwise enhancing personal and professional growth. In addition to the 13 community colleges, the System also assists the State Board for Community Colleges and Occupational Education in exercising certain curriculum and funding authority over four area vocational schools, two local district colleges, and secondary career and technical programs in over 150 school districts throughout the state.

#### Financial Highlights

- At June 30, 2004, CCCS' assets of \$408,343,209 exceeded its liabilities of \$98,073,205 by \$310,270,004. At June 30, 2003, CCCS' assets of \$404,862,677 exceeded its liabilities of \$95,847,180 by \$309,015,498. The resulting net assets are summarized into the following categories:

	<b>June 30</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Invested in capital assets, net of related debt	\$ 249,355,846	254,366,247	262,801,013
Restricted, expendable	19,501,563	19,994,698	17,522,461
Unrestricted	41,412,595	34,654,553	33,080,495
Total net assets	<u>\$ 310,270,004</u>	<u>309,015,498</u>	<u>313,403,969</u>

The restricted, expendable net assets may be expended, but only for the purposes for which the donor or grantor or other external party intended. Unrestricted net assets are not externally restricted; however, they are often internally designated by the college's administration for a number of purposes including capital and equipment expansion and repair funds; new program funds; and compensated absence liabilities.

During fiscal year 2004, the System's total net assets increased by \$1,254,506. This increase in net assets is the result of increased tuition revenue and expense reductions, compensating for cuts to state appropriations.

#### The Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the System's finances and are comprised of three basic statements.

The *Statement of Net Assets* presents information on all of the System's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

## COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis (Unaudited)

June 30, 2004 and 2003

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the System's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payment for accrued for compensated absences, or the receipt of amounts due from students and others for services rendered).

The CCCS reports its activity as a business-type activity using the economic resources measurement focus and accrual basis of accounting. The System is a component of the State of Colorado.

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flows reporting portrays cash flows from operations, noncapital financing, capital and related financing, and investing activities.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes provide information regarding both the accounting policies and procedures the System has adopted as well as additional detail of certain amounts contained in the basic financial statements. The notes to basic financial statements follow the basic financial statements.

CCCS implemented Governmental Accounting Standards Board Statement No 39, *Determining Whether Certain Organizations Are Component Units*, an amendment to Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as of July 1, 2002.

### **Financial Analysis**

The *Statement of Net Assets* presents information on all of the System's assets and liabilities, with the difference between the two reported as net assets.

## COLORADO COMMUNITY COLLEGE SYSTEM

### Management's Discussion and Analysis (Unaudited)

June 30, 2004 and 2003

The assets of CCCS exceeded liabilities resulting in net assets at June 30, 2004 and 2003 of \$310,270,004 and \$309,015,498, respectively. The majority (80% and 82%, respectively) of CCCS' net assets are invested in capital assets (e.g., land, buildings, and equipment), net of related debt. These assets are used to provide services to students, faculty, and administration. Consequently, these assets are not available to fund future spending.

	<b>June 30</b>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Current assets	\$ 121,709,016	115,337,940	90,717,299
Noncurrent assets, including capital assets of \$283,375,622, \$286,661,962, and \$288,414,419, respectively	286,634,193	289,524,738	291,380,616
Total assets	<u>\$ 408,343,209</u>	<u>404,862,678</u>	<u>382,097,915</u>
Current liabilities	\$ 53,466,957	49,046,500	32,871,629
Noncurrent liabilities	44,606,248	46,800,680	35,822,317
Total liabilities	<u>\$ 98,073,205</u>	<u>95,847,180</u>	<u>68,693,946</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 249,355,846	254,366,247	262,801,013
Restricted – expendable	19,501,563	19,994,698	17,522,461
Unrestricted	<u>41,412,595</u>	<u>34,654,553</u>	<u>33,080,495</u>
Total net assets	<u>\$ 310,270,004</u>	<u>309,015,498</u>	<u>313,403,969</u>

At June 30, 2003, the State of Colorado shifted the June paydate from June 30, 2003 to July 1, 2003. This change resulted in an increase in both current assets, represented by cash, and current liabilities, represented by accrued liabilities, at June 30, 2003. The impact of this change for the Colorado Community College System was approximately \$17 million.

CCCS issued approximately \$2.58 million of revenue bonds payable during fiscal year 2003 and entered into a new capital lease for approximately \$7.1 million.

Restricted net assets (6.3% and 6.5%, respectively) are subject to external restriction on how they must be used. CCCS' restricted net assets are primarily restricted for auxiliary programs, scholarships, loans, capital projects, and community training programs.

Unrestricted net assets (13% and 11%, respectively) are not externally restricted and may be used for general operations; however, they are often internally designated by the college's administration for a number of purposes including capital and equipment expansion and repair funds; new program funds; and compensated absence liabilities.

The *Statement of Revenues, Expenses, and Changes in Net Assets* reports the results of operating and nonoperating revenues and expenses during the year and the resulting increase or decrease in net assets at the end of the year.

## **COLORADO COMMUNITY COLLEGE SYSTEM**

Management's Discussion and Analysis (Unaudited)

June 30, 2004 and 2003

The State of Colorado experienced general fund revenue increases of 6.8% in fiscal year 2004 and decreases of 1.7% in fiscal year 2003. CCCS was assessed a 9.4% reduction in its general funds appropriation during fiscal year 2004 and a 15% reduction in its general funds appropriation during fiscal year 2003. The reduction was offset by growth in student FTE (1 full-time equivalent (FTE) equals 30 credit hours) enrollment of 6.1% in fiscal year 2004 and 10.7% in fiscal year 2003.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Management's Discussion and Analysis (Unaudited)

June 30, 2004 and 2003

**Condensed Summary of Revenues, Expenses,  
and Changes in Net Assets**

	<b>June 30</b>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenues:			
Tuition and fees, net	\$ 91,955,294	83,175,146	78,221,601
Grants and contracts	116,991,273	111,051,145	98,637,261
Auxiliary services, net	27,731,242	25,352,015	27,693,631
Other	5,899,041	7,212,847	7,752,498
Total operating revenues	<u>242,576,850</u>	<u>226,791,153</u>	<u>212,304,991</u>
Operating expenses:			
Instruction	175,858,587	177,446,584	161,581,731
Public service	2,636,774	2,596,578	3,433,085
Academic support	24,375,020	26,071,203	27,078,751
Student services	31,544,586	31,220,403	28,507,033
Institutional support	32,224,848	36,615,513	42,934,365
Operation and maintenance of plant	34,034,705	40,563,953	40,039,088
Scholarships and fellowships	26,864,413	25,925,497	23,315,349
Auxiliary enterprises	29,787,739	28,838,065	31,927,022
Depreciation	16,268,631	15,008,950	13,323,628
Total operating expenses	<u>373,595,303</u>	<u>384,286,746</u>	<u>372,140,052</u>
Operating loss	<u>(131,018,453)</u>	<u>(157,495,593)</u>	<u>(159,835,061)</u>
Nonoperating revenues:			
State appropriations	148,853,289	164,357,792	173,996,434
Distributions to local district colleges and area vocational schools	(19,543,862)	(23,311,739)	(25,010,111)
Other net nonoperating revenues	628,795	4,861,952	4,658,680
Net nonoperating revenues	<u>129,938,222</u>	<u>145,908,005</u>	<u>153,645,003</u>
Loss before other revenues, expenses, gains, or losses	(1,080,231)	(11,587,588)	(6,190,058)
State capital contributions	1,812,010	7,151,160	22,721,036
Capital grants and gifts	522,727	47,957	566,985
Increase (decrease) in net assets	1,254,506	(4,388,471)	17,097,963
Net assets:			
Beginning of year	<u>309,015,498</u>	<u>313,403,969</u>	<u>296,306,006</u>
End of year	<u>\$ 310,270,004</u>	<u>309,015,498</u>	<u>313,403,969</u>

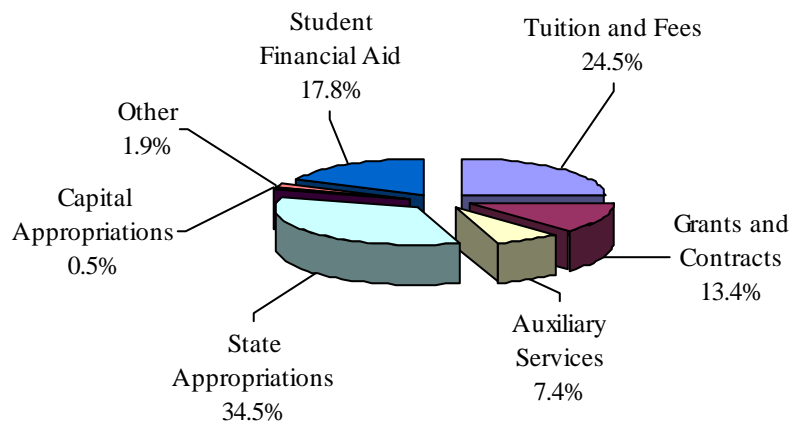
**COLORADO COMMUNITY COLLEGE SYSTEM**

Management's Discussion and Analysis (Unaudited)

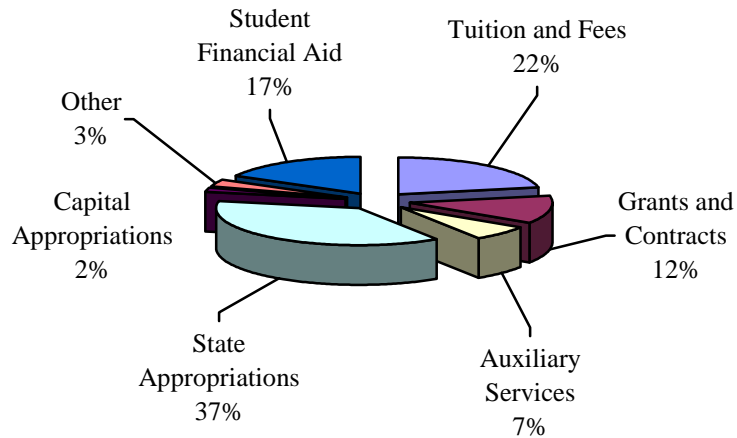
June 30, 2004 and 2003

The charts below give a summary of the total CCCS revenues and expenses with no delineation between operating and nonoperating revenue and expense streams.

**Sources of Revenue  
Fiscal Year 2004**



**Sources of Revenue  
Fiscal Year 2003**

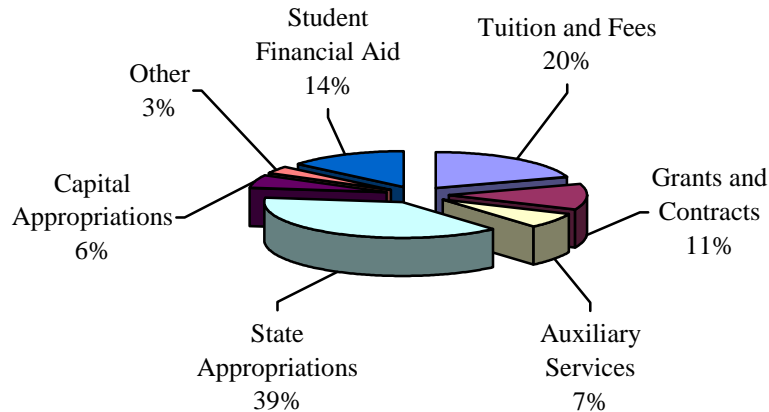


## COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis (Unaudited)

June 30, 2004 and 2003

### Sources of Revenue Fiscal Year 2002



As the above charts demonstrate, State appropriations are the largest revenue source for CCCS. The operating loss of approximately \$131 million in fiscal year 2004 and \$157 million in fiscal year 2003 noted above are the result of operating expenses exceeding operating revenues. CCCS uses state appropriations, which are classified as nonoperating revenues, to fund operations.

Revenue activity highlights for the fiscal year 2004 include:

- Tuition and fee revenue increased, net of the effect of scholarship allowances, by approximately \$8.8 million or 10.6%. This increase was due to increases of approximately 6.1% in full-time equivalent enrollments and an increase in tuition rates of approximately 5%.
- General state appropriations decreased by \$15.5 million or 9.4% due to state budget cuts.
- State capital appropriations decreased by \$5.3 million or 75% as a result of state revenue shortfalls limiting the State's ability to fund capital projects.
- Grants and contracts revenue increased approximately \$5.9 million or 5.4%. About half of this increase was due to increased financial aid related to increased student enrollments, and the other half was related to more grants being awarded to the System office and several colleges.
- Auxiliary enterprise revenue, net of scholarship allowances, increased by \$2.4 million or 9.4% due primarily to increased enrollment, rate changes, and the opening of new childcare facilities.

Revenue activity highlights for the fiscal year 2003 include:

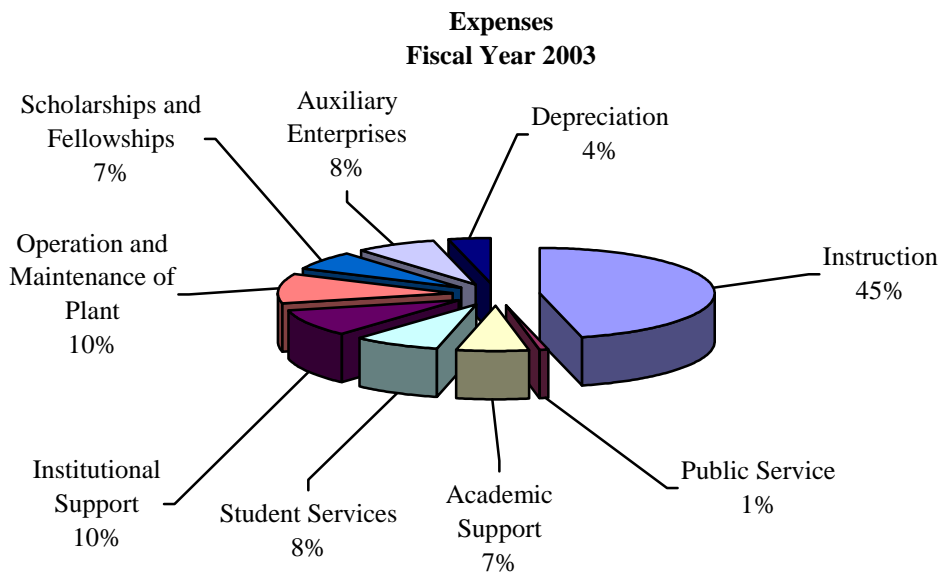
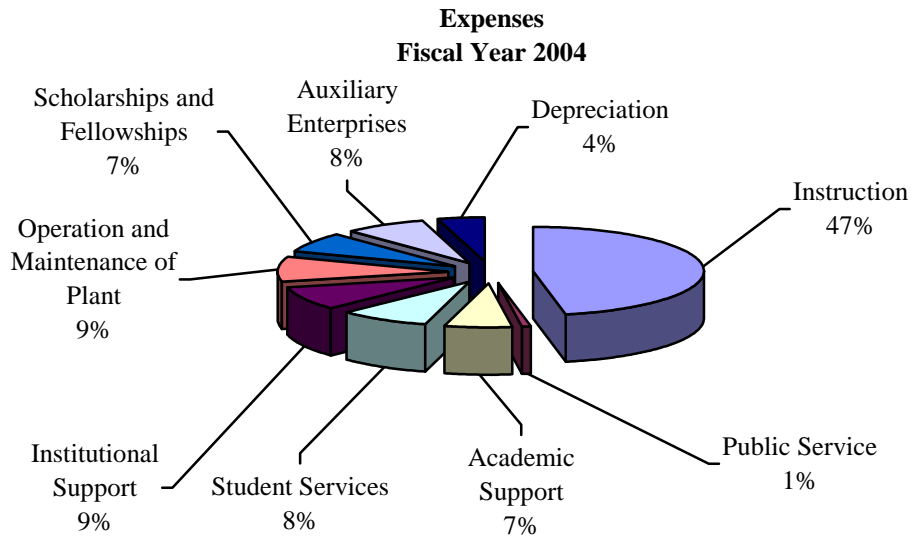
- Tuition and fee revenue increased, net of the effect of scholarship allowances, by approximately \$4.9 million or 6.3%. This increase was due to increases of approximately 10.7% in FTE enrollments and an increase in tuition rates of approximately 4.7%.
- General state appropriations decreased by \$9.6 million or 5.5%, after budget cuts of \$24 million or 15%.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Management's Discussion and Analysis (Unaudited)

June 30, 2004 and 2003

- State capital appropriations decreased by \$15.5 million or 68% as a result of state revenue shortfalls limiting the state's ability to fund capital projects.
- Grants and contracts revenue increased approximately \$12.4 million or 12.5% primarily due to increased student financial aid resulting from increased enrollments.

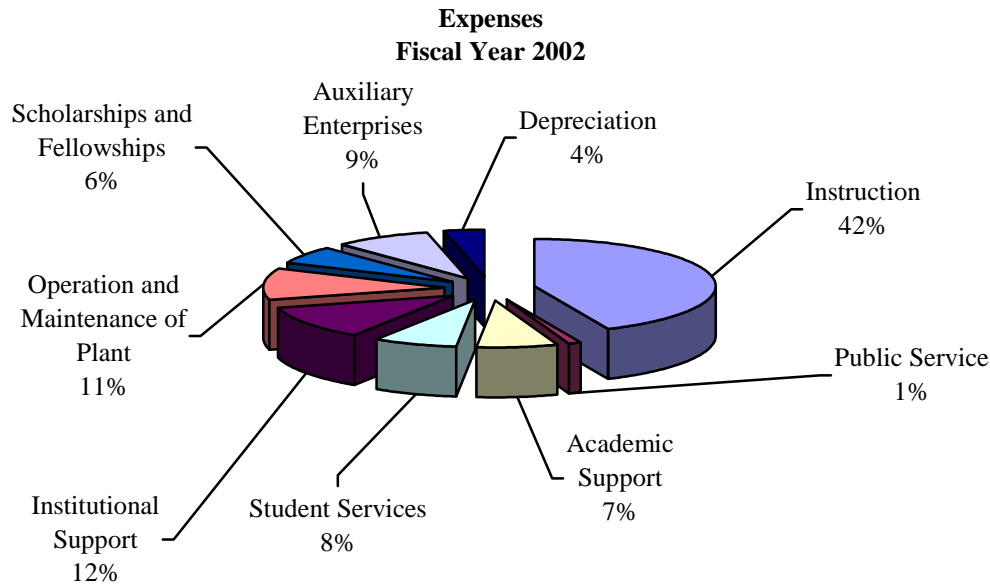




## COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis (Unaudited)

June 30, 2004 and 2003



Expense activity highlights for fiscal year 2004 include:

- Academic support expenses decreased by \$1.7 million or 6.5% due to reduced spending related to budget cuts.
- Decreases of approximately \$4.3 million or 12.0% in institutional support resulting from reductions of spending in response to state budget cuts.
- Operation and maintenance of plant expenses decreased by \$6.5 million or 16.1%. The decrease results from cuts in spending related to plant operations and construction projects.

Expense activity highlights for fiscal year 2003 include:

- Increases of approximately \$15.8 million or 9.8% in instructional expenses and increases of \$2.7 million or 9.5% in student services. Both these increases in spending are closely tied to enrollment increases of 10.7%.
- Decreases of approximately \$6.3 million or 14.7% in institutional support resulting from reductions of spending in response to state budget cuts.
- Scholarship and fellowship expenses increased by approximately \$2.6 million or 11% as a result of increased enrollments.
- Auxiliary enterprise expenses decreased by approximately \$3 million or 9.7% due to reduction in some auxiliary services due to slow economic growth, reclassification of some auxiliary expenses offset by expenses related to enrollment growth.

It is the nature of public higher education institutions to incur a loss from operations because the operating loss is reported before the state appropriation is taken into consideration. The System experienced a \$131 million loss from operations in fiscal year 2004 and a \$157 million loss from operations in fiscal year 2003. In fiscal year

**COLORADO COMMUNITY COLLEGE SYSTEM**

Management's Discussion and Analysis (Unaudited)

June 30, 2004 and 2003

2004, this operating loss was offset by net state appropriations of \$129 million and other nonoperating net revenues of \$3 million, including \$1.8 million in capital appropriations. In fiscal year 2003, this operating loss was offset by net state appropriations of \$141 million and other nonoperating net revenues of \$12 million, including \$7.1 million of capital appropriations.

**Capital Assets**

At June 30, 2004, CCCS had \$283,375,622 of capital assets, net of accumulated depreciation of \$181,098,916, including current year depreciation of \$16,268,631. At June 30, 2003, CCCS had \$286,661,962 of capital assets, net of accumulated depreciation of \$168,727,654, including depreciation expense of \$15,008,950. A breakdown of assets by category, net of accumulated depreciation, is provided below:

	<b>June 30</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Land	\$ 20,073,667	19,731,203	19,731,203
Land improvements	6,664,543	6,226,242	5,625,915
Buildings and improvements	229,433,009	232,861,398	200,758,957
Leasehold improvements	3,855,514	1,501,600	1,538,313
Construction in progress	7,700,749	8,841,494	48,480,792
Equipment	10,503,471	12,253,257	7,446,528
Library materials	4,540,481	4,648,580	4,294,523
Collections	604,188	598,188	538,188
Total capital assets	<u>\$ 283,375,622</u>	<u>286,661,962</u>	<u>288,414,419</u>

Major capital additions completed during fiscal year 2004 are as follows:

<u>College</u>	<u>Project</u>	<u>Cost</u> (In millions)	<u>Source of funding</u>
Front Range Community College	Boulder County Campus	\$ 2.6	Cash funds exempt
Pikes Peak Community College	Two Child Development Centers	3.4	Auxiliary revenue bonds

At June 30, 2004, there were no significant new building projects under construction.

**Debt**

CCCS had \$34,145,407 and \$35,370,953 in debt outstanding at June 30, 2004 and 2003, respectively.

In August 2004, Moody's affirmed the A2 rating on \$31 million of outstanding Systemwide revenue bonds, the A3 rating on the System's Series 2001A and 2002 lease revenue bonds, and the Baa1 rating on the Series 2001 lease revenue bonds (Headquarter's Project). The rating outlook for the Systemwide revenue bonds remains stable. The outlook on the System's other lease revenue bonds was changed from negative to stable, reflecting an improved operating environment.

## COLORADO COMMUNITY COLLEGE SYSTEM

Management's Discussion and Analysis (Unaudited)

June 30, 2004 and 2003

The breakdown of the debt follows:

	<b>June 30</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Auxiliary revenue bonds	\$ 20,017,171	20,953,530	18,320,000
Capital lease obligations	14,128,236	14,417,423	7,288,800
Total debt	\$ 34,145,407	35,370,953	25,608,800

### Colorado Community College System Future

The State's economic picture shows general fund revenues growing by 6.74% in fiscal year 2004. For fiscal year 2005, revenue growth is projected to be 3.5%. No reductions are anticipated for fiscal year 2005. (Source: June and September 2004 revenue forecast from Office of State Planning and Budgeting (OSPB)). However, due to structural issues within the State's general fund budget, specifically the combined impacts of the Taxpayer's Bill of Rights (TABOR) and Amendment 23, the vice chairman of the State's Joint Budget Committee anticipates the need for approximately \$263 million of additional general fund budget reductions in fiscal year 2006. It is not yet clear how much of these cuts will be imposed on Higher Education. TABOR has three major provisions that qualify it as a state tax and expenditure limit. First, it requires voter approval for tax increases. Second, it limits the amount of revenue the state may collect each year. Third, through its provision requiring voter approval to weaken an existing limit, it limits general fund appropriations. Amendment 23 guarantees a minimum increase in per pupil funding in the school finance act and for categorical programs. The amendment requires the general fund appropriation for state aid to increase by at least 5% annually, except when personal income increases less than 4.5%. (Source: House Joint Resolution 03-1033 Study TABOR, Amendment 23, the Gallagher Amendment, and Other Fiscal Issues.)

Even with positive general fund revenue growth projected for the State, it is unlikely there will be increased general fund support for the System, if not actual reductions. Enrollment, however, continues to grow for community colleges with an increase of 6.1% in fiscal year 2004 and a projected increase of 6.0% in fiscal year 2005. This additional tuition and fee revenue will help the System offset, to some degree, any general fund reduction in fiscal year 2006.

In fiscal year 2006, the State will implement a new funding methodology for higher education. Through the College Opportunity Fund, the System will receive State dollars via per-credit-hour stipends provided to students. Although it is anticipated that this new methodology will provide the same level of funding as in the past, unless there are reductions, there is some uncertainty as to the funding levels and enrollment growth on the availability of these stipend funds.

The System plans for the future will assume modest funding from the State with increased reliance on student tuition and fees along with other sources of outside revenues.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Statements of Net Assets

June 30, 2004 and 2003

<b>Assets</b>	<b>2004</b>	<b>2003</b>
Current assets:		
Cash and cash equivalents	\$ 86,311,947	78,268,808
Restricted cash and cash equivalents	106,783	4,001,097
Accounts receivable, net	26,603,485	25,346,740
Inventories	2,831,342	2,835,021
Prepaid expenses	5,855,459	4,886,273
Total current assets	<u>121,709,016</u>	<u>115,337,939</u>
Noncurrent assets:		
Restricted cash and cash equivalents	81,570	101,025
Restricted investments	3,043,418	2,623,222
Other assets	133,583	138,530
Capital assets, net	283,375,622	286,661,962
Total noncurrent assets	<u>286,634,193</u>	<u>289,524,739</u>
Total assets	<u>\$ 408,343,209</u>	<u>404,862,678</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 9,824,293	7,893,218
Accrued liabilities	22,607,306	23,437,804
Deferred revenue	9,820,030	9,023,164
Deposits held for others	9,690,731	7,135,585
Bonds payable, current portion	940,000	950,000
Capital leases payable to Component Unit, current portion	303,146	289,188
Other long-term liabilities, current portion	211,644	198,576
Compensated absence liabilities	69,807	118,965
Total current liabilities	<u>53,466,957</u>	<u>49,046,500</u>
Noncurrent liabilities:		
Bonds payable	19,077,171	20,003,530
Capital lease payable to Component Unit	13,825,090	14,128,235
Other long-term liabilities	1,783,217	2,020,471
Compensated absence liabilities	9,920,770	10,648,444
Total noncurrent liabilities	<u>44,606,248</u>	<u>46,800,680</u>
Total liabilities	<u>98,073,205</u>	<u>95,847,180</u>
Net assets:		
Invested in capital assets, net of related debt	249,355,846	254,366,247
Restricted for expendable purposes:		
Auxiliary pledged revenue	13,245,121	12,207,104
Scholarships/fellowships	398,271	243,209
Loans	1,192,933	1,237,897
Capital projects	40,000	40,000
Training programs	4,197,093	2,926,248
Other	428,145	3,340,240
Total restricted for expendable purposes	<u>19,501,563</u>	<u>19,994,698</u>
Unrestricted	<u>41,412,595</u>	<u>34,654,553</u>
Total net assets	<u>\$ 310,270,004</u>	<u>309,015,498</u>

See accompanying notes to basic financial statements.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Discretely Presented Component Units

Statements of Financial Position

June 30, 2004 and 2003

<b>Assets</b>	<b>2004</b>	<b>2003</b>
Cash and cash equivalents	\$ 5,119,924	5,585,130
Accounts and pledges receivable	841,728	1,760,530
Due from primary government	39,950	100,944
Investments	17,367,297	13,936,545
Investment in direct financing leases	14,520,000	14,930,000
Other assets	252,798	281,104
Capital assets, net of depreciation	<u>13,203,124</u>	<u>13,640,100</u>
Total assets	<u>\$ 51,344,821</u>	<u>50,234,353</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 254,801	786,037
Due to primary government	209,165	5,777
Accrued liabilities	283,045	254,222
Deferred revenue	868,531	831,133
Bonds payable	9,490,000	9,925,000
Other long-term liabilities	<u>15,057,159</u>	<u>15,390,097</u>
Total liabilities	<u>26,162,701</u>	<u>27,192,266</u>
Net assets:		
Unrestricted	7,213,962	5,720,453
Temporarily restricted	10,111,699	9,721,090
Permanently restricted	<u>7,856,459</u>	<u>7,600,544</u>
Total net assets	<u>25,182,120</u>	<u>23,042,087</u>
Total liabilities and net assets	<u>\$ 51,344,821</u>	<u>50,234,353</u>

See accompanying notes to basic financial statements.

## COLORADO COMMUNITY COLLEGE SYSTEM

### Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2004 and 2003

	<b>2004</b>	<b>2003</b>
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$35,799,460 in 2004 and \$33,293,860 in 2003	\$ 91,955,294	83,175,146
Grants and contracts	116,991,273	111,051,145
Gifts	567,285	289,129
Sales and services of educational activities	1,005,937	2,163,414
Auxiliary enterprises, net of scholarship allowances of \$6,583,588 in 2004 and \$5,826,195 in 2003	27,731,242	25,352,015
Other operating revenues	4,325,819	4,760,304
Total operating revenues	242,576,850	226,791,153
Operating expenses:		
Instruction	175,858,587	177,446,584
Public service	2,636,774	2,596,578
Academic support	24,375,020	26,071,203
Student services	31,544,586	31,220,403
Institutional support	32,224,848	36,615,513
Operation and maintenance of plant	34,034,705	40,563,953
Scholarships and fellowships	26,864,413	25,925,497
Auxiliary enterprises	29,787,739	28,838,065
Depreciation	16,268,631	15,008,950
Total operating expenses	373,595,303	384,286,746
Operating loss	(131,018,453)	(157,495,593)
Nonoperating revenues (expenses):		
State appropriations	148,853,289	164,357,792
Distributions to Local District College and Area Vocation Schools	(19,543,862)	(23,311,739)
Gifts	698,653	533,113
Investment income	(178,083)	5,307,676
Interest expense on capital debt	(1,270,075)	(1,243,137)
Gain (loss) on disposal of assets	1,190,109	(2,630,206)
Other nonoperating revenues	188,191	2,894,506
Net nonoperating revenues	129,938,222	145,908,005
Loss before other revenues, expenses, gains, or losses	(1,080,231)	(11,587,588)
Other revenues, expenses, gains, or losses:		
State capital contributions	1,812,010	7,151,160
Capital grants	433,355	—
Capital gifts	89,372	47,957
Increase (decrease) in net assets	1,254,506	(4,388,471)
Net assets, beginning of year	309,015,498	313,403,969
Net assets, end of year	\$ 310,270,004	309,015,498

See accompanying notes to basic financial statements.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Discretely Presented Component Units

Statement of Activities

Year ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues:				
Contributions	\$ 448,758	2,192,618	254,600	2,895,976
Grants	200,161	484,198	—	684,359
Investment income	2,044,601	350,886	1,315	2,396,802
Rental income	1,999,997	51,883	—	2,051,880
Special events	370,040	150,184	—	520,224
Net assets released from restrictions	2,872,726	(2,872,726)	—	—
Other income	368,800	33,566	—	402,366
Total revenues	<u>8,305,083</u>	<u>390,609</u>	<u>255,915</u>	<u>8,951,607</u>
Expenses:				
Program services	5,612,515	—	—	5,612,515
Fundraising services	338,733	—	—	338,733
Administrative services	860,326	—	—	860,326
Total expenses	<u>6,811,574</u>	<u>—</u>	<u>—</u>	<u>6,811,574</u>
Change in net assets	1,493,509	390,609	255,915	2,140,033
Net assets, beginning of year	<u>5,720,453</u>	<u>9,721,090</u>	<u>7,600,544</u>	<u>23,042,087</u>
Net assets, end of year	<u>\$ 7,213,962</u>	<u>10,111,699</u>	<u>7,856,459</u>	<u>25,182,120</u>

See accompanying notes to basic financial statements.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Discretely Presented Component Units

Statement of Activities

Year ended June 30, 2003

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Revenue, gains, and other support:				
Contributions	\$ 1,226,946	2,850,330	685,469	4,762,745
Grants	23,995	146,618	—	170,613
Investment income	510,345	72,945	5,641	588,931
Rental income	1,885,893	43,461	—	1,929,354
Special events	397,861	111,901	—	509,762
Net assets released from restrictions	2,225,581	(2,225,581)	—	—
Other income	43,886	(123,330)	44,862	(34,582)
<b>Total revenue, gains, and other support</b>	<b>6,314,507</b>	<b>876,344</b>	<b>735,972</b>	<b>7,926,823</b>
Expenses:				
Program service expenses	5,678,065	—	—	5,678,065
Fundraising expenses	329,765	—	—	329,765
Management and general expenses	883,441	—	—	883,441
<b>Total expenses</b>	<b>6,891,271</b>	<b>—</b>	<b>—</b>	<b>6,891,271</b>
<b>Change in net assets</b>	<b>(576,764)</b>	<b>876,344</b>	<b>735,972</b>	<b>1,035,552</b>
Net assets, beginning of year	6,297,217	8,844,746	6,864,572	22,006,535
Net assets, end of year	\$ <u>5,720,453</u>	<u>9,721,090</u>	<u>7,600,544</u>	<u>23,042,087</u>

See accompanying notes to basic financial statements.



**COLORADO COMMUNITY COLLEGE SYSTEM**

Statements of Cash Flows

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received:		
Tuition and fees	\$ 96,081,326	87,635,299
Student loans collected	180,411	137,085
Sales of products	13,514,900	13,756,648
Sales of services	16,352,022	29,747,633
Grants, contracts, and gifts	116,465,526	113,015,879
Other operating receipts	5,178,867	4,901,207
Cash payments:		
Scholarships disbursed	(23,900,860)	(28,902,590)
Student loans disbursed	(176,627)	(240,938)
Payments for employees	(210,230,539)	(203,833,281)
Payments to suppliers	(126,591,798)	(131,340,206)
Other operating payments	(82,637)	(7,300,406)
Net cash used by operating activities	<u>(113,209,409)</u>	<u>(122,423,670)</u>
Cash flows from noncapital financing activities:		
State appropriations – noncapital	148,853,289	164,357,792
Distributions to Local District College and Area Vocation Schools	(19,543,862)	(23,311,739)
Gifts and grants for other than capital purposes	1,039,157	683,314
Agency (direct lending inflows)	348,026	11,630,424
Agency (direct lending outflows)	(343,033)	(11,569,585)
Other agency (inflows)	19,816,433	14,193,024
Other agency (outflows)	(20,066,966)	(13,445,219)
Net cash provided by noncapital financing activities	<u>130,103,044</u>	<u>142,538,011</u>
Cash flows from capital and related financing activities:		
State appropriations – capital	671,922	3,529,951
Capital grants, contracts, and gifts	442,273	46,384
Proceeds from capital debt	—	3,526,000
Proceeds from sale of capital assets	1,230,852	34,669
Acquisition and construction of capital assets	(11,966,509)	(7,982,675)
Principal paid on capital debt	(1,246,408)	(981,221)
Interest on capital debt	(1,298,116)	(1,255,713)
Net cash used by capital and related financing activities	<u>(12,165,986)</u>	<u>(3,082,605)</u>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	—	250,918
Investment earnings	(178,083)	5,307,676
Purchase of investments	(420,196)	—
Net cash provided (used) by investing activities	<u>(598,279)</u>	<u>5,558,594</u>
Net increase in cash and cash equivalents	4,129,370	22,590,330
Cash and cash equivalents, beginning of the year	<u>82,370,930</u>	<u>59,780,600</u>
Cash and cash equivalents, end of the year	<u>\$ 86,500,300</u>	<u>82,370,930</u>

**COLORADO COMMUNITY COLLEGE SYSTEM**

Statements of Cash Flows

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (131,018,453)	(157,495,593)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	16,268,631	15,008,950
Increase in other nonoperating assets	360,981	8,550,564
Decrease (increase) in assets:		
Receivables, net	(336,724)	(2,420,850)
Inventory and prepaids	(1,219,325)	1,175,890
Other assets	217,436	—
Increase (decrease) in liabilities:		
Accounts payable	542,078	(2,102,254)
Accrued liabilities	(663,591)	16,164,566
Deferred revenues	987,781	1,625,101
Deposits held for others	2,739,493	(306,772)
Compensated absence liabilities	(805,491)	(519,725)
Other liabilities	(282,225)	(2,103,547)
Net cash used by operating activities	<u>\$ (113,209,409)</u>	<u>(122,423,670)</u>
Noncash investing, capital, and noncapital financing activities:		
Acquisitions of capital assets	\$ 1,149,305	3,621,209
Equipment donations and capital gifts	65,236	1,575
Loss on disposal of capital assets	24,243	—
Capital leases	—	7,172,679

See accompanying notes to basic financial statements.

# COLORADO COMMUNITY COLLEGE SYSTEM

## Notes to Basic Financial Statements

June 30, 2004 and 2003

### (1) Governance and Reporting Entity

The Colorado Community College System (CCCS or the System) is governed by the State Board for Community Colleges and Occupational Education (SBCCOE). The nine board members are appointed for staggered four-year terms by the Governor with consent of the State Senate. The SBCCOE governs the 13 state system colleges, Lowry Campus, and administers vocational-technical education funds distributed to the two local district colleges, legislated area vocational schools, and school districts offering vocational programs.

The CCCS is an institution of higher education of the state of Colorado. For financial reporting purposes, the CCCS is included as part of the state of Colorado's reporting entity. CCCS' operations and activities are funded primarily through state appropriations, federal, state, and local grants, and tuition revenue. Pursuant to Colorado Revised Statute (CRS) 23-1-104, state appropriations for the operation of CCCS are made to the SBCCOE, which is responsible for the allocation to the individual colleges. In addition, the SBCCOE receives and distributes state appropriations for local district colleges, area vocational schools, and school districts in Colorado.

Accordingly, the accompanying basic financial statements contain the operations of the System office, Lowry Campus, and the following 13 colleges. All significant intercampus accounts and transactions have been eliminated.

- Arapahoe Community College
- Colorado Northwestern Community College
- Community College of Aurora
- Community College of Denver
- Front Range Community College
- Lamar Community College
- Morgan Community College
- Northeastern Junior College
- Otero Junior College
- Pikes Peak Community College
- Pueblo Community College
- Red Rocks Community College
- Trinidad State Junior College

As an institution of higher education in the state of Colorado, the income of CCCS is generally exempt from income taxes under Section 115 of the Internal Revenue Code. However, income unrelated to the exempt purpose of CCCS would be subject to tax under Section 511(a)(2)(B). CCCS management does not believe there is any material unrelated income in the years ended June 30, 2004 or 2003.

## COLORADO COMMUNITY COLLEGE SYSTEM

### Notes to Basic Financial Statements

June 30, 2004 and 2003

During fiscal year 2004, CCCS implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

A legally separate, tax-exempt foundation has been created for the System office and each of the 13 colleges. While not all of the foundations are materially significant, as a matter of consistency, they have all been included as tax-exempt component units of CCCS. The foundations were created to promote the welfare and future development of the colleges by providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities. Their major sources of revenue include donations, interest and dividends earned on bank accounts and investments, leases, a matching grant from the Department of Education, and fund-raising events. The foundations act primarily as fund-raising organizations to supplement the resources that are available to CCCS in support of its programs. Although CCCS does not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, that the foundations hold and invest are restricted to the activities of CCCS by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of, the university, the foundations are considered component units of CCCS and are discretely presented in CCCS' basic financial statements.

Complete financial statements for the foundations can be obtained from the Division of System Advancement at the Colorado Community College System at 303-595-1607 or by writing to:

Colorado Community College System  
Division of System Advancement  
9101 E. Lowry Blvd.  
Denver, CO 80230

The SBCCOE Employee Benefit Trust Fund (the Trust) is included in the accompanying basic financial statements as a component unit. The Trust was established on February 1, 1983 as a legally and financially independent entity whose governing committee is appointed by the SBCCOE. The Trust was established to provide benefits under the Health & Welfare Program, which benefits may include, as determined by the Trust committee, life, accidental death and dismemberment, short-term and/or long-term disability, basic or major medical, dental, or other sick or accident benefits, and any other benefits as determined by the Trustee committee, provided that such other benefits are permissible under Section 501(c)(9) of the Internal Revenue Code for employees and their dependent families; whether through self-funded or insured programs, or both. The Trust is a 501(c)(3) not-for-profit corporation. The appointment of the governing committee and the benefits provided to employees require that the financial activities of the Trust be blended into the basic financial statements of CCCS under GASB Statement No. 14. Separate unaudited financial statements of the Trust are available upon request.

#### (2) **Basis of Presentation**

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

# COLORADO COMMUNITY COLLEGE SYSTEM

## Notes to Basic Financial Statements

June 30, 2004 and 2003

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

### (3) Measurement Focus, Basis of Accounting, and Summary of Significant Accounting Policies

For financial reporting purposes, the CCCS is considered a special-purpose government engaged only in business-type activities. Accordingly, the CCCS' basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Presentation is also in accordance with the state of Colorado Higher Education Accounting Standard No. 17 (HEAS#17). Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when obligations are incurred. All significant intracampus accounts and transactions have been eliminated.

#### (a) *Cash and Cash Equivalents*

Cash and cash equivalents are defined as cash on hand, cash in checking accounts, demand deposits, certificates of deposit (disregarding maturity date) with financial institutions, pooled cash with the State Treasurer, and all highly liquid investments with an original maturity of three months or less.

#### (b) *Accounts Receivable*

Accounts receivable result primarily from tuition, fees, other charges to students, and grants.

#### (c) *Investments*

Investments are reported at fair value, which is determined based on quoted market prices.

#### (d) *Restricted Cash and Cash Equivalents and Restricted Investments*

Restricted cash and cash equivalents and restricted investments primarily represent monies restricted for Trust benefits and excess pledged revenues.

#### (e) *Inventories*

Inventories and supplies are accounted for using the purchase method. Cost is determined using the first-in, first-out method.

#### (f) *Capital Assets*

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The CCCS uses a capitalization threshold of \$5,000 and estimated useful lives in accordance with the State Fiscal Procedures Manual. The CCCS' estimated useful lives are as follows: 20-50 years for buildings, 20-40 years for improvements other than buildings, 3-10 years for equipment, and 7-15 years for library materials. Depreciation expense was not allocated among functional categories.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life.

## COLORADO COMMUNITY COLLEGE SYSTEM

### Notes to Basic Financial Statements

June 30, 2004 and 2003

**(g) Deposits Held for Others**

Deposits held for others include accounts payable to third parties (on behalf of others), and balances representing the net assets owed to the individual or organization for which CCCS is acting as custodian.

CCCS participates in the federal government's Direct Loan Program, which provides loans to qualifying students. While CCCS assists students in obtaining these loans, CCCS is not a party to the loans and is not responsible for collection of monies owed or for default by borrowers. The U.S. Department of Education performs these functions.

CCCS accounts for its direct loans in an internal agency fund. The amounts of direct loans for the 13 CCCS colleges participating in the program were approximately \$343,000 in 2004 and \$11,600,000 in 2003.

**(h) Accrued Liabilities**

Accrued liabilities primarily represent accrued payroll and benefits payable July 1, 2004.

**(i) Compensated Absence Liabilities**

The current portion of compensated absence liabilities is the portion that will be paid out within one year. CCCS only records the portion of compensated absences associated with individuals who have formally given notice, but have not yet been paid at June 30, 2004 or 2003 as the current portion of the compensated absence liabilities.

**(j) Net Assets**

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.
- Restricted: Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the college or by the passage of time.
- Unrestricted: All other categories of net assets. Unrestricted net assets may be designated by actions of the SBCCOE.

**(k) Classification of Revenues and Expenses**

The CCCS has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- Operating revenues and expenses: Operating revenues and expenses generally result from providing goods and services for instruction, public service, or related support services to an individual or entity separate from CCCS.

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- Nonoperating revenues and expenses: Nonoperating revenues and expenses are those that do not meet the definition of operating. Nonoperating revenues include state appropriations for operations, gifts, investment income, and insurance reimbursement revenue. Nonoperating expense includes interest expense.
- Other revenues, expenses, gains, and losses include state capital construction and controlled maintenance appropriations, gifts, and grants primarily designated for capital purposes.

**(l) *Summer Session Revenues and Related Expenses***

CCCS prorates the summer session revenues and direct instructional expenses based on percentage of total calendar days before June 30 to total calendar days in the selected primary summer term.

**(m) *Application of Restricted and Unrestricted Resources***

CCCS' policy is to apply an expense against restricted resources first, then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

**(n) *Scholarship Allowances***

CCCS calculates scholarship allowances on a student-by-student basis.

**(o) *Use of Estimates***

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

**(p) *Reclassifications***

Prior year amounts have been reclassified to conform to the current year presentation.

**(4) *Appropriations***

The Colorado State Legislature establishes spending authority for CCCS 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, which are recognized in various revenue categories, as appropriate, in the accompanying statements of revenues, expenses, and changes in net assets. Nonappropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, and other revenue sources.

For the years ended June 30, 2004 and 2003 appropriated expenditures were within authorized spending authority. CCCS received a total general fund appropriation of \$148,853,289 and \$164,357,792, respectively, for 2004 and 2003. Included in the general fund appropriations are \$19,543,862 and \$23,311,739 of state appropriations specified to be passed through to two Local District Colleges and four Area Vocational Schools: \$11,038,334 and \$13,115,457 for Local District Colleges and \$8,505,528 and \$10,196,282 for Area Vocational Schools. CCCS also received capital contributions of \$1,812,010 in 2004 and \$7,151,160 in 2003.

**COLORADO COMMUNITY COLLEGE SYSTEM**

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**(5) Tuition, Fees, and Auxiliary Revenue**

CCCS receives revenue from several sources that is restricted for student scholarships and financial aid. In addition, CCCS allocates unrestricted revenue for student financial aid. To the extent that these resources are used to pay student charges, CCCS records a scholarship allowance against tuition, fees, and auxiliary revenue.

Tuition, fees, and auxiliary revenue and the related scholarship allowance for the year ended June 30, 2004 were as follows:

	<u>Tuition fees</u>	<u>Auxiliary revenue</u>	<u>Total</u>
Gross revenue	\$ 127,754,755	34,314,830	162,069,585
Scholarship allowances:			
Federal	(25,377,419)	(4,564,747)	(29,942,166)
State	(7,578,808)	(1,358,383)	(8,937,191)
Private	(826,595)	(119,713)	(946,308)
Institutional	<u>(2,016,638)</u>	<u>(540,745)</u>	<u>(2,557,383)</u>
Total allowances	<u>(35,799,460)</u>	<u>(6,583,588)</u>	<u>(42,383,048)</u>
Net revenue	\$ <u>91,955,295</u>	<u>27,731,242</u>	<u>119,686,537</u>

Tuition, fees, and auxiliary revenue and the related scholarship allowance for the year ended June 30, 2003 were as follows:

	<u>Tuition fees</u>	<u>Auxiliary revenue</u>	<u>Total</u>
Gross revenue	\$ 116,469,006	31,178,210	147,647,216
Scholarship allowances:			
Federal	(20,661,264)	(3,045,871)	(23,707,135)
State	(9,341,715)	(1,482,365)	(10,824,080)
Private	(514,141)	(71,533)	(585,674)
Institutional	<u>(2,776,740)</u>	<u>(1,226,426)</u>	<u>(4,003,166)</u>
Total allowances	<u>(33,293,860)</u>	<u>(5,826,195)</u>	<u>(39,120,055)</u>
Net revenue	\$ <u>83,175,146</u>	<u>25,352,015</u>	<u>108,527,161</u>

**(6) Deposits and Investments**

**(a) Cash Deposits**

CCCS deposits cash with the State Treasurer as required by CRS. The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. CCCS reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pool. All of



## COLORADO COMMUNITY COLLEGE SYSTEM

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the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2004 and 2003. 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. Additional information on the Treasurer's pool may be obtained in the State's Comprehensive Annual Financial Report.

CCCS accounts for investments held with the State Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The net unrealized gain for fiscal years 2004 and 2003 of \$627,325 and \$3,296,003, respectively, is included in cash and cash equivalents on the statements of net assets.

At June 30, 2004 and 2003, CCCS had \$84,376,441 and \$77,115,347, respectively, on deposit with the State Treasurer that is net of Colorado Financial Reporting System (COFRS) warrants payable. This amount is net of any deficit cash balances of individual colleges with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. Custodial credit risk classifications for amounts held by the State Treasurer is not available at the CCCS level. In addition, at June 30, 2004 and 2003, respectively, CCCS had other cash or cash equivalents on deposit in banks or savings and loans with carrying amounts of \$1,255,295 and \$988,994 and bank balances of \$1,222,825 and \$1,006,729. Of the bank balances, \$1,160,943 and \$819,285 was insured or covered by collateral held in the pledging institution's trust department in the name of the public deposit pool as required by the Colorado Public Deposit Protection Act, and \$61,882 and \$187,444 was uninsured and uncollateralized. CCCS also has cash on hand of \$176,087 and \$367,436, respectively, at June 30, 2004 and 2003. In addition, the Trust has cash and cash equivalents of \$65,152 and \$603,150 and bank balances of \$65,152 and \$7,383, at June 30, 2004 and 2003, respectively. Of the bank balances, all amounts were covered by collateral held in the Trust's name.

**(b) Investments**

The Trust holds category three investments of \$3,043,418 and \$2,623,222 as of June 30, 2004 and 2003, respectively, which includes \$253,325 and \$196,750 of U.S. government securities, \$1,057,451 and \$1,425,731 of corporate bonds, and \$1,732,642 and \$1,000,741 of common stocks. Category 3 investments include uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in CCCS' name.

**(7) Accounts Receivable, Accounts Payable, and Accrued Liabilities**

Accounts receivable at June 30, 2004 are as follows:

	<b>Gross receivables</b>	<b>Allowance for uncollectible accounts</b>	<b>Net receivables</b>
Student accounts receivable	\$ 16,268,704	(5,433,597)	10,835,107
Due from other governments	10,546,161	—	10,546,161
Other receivables	5,391,277	(169,060)	5,222,217
Total receivables	\$ 32,206,142	(5,602,657)	26,603,485

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Notes to Basic Financial Statements

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Accounts receivable at June 30, 2003 are as follows:

	<u>Gross receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
Student accounts receivable	\$ 14,848,923	(4,204,835)	10,644,088
Due from other governments	9,574,494	—	9,574,494
Other receivables	<u>5,345,579</u>	<u>(217,421)</u>	<u>5,128,158</u>
Total receivables	\$ <u>29,768,996</u>	<u>(4,422,256)</u>	<u>25,346,740</u>

Accounts payable and accrued liabilities at June 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Accounts payable, vendors	\$ 9,824,293	7,893,218
Salaries and benefits payable	22,043,956	23,042,644
Accrued interest payable	105,990	132,064
Other payables	<u>457,390</u>	<u>263,096</u>
Total payables	\$ <u>32,431,629</u>	<u>31,331,022</u>

**COLORADO COMMUNITY COLLEGE SYSTEM**

Notes to Basic Financial Statements

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**(8) Capital Assets**

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2004:

	<b>Balance July 1, 2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2004</b>
Nondepreciable capital assets:					
Land and land improvements	\$ 19,731,203	—	—	342,464	20,073,667
Construction in progress	8,841,494	9,071,770	(9,180)	(10,203,337)	7,700,747
Collections	598,188	6,000	—	—	604,188
<b>Total nondepreciable capital assets</b>	<b>29,170,885</b>	<b>9,077,770</b>	<b>(9,180)</b>	<b>(9,860,873)</b>	<b>28,378,602</b>
Depreciable capital assets:					
Land improvements	10,920,624	547,309	—	376,377	11,844,310
Buildings and improvements	367,587,667	859,242	(358,119)	6,860,145	374,948,935
Leasehold improvements	1,723,219	—	—	2,624,351	4,347,570
Equipment	33,401,308	2,097,786	(2,961,871)	—	32,537,223
Library materials	12,585,912	672,142	(840,156)	—	12,417,898
<b>Total depreciable capital assets</b>	<b>426,218,730</b>	<b>4,176,479</b>	<b>(4,160,146)</b>	<b>9,860,873</b>	<b>436,095,936</b>
Less accumulated depreciation:					
Land improvements	4,694,382	485,385	—	—	5,179,767
Buildings and improvements	134,726,269	11,136,983	(347,328)	—	145,515,924
Leasehold improvements	221,619	270,437	—	—	492,056
Equipment	21,148,051	3,648,414	(2,762,713)	—	22,033,752
Library materials	7,937,332	692,524	(752,439)	—	7,877,417
<b>Total accumulated depreciation</b>	<b>168,727,653</b>	<b>16,233,743</b>	<b>(3,862,480)</b>	<b>—</b>	<b>181,098,916</b>
<b>Net depreciable capital assets</b>	<b>257,491,077</b>	<b>(12,057,264)</b>	<b>(297,666)</b>	<b>9,860,873</b>	<b>254,997,020</b>
<b>Total capital assets, net</b>	<b>\$ 286,661,962</b>	<b>(2,979,494)</b>	<b>(306,846)</b>	<b>—</b>	<b>283,375,622</b>

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The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2003:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2003</u>
Nondepreciable capital assets:					
Land and land improvements	\$ 19,731,203	—	—	—	19,731,203
Construction in progress	48,480,792	11,024,261	(5,430,656)	(45,232,903)	8,841,494
Collections	538,188	60,000	—	—	598,188
Total nondepreciable capital assets	<u>68,750,183</u>	<u>11,084,261</u>	<u>(5,430,656)</u>	<u>(45,232,903)</u>	<u>29,170,885</u>
Depreciable capital assets:					
Land improvements	9,789,621	118,615	—	1,012,388	10,920,624
Buildings and improvements	329,236,178	9,145,499	(8,149,252)	37,355,242	367,587,667
Leasehold improvements	1,723,219	—	—	—	1,723,219
Equipment	27,910,607	1,417,606	(2,741,304)	6,814,399	33,401,308
Library materials	13,039,667	677,838	(1,182,468)	50,874	12,585,911
Total depreciable capital assets	<u>381,699,292</u>	<u>11,359,558</u>	<u>(12,073,024)</u>	<u>45,232,903</u>	<u>426,218,729</u>
Less accumulated depreciation:					
Land improvements	4,163,706	530,676	—	—	4,694,382
Buildings and improvements	128,477,221	10,254,909	(4,005,861)	—	134,726,269
Leasehold improvements	184,906	36,713	—	—	221,619
Equipment	20,464,079	3,787,380	(3,103,408)	—	21,148,051
Library materials	8,745,144	399,270	(1,207,083)	—	7,937,331
Total accumulated depreciation	<u>162,035,056</u>	<u>15,008,948</u>	<u>(8,316,352)</u>	<u>—</u>	<u>168,727,652</u>
Net depreciable capital assets	<u>219,664,236</u>	<u>(3,649,390)</u>	<u>(3,756,672)</u>	<u>45,232,903</u>	<u>257,491,077</u>
Total capital assets, net	\$ <u>288,414,419</u>	<u>7,434,871</u>	<u>(9,187,328)</u>	<u>—</u>	<u>286,661,962</u>

**(9) Long-Term Liabilities**

The following presents changes in long-term liabilities at June 30, 2004:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Current portion</u>
Revenue bonds payable	\$ 20,953,530	—	(936,359)	20,017,171	940,000
Capital leases payable	14,417,423	—	(289,187)	14,128,236	303,146
Other long-term liabilities	2,219,047	—	(224,186)	1,994,861	211,644
Compensated absence liabilities	10,767,409	205,738	(982,570)	9,990,577	69,807

**COLORADO COMMUNITY COLLEGE SYSTEM**

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The following presents changes in long-term liabilities at June 30, 2003:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>	<u>Current portion</u>
Revenue bonds payable	\$ 18,320,000	4,900,000	(2,266,470)	20,953,530	950,000
Capital leases payable	7,288,800	7,164,685	(36,062)	14,417,423	289,188
Other long-term liabilities	14,883	2,404,164	(200,000)	2,219,047	198,576
Compensated absence liabilities	11,199,683	222,525	(654,799)	10,767,409	118,965

**(10) Bonds Payable**

*(a) Systemwide Revenue Bonds*

The State's Department of Higher Education, through the SBCCOE, issued revenue bonds in 1995, 1996, 1997, 1998, 1999, and 2003 known as Systemwide Revenue Bonds. A total of \$29,755,000 of Systemwide Revenue Bonds have been issued.

**Series 1995 Bonds**

The Series 1995 Front Range Community College – Westminster Campus Project revenue bonds, for \$3,900,000, were issued on June 27, 1995 and dated June 15, 1995. Interest is payable semiannually on May 1 and November 1. The final maturity of the bonds is November 1, 2015.

The Series 1995, Red Rocks Community College project revenue bonds for \$3,080,000 were issued on March 7, 1995 and dated March 1, 1995. Interest is payable semiannually on May 1 and November 1. The bonds were advance refunded on February 18, 1999.

Front Range Community College	\$ 3,900,000
Red Rocks Community College	<u>3,080,000</u>
	<u>\$ 6,980,000</u>

**Series 1996 Bonds**

The Series 1996 revenue bonds, for \$4,150,000, were issued on June 27, 1996 and dated June 15, 1996. Interest is payable semiannually on May 1 and November 1. The final maturity of the bonds is November 1, 2015. Pikes Peak Community College's portion of \$1,175,000 was refunded in June 2003. The principal of the Series 1996 November issue was distributed between the colleges as follows:

Front Range Community College – Larimer Campus Project	\$ 2,595,000
Red Rocks Community College – North Campus Project	<u>1,555,000</u>
	<u>\$ 4,150,000</u>

**COLORADO COMMUNITY COLLEGE SYSTEM**

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**Series 1997 Bonds**

The Series 1997 Northeastern Junior College dormitory project revenue bonds for \$2,465,000 were issued on March 6, 1997 and dated March 1, 1997. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2019. In December 1997, a total of \$495,000 was refunded. The refunding reduced the bond liability to \$1,970,000.

The Series 1997 revenue bonds for \$2,880,000 were issued on December 18, 1997 and dated December 15, 1997. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2019. The principal of the Series 1997 issue was distributed among the colleges as follows:

Community College of Aurora	\$	1,295,000
Northeastern Junior College		540,000
Trinidad State Junior College		1,045,000
		<u>1,045,000</u>
	\$	<u>2,880,000</u>

**Series 1998 Bonds**

The Series 1998 revenue bonds for \$1,630,000 were issued on June 17, 1998 and dated June 1, 1998. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2018. The principal of the Series 1998 issue was distributed between the colleges as follows:

Morgan Community College	\$	580,000
Northeastern Junior College		1,050,000
		<u>1,050,000</u>
	\$	<u>1,630,000</u>

**Series 1999 Bonds**

The Series 1999 revenue bonds for \$6,750,000 were issued on February 18, 1999. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2019. The principal of the Series 1999 issue was distributed between the colleges as follows:

Pueblo Community College	\$	3,490,000
Red Rocks Community College		3,260,000
		<u>3,260,000</u>
	\$	<u>6,750,000</u>

**Series 2003 Bonds**

The Series 2003 revenue bonds for \$4,900,000 were issued on June 19, 2003. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2031. The principal of the Series 2003 issue was used to refund the Pikes Peak Community College portion of the Series 1996 bonds and to build two new Child Development Centers for Pikes Peak Community College.

## COLORADO COMMUNITY COLLEGE SYSTEM

### Notes to Basic Financial Statements

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**(b) Advance Refunding**

In fiscal year 1998, Northeastern Junior College systemwide revenue bonds were advance refunded.

In fiscal year 1999, Pueblo Community College and Red Rocks Community College systemwide revenue bonds were advance refunded. Proceeds of the new bonds were placed in an escrow fund for all future debt service payments on the old bonds. In fiscal year 2003, Pikes Peak Community College systemwide revenue bonds were advance refunded. A portion of the Series 2003 bonds was placed in an escrow fund for all future debt service payments on the old bonds.

On June 30, 2004 \$8,570,000 of bonds outstanding are considered advance refunded and not included in the accompanying basic financial statements.

**(c) Security**

The bonds are special obligations of CCCS payable from certain Net Pledged Revenues as defined in the bond indentures. The bonds are payable solely out of and secured by an irrevocable pledge of all income or monies derived from the Auxiliary Facilities (defined below) after deduction of operating and maintenance expenses, including, without limitation, student fees and other fees, rates, and charges pertaining thereto and for the development thereof and may include, at the System Board's discretion, any grants, appropriations, or other donations from the United States or its agencies or from any other donor, except the state or its agencies or political subdivisions.

Auxiliary Facilities include housing facilities; food service facilities; student union and other student activities facilities; store or other facilities for the sale or lease of books, supplies, etc.; recreational or athletic facilities; parking lots or facilities; properties providing heat or other utility; and other miscellaneous unrestricted sources of income related to the Auxiliary Facilities.

**(d) Earnings Requirement**

Under the terms of the bond indentures, CCCS must adopt fees, rates, rents, and charges sufficient to budget annual Net Pledged Revenues of at least 125% of the debt service due that fiscal year. Management believes it is in compliance with the earnings requirement provision of the bond indentures.

Total gross revenue pledged for bonds was \$32,266,258 and \$28,897,293 for fiscal year 2004 and 2003, respectively. These amounts consisted of \$4,094,854 and \$3,621,946 of student tuition and fees, \$28,023,020 and \$25,166,678 of auxiliary enterprise revenue, and \$148,384 and \$108,669 of other revenues, respectively.

**(e) Minimum Bond Reserve Requirement**

Pursuant to the bond indentures, the System must fund a minimum bond reserve equal at any time to the average annual principal and interest requirements. The reserve fund, or a Qualified Surety Bond, shall equal the minimum bond reserve. All systemwide bond issues currently have surety bonds to guarantee the reserve requirement. Management believes the purchase of a surety bond is in compliance with the bond resolution and guarantees the minimum bond reserve requirement for all issues.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Notes to Basic Financial Statements

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**(f) Mandatory Sinking Fund Redemption**

Each bond issue is subject to mandatory sinking fund redemptions by lot, on the dates and in principal amounts as specified in each bond resolution, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. The principal amounts vary by issue.

**(g) Bond Accounting**

The bond accounts are maintained by each of the participating colleges. Each college maintains accounts for its portion of the bonds. All financial transactions have been recorded and reported in the basic financial statements. All of the System's colleges maintain separate accounts for the auxiliary facilities whose revenues are pledged to bond issues. The individual college accounts are included in for the systemwide basic financial statements and bond reporting.

**(h) Long-Term Bond Principal Maturities**

Bond principal payments to be made during fiscal years through 2009 are enumerated in the following tables:

Bond issue	Principal maturing in next five years by year				
	FY05	FY06	FY07	FY08	FY09
Series 1995:					
Front Range Community College – Westminster	\$ 170,000	180,000	190,000	200,000	210,000
Series 1996:					
Front Range – Larimer	115,000	120,000	125,000	130,000	135,000
Series 1997:					
Northeastern Junior College	65,000	70,000	75,000	80,000	80,000
Community College of Aurora	45,000	45,000	50,000	50,000	55,000
Northeastern Junior College	20,000	20,000	20,000	20,000	25,000
Trinidad State Junior College	45,000	45,000	45,000	50,000	50,000
Series 1998:					
Morgan Community College	20,000	25,000	25,000	25,000	25,000
Northeastern Junior College	40,000	40,000	45,000	45,000	45,000
Series 1999:					
Pueblo Community College	165,000	165,000	175,000	185,000	185,000
Red Rocks Community College	120,000	125,000	130,000	135,000	145,000
Series 2003:					
Pikes Peak Community College	135,000	135,000	135,000	140,000	140,000
Total revenue bonds payable	940,000	970,000	1,015,000	1,060,000	1,095,000
Interest	938,864	899,378	857,544	812,623	763,890
Total annual debt service	\$ 1,878,864	1,869,378	1,872,544	1,872,623	1,858,890



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Notes to Basic Financial Statements

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Bond debt service payments from 2010 to maturity are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-2014	\$ 6,365,000	2,952,902	9,317,902
2015-2019	5,710,000	1,350,292	7,060,292
2020-2024	1,580,000	489,196	2,069,196
2025-2029	1,305,000	169,647	1,474,647
2030-2031	150,000	6,188	156,188

	<u>Revenue bonds outstanding June 30, 2004</u>	<u>Interest rate</u>	<u>Maximum annual principal</u>	<u>Callable</u>	<u>Call premium</u>	<u>Final payment</u>
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds:						
Series 1995:						
Front Range – Westminster	\$ 2,790,000	4.0% to 5.7%	\$ 310,000	Yes	None	11/1/2015
Series 1996:						
Front Range – Larimer	1,855,000	3.75% to 5.87%	210,000	Yes	None	11/1/2015
Series 1997:						
Northeastern Junior College *	1,625,000	3.75% to 5.5%	150,000	Yes	None	11/1/2019
Community College of Aurora	1,050,000	3.85% to 5.125%	95,000	Yes	None	11/1/2019
Northeastern Junior College	445,000	3.85% to 5.125%	40,000	Yes	None	11/1/2019
Trinidad State Junior College	825,000	3.85% to 5.125%	80,000	Yes	None	11/1/2017
Series 1998:						
Morgan Community College	480,000	3.90% to 5.0%	45,000	Yes	None	11/1/2018
Northeastern Junior College	840,000	3.9% to 5.0%	75,000	Yes	None	11/1/2018
Series 1999:						
Pueblo Community College	2,725,000	3.2% to 4.5%	265,000	Yes	None	11/1/2016
Red Rocks Community College	2,720,000	2.0% to 4.125%	235,000	Yes	None	11/1/2019
Series 2003:						
Pikes Peak Community College *	4,835,000	2.0% to 4.125%	285,000	Yes	None	6/30/2031
Deferred loss on refundings	(156,388)					
Discount	(16,441)					
	<u>\$ 20,017,171</u>					

\* Excludes refunded debt of \$1,670,000.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Notes to Basic Financial Statements

June 30, 2004 and 2003

**(11) Leases**

CCCS has acquired land, buildings, and equipment under leases and lease/purchase arrangements with The Education Foundation, a component unit of CCCS, that are classified as capital leases. Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life. Capitalized assets relating to these leases include approximately \$14,379,379 in 2004 and \$14,494,379 in 2003 with amortization expenses of \$290,897 at June 30, 2004 and \$401,879 at June 30, 2003. Future minimum payments under capital leases are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 303,146	701,668	1,004,814
2006	317,921	686,073	1,003,994
2007	326,944	668,911	995,855
2008	300,225	652,558	952,783
2009	310,000	639,753	949,753
2010-2014	1,795,000	2,973,168	4,768,168
2015-2019	2,320,000	2,458,225	4,778,225
2020-2024	3,010,000	1,769,825	4,779,825
2025-2029	3,550,000	911,476	4,461,476
2030-2034	1,895,000	163,315	2,058,315
Total	\$ <u>14,128,236</u>	<u>11,624,972</u>	<u>25,753,208</u>

CCCS has building and equipment operating leases. Total rent expense for operating leases for the years ended June 30, 2004 and 2003 were \$4,190,887 and \$4,683,791, respectively. Future minimum rental payments, exclusive of real estate taxes and other expenses, under operating leases are as follows:

Year ending June 30:	
2005	\$ 4,052,098
2006	3,079,372
2007	2,818,654
2008	2,483,977
2009	2,149,476
2010-2014	9,488,768

The minimum rentals are subject to adjustment based on increases in the cost of maintenance, insurance, utilities, and operating costs. The leases may be renewed for additional periods of various lengths. All leases are subject to cancellation in the event the State General Assembly does not appropriate funds for the annual lease payments.

**COLORADO COMMUNITY COLLEGE SYSTEM**

Notes to Basic Financial Statements

June 30, 2004 and 2003

**(12) Other Long-Term Liabilities**

At June 30, 2004, Lowry Campus has other long-term liabilities due to the Lowry Redevelopment Authority to pay its share of the infrastructure improvements and Pueblo Community College (PCC) has acquired equipment and building additions with the use of funds borrowed from the PCC foundation. The payment schedules are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 242,151	17,849	260,000
2006	793,473	112,418	905,891
2007	256,724	49,168	305,892
2008	245,484	59,894	305,378
2009	229,715	70,285	300,000
2010-2014	<u>219,653</u>	<u>80,347</u>	<u>300,000</u>
Total	\$ <u>1,987,200</u>	<u>389,961</u>	<u>2,377,161</u>

**(13) Compensated Absences for Annual and Sick Leave**

Employees of CCCS may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The estimated total liability for compensated absences at June 30, 2004 and 2003 are \$9,990,577 and \$10,767,409, respectively.

The liability for compensated absences is expected to be funded by state appropriations, federal funds, or other funding sources available in future years when the liability is paid.

At June 30, 2004 and 2003, the Public Employees' Retirement Association of Colorado (PERA) estimated that 61% and 58%, respectively, of the State's employees would remain until retirement. This percentage is used to calculate the amount of compensated absence liability to establish for sick leave.

**(14) Retirement Plan**

*(a) Plan Description*

Virtually all of CCCS' employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple employer plan administered by PERA. PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the board of trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-729-PERA (7372), or by visiting [www.copera.org](http://www.copera.org).

Plan members vest after five years of service and are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or

## COLORADO COMMUNITY COLLEGE SYSTEM

### Notes to Basic Financial Statements

June 30, 2004 and 2003

more. 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 3 periods of 12 consecutive months of service credit.

Members disabled, who have five or more years of service credit, six months of which have 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, his or her spouse or eligible children under the age of 18 (23 if a full-time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

**(b) Funding Policy**

Employees contribute 8.0% of their gross covered wages to an individual account in the plan. During FY03-04, the state contributed 10.15% of the employee's gross covered wages. Effective January 1, 2003, 1.1% of the total contribution was allocated to the Health Care Trust Fund. Through May 31, 2004, the amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker program (see note 15 below). The balance remaining after allocations to the Matchmaker program and the Health Care Trust Fund was allocated to the defined benefit plan.

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 Internal Revenue Code 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.

CCCS' contributions to the three programs described above for the fiscal years ended June 30, 2004, 2003, and 2002 were \$15,941,485, \$15,951,087, and \$15,756,107, respectively. These contributions met the contribution requirements for each year.

**(15) Voluntary Tax-Deferred Retirement Plans**

Beginning on January 1, 2001, the Matchmaker program established a state match for PERA members' voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100% of up to 3% of the employees' gross covered wages paid during the month. For calendar year 2003, the match was 100% up to 2% of employees' gross covered wages paid during the month. For calendar year 2004 through May 31, 2004, the match was 100% of up to 1% of employees' gross covered wages paid during the month. The PERA Board sets the level of the match with 2% of gross salary plus 50% of any reduction in the overall contribution rate due to overfunding of the pension plan available for the match. While the plan was not overfunded in the current year, the maximum one-year change in the match rate is statutorily limited to 1%, and therefore, the match changed from 2% to 1% on January 1, 2004. Legislation passed in the 2004 session of the General Assembly terminated the match for pay periods ending after May 31, 2004. The match will resume when the actuarial value of the defined benefit plan assets are 110% of actuarially accrued plan liabilities.

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

## COLORADO COMMUNITY COLLEGE SYSTEM

### Notes to Basic Financial Statements

June 30, 2004 and 2003

#### (16) Postretirement Health Care and Life Insurance Benefits

##### (a) *Health Care Program*

The PERA Care (formerly known as 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 healthcare coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During FY03-04, the premium subsidy was \$115 for those with 20 years of service credit (\$230 for members under age 65 and not eligible for Medicare), and it was reduced by 5% for each year of service fewer than 20. The Health Care Fund is maintained by an employer's contribution as discussed above in note 14.

Monthly premium costs for participants depend on the healthcare plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical and prescription benefit plans, and with several health maintenance organizations providing services within Colorado. As of December 31, 2003, there were 37,067 enrollees in the plan.

##### (b) *Life Insurance Program*

PERA provides its members access to two group life insurance plans offered by Prudential Insurance Company and Anthem Life (formerly known as Rocky Mountain Life Insurance Company). Members may join one or both plans and they may continue coverage into retirement. Premiums are collected monthly by payroll deduction or other means.

##### (c) *Other Programs*

Separate postretirement healthcare and life insurance benefit plans exist in some state colleges and universities but are small in comparison to the PERA plan for state employees. The state has no liability for any of these postretirement healthcare and life insurance plans.

CCCS' principal employee pension plan is PERA (see note 14). Pursuant to SBCCOE Board Policy BP 3-60 (Retirement), employees who take early retirement under PERA regulations "shall be entitled to have the college/system continue to pay the employee's share of the group health and life insurance premium up to the amount paid for active employees until the employee reaches age 65." This is the only postretirement benefit offered to the CCCS employees.

The postretirement benefits described above are funded on a pay-as-you-go basis.

#### (17) Employee Benefit Trust Fund

The Trust provides long-term disability benefits to all employees participating in the Employee Choice Flexible Benefit Plan sponsored by the SBCCOE. For fiscal years 2004 and 2003, CCCS made contributions to the Trust of approximately \$248,179 and \$258,000, respectively.

## **COLORADO COMMUNITY COLLEGE SYSTEM**

### Notes to Basic Financial Statements

June 30, 2004 and 2003

#### **(18) Risk Financing and Insurance-Related Activities**

CCCS is subject to risks of loss from liability for accidents, 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 State Long Bill. Therefore, CCCS is not required to obtain insurance, and accordingly, no reduction occurred in coverage, nor did any settlements exceed coverage. CCCS does not retain risk of loss except for damage incurred to property belonging to the state limited to a \$1,000 deductible per incident.

The State Division of Risk Management is deemed to be a public entity risk pool; therefore, under the Governmental Immunity Act, CCCS is protected from litigation by the Doctrine of Sovereign Immunity except under circumstances whereby immunity is waived.

#### **(19) Commitments and Contingencies**

The System is involved in various routine personnel and tort litigation. Many of the actions are being defended by counsel provided by the state's self-insurance provider, Division of Risk Management, and it is anticipated that the Division would pay any judgment that would be entered against the System. In management's opinion, none of these proceedings will have a material adverse effect on the System's financial condition or operations. No provision has been made in the accompanying basic financial statements for these items.

CCCS receives significant financial awards from federal and state agencies in the form of grants. Expenditures of funds under those programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of CCCS. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition or operations of CCCS.

#### **(20) Tax and Spending Limitations (Tabor Amendment)**

Certain state revenues, such as taxes and fees, are constitutionally limited. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. These limitations are applied to the state as a whole, not to each individual college, department, or agency of the state. The Colorado State Legislature establishes spending authority, within these constitutional limits, for the State Board for Community Colleges and Occupational Education in its annual Appropriations Long Bill. Appropriated funds include an amount from the General Fund as well as cash funds, such as tuition, certain fees, and other revenue sources. Nonappropriated funds are excluded from the annual appropriations bill. Nonappropriated funds include certain grants and contracts, gifts, indirect cost recoveries, designated auxiliary revenues, and other revenue sources.



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**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Basic Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the Colorado Community College System (CCCS), a component unit of the state of Colorado, and its aggregate discretely presented component units as of and for the year ended June 30, 2004, and issued our report thereon, dated October 22, 2004. Our report included an explanatory paragraph discussing CCCS' implementation during 2004 of Governmental Accounting Standards Board Statement No 39, *Determining Whether Certain Organizations Are Component Units*. We did not audit the financial statements of certain discretely presented component units, which represent 99%, 99%, and 98%, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered CCCS' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect CCCS' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying findings and recommendations section of this report as Recommendation No. 1, *Reportable Condition Over Community College of Aurora's Accounting and Financial Reporting*, and Recommendation No. 2, *Reportable Condition Over System Access Controls*.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.





### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the State Board for Community Colleges and Occupational Education, and CCCS management and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 22, 2004





**KPMG LLP**  
Suite 2700  
707 Seventeenth Street  
Denver, CO 80202

October 22, 2004

Members of the Legislative Audit Committee:

We have audited the basic financial statements of the Colorado Community College System (CCCS) for the years ended June 30, 2004 and 2003, and have issued our report thereon, dated October 22, 2004. Under auditing standards generally accepted in the United States of America, we are providing you with information related to the conduct of our audit.

### **Our Responsibility Under Professional Standards**

We have a responsibility to conduct our audit of the basic financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected.

In addition, in planning and performing our audit of the basic financial statements, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements. An audit of the basic financial statements does not include examining the effectiveness of internal control and does not provide assurance on internal control.

### **Significant Accounting Policies**

The significant accounting policies used by CCCS are described in Note 1 to the basic financial statements. As discussed in Note 1, CCCS implemented Governmental Accounting Standards Board Statement No 39, *Determining Whether Certain Organizations Are Component Units*.

### **Management Judgments and Accounting Estimates**

The preparation of the basic financial statements requires management of CCCS to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the period.

The significant accounting estimates included in CCCS' basic financial statements are the allowance for uncollectible receivables, the period to depreciate capital assets owned by CCCS, and accrued compensated absences. We evaluated the key factors and assumptions in determining that these estimates are reasonable in relation to the basic financial statements taken as a whole.

### **Audit Adjustments and Uncorrected Misstatements**

#### ***Audit Adjustments***

We proposed nine corrections relating to certain financial statement balances, which have been recorded by CCCS.



### ***Uncorrected Misstatements***

In connection with our audit of CCCS' basic financial statements, we have discussed with management certain financial statement misstatements that have not been corrected in CCCS' books and records as of and for the year ended June 30, 2004. We have reported such misstatements to management on a Summary of Uncorrected Misstatements and have received written representations from management that management believes these misstatements are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. Page 91 includes a copy of the summary that has been provided to, and discussed with, management.

### **Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing CCCS' basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents, for example, Management's Discussion and Analysis. We have, however, read the other information included in CCCS' report and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

### **Disagreements with Management**

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on CCCS' basic financial statements.

### **Consultation with Other Accountants**

To the best of our knowledge, management has neither consulted with nor obtained opinions, written or oral, from other independent accountants during the past year that are subject to the requirements of AU 625, *Reports on the Application of Accounting Principles*.

### **Major Issues Discussed with the Audit Committee and Management Prior to Retention**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as CCCS' auditors. However, these discussions occur in the normal course of our professional relationship, and the result of these discussions was not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

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

### **Material Written Communications**

Management has been provided copies of the following material written communications between management and us:

1. Engagement letter;
2. Management representation letter; and
3. Management letter (included in this report).



**Independence**

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all independence-related relationships between our firm and CCCS and provide confirmation that we are independent accountants with respect to CCCS.

We are not aware of any additional independence-related relationships between our firm and CCCS.

***Confirmation of Audit Independence***

We hereby confirm that as of October 22, 2004, we are independent accountants with respect to CCCS under all relevant professional and regulatory standards.

\* \* \* \* \*

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the State Board for Community Colleges and Occupational Education, and CCCS management and is not intended to be and should not be used by anyone other than these specified parties. This report is not intended for general use, circulation, or publication and should not be published, circulated, reproduced, or used for any purpose without our prior written permission in each specific instance.

Very truly yours,

**KPMG LLP**





**COLORADO COMMUNITY COLLEGE SYSTEM**

Summary of Unadjusted Audit Differences

June 30, 2004

#	College	Description	Adjustments on financial statement captions							
			Change in net assets			Balance sheet				
			Unadjusted audit differences arising in Current period	Prior period	Total	Net assets	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities
		<u>Effect of prior period unrecorded audit differences:</u>								
1	CCA	Net Assets Cash Cash Grant A/R  <i>To record a prior period adjustment to write off a grant that was closed in prior years.</i>	\$			(142,000)	142,000 (142,000) (142,000)			
2	OJC	Interest Income Net Assets  <i>To record a prior period adjustment for interest income recorded in an agency fund that should have been recorded as income of the college's plant fund.</i>	(350,000)		(350,000)	350,000				
3	Various	Grants and Contracts Operating Expense Capital Assets Scholarship Expense Gift Revenue Gift Revenue Scholarship Allowance <i>To record and reclassify foundation gifts.</i>	(476,087) (43,398)		(476,087) (43,398)			78,289		
4	FRCC	Net Assets Operating Expense  <i>To record a prior period adjustment to correct compensated absences.</i>	200,000		200,000	(200,000)				
5	PCC	Deferred Revenue Accounts Receivable Net Assets  <i>To record a prior period adjustment to correct deferred revenue and to adjust accounts receivable for inaccurate balances.</i>				63,527	(191,404)		(254,931)	
6	PPCC	Resident Tuition Instructional Fees  <i>To correct for a FRS to COFRS coding error. This is a COFRS only entry and both lines are recorded on the same financial statement line.</i>	(460,000) 460,000		(460,000) 460,000					
7	System	Net Assets Instructional Expense  <i>To record the Employee Benefit Trust Fund as deposits held for others in the proper period.</i>		3,184,427	3,184,427	(3,184,427)				



# COLORADO COMMUNITY COLLEGE SYSTEM

## State-Funded Student Financial Assistance Programs

### Introduction

Year ended June 30, 2004

The Colorado Community College System (CCCS) is governed by the State Board for Community Colleges and Occupational Education and is a state-supported institution of higher education with colleges at 13 locations: Arapahoe Community College, Colorado Northwestern Community College, Community College of Aurora, Community College of Denver, Front Range Community College, Lamar Community College, Morgan Community College, Northeastern Junior College, Otero Junior College, Pikes Peak Community College, Pueblo Community College, Red Rocks Community College, and Trinidad State Junior College.

Our financial and compliance examination of the various state-funded student financial assistance programs at CCCS for the year ended June 30, 2004 was directed toward the objectives and criteria set forth in the Colorado Commission on Higher Education's (CCHE) Financial Aid Policy, adopted April 2002. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2004.

CCCS' various state-funded student financial assistance programs include the following:

- Colorado Need-Based Grants awards comprised of:
  - Colorado Student Grant Program
  - Colorado Leveraging Educational Assistance Partnership (CLEAP) (*reported separately on the accompanying statement of appropriations, expenditures, transfers and reversions*)
- Colorado Merit Scholarships (or merit-based awards) comprised of:
  - Colorado Undergraduate Merit Award Program
- Colorado Work-Study Program
- Governor's Opportunity Scholarships
- Colorado Nursing Grants (or scholarships)
- Loan Matching for the Perkins Loan Programs

The total state-funded student financial assistance expenditures made by CCCS was approximately \$18 million during the year ended June 30, 2004. Of this amount, state-funded matching funds of approximately \$8,600 were transferred to the Perkins Loan Funds during the year ended June 30, 2004.

The director of financial aid at each campus is responsible for administration of these programs. This responsibility includes application processing, eligibility determination and financial aid packaging, as well as ensuring compliance with regulations governing the participation of CCCS in federal and state student financial aid programs. The campus controller's office at each campus is responsible for the programs' financial management, general ledger accounting, payments and collections.

During the audit period ended June 30, 2004, CCCS obtained authorizations to award federal student financial aid funds as follows:

- Supplemental Educational Opportunity Grant of approximately \$1 million
- College Work Study of approximately \$2 million

In addition to these programs, the University also received funding through the Pell Grant Program in the amount of approximately \$44 million, and the Direct Loan Program in the amount of approximately \$25 million. Authorizations were not applicable for these programs given the Pell Grant and Direct Loans are available to any eligible student.

Authorizations and expenditures for state-funded student financial aid funds are detailed by program in the accompanying schedules of appropriations, expenditures, transfers and reversions, for each campus, for the year ended June 30, 2004.



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**Independent Auditors' Report on the  
Statement of Appropriations, Expenditures,  
Transfers, and Reversions of the State-Funded  
Student Financial Assistance Programs**

Members of the Legislative Audit Committee:

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance Programs (the Statement) of the Colorado Community College System (CCCS), a component unit of the state of Colorado, for the year ended June 30, 2004. The Statement is the responsibility of CCCS' management. Our responsibility is to express an opinion on the Statement based on our audit.

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

As described in the notes to the Statement, the Statement was prepared in accordance with the format set forth and last revised November 1998 in the Colorado Commission on Higher Education (CCHE) Audit Guides, and in conformity with the provisions of the CCHE Financial Aid Policy, adopted April 2002. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study program and Perkins Loan Program, and does not present certain transactions that would be included in the Statement of the state-funded student financial assistance programs if they were presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America.

Because the Statement presents only a selected portion of the activities of CCCS, it is not intended to and does not present either the financial position or changes in financial position of CCCS in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs of CCCS for the year ended June 30, 2004, in conformity with the provisions of the CCHE *Financial Aid Policy*, as described in note 1 to the Statement.



In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2004 on our consideration of CCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs. The accompanying individual colleges' schedules of appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance Programs are presented for purposes of additional analysis and are not a required part of the basic Statement. The accompanying individual colleges' schedules have been subjected to the auditing procedures applied in the audit of the basic Statement and, in our opinion, are fairly stated, in all material respects, in relation to the basic Statement taken as a whole.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the State Board for Community Colleges and Occupational Education, and CCCS management and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 30, 2004





**COLORADO COMMUNITY COLLEGE SYSTEM**  
 State-Funded Student Assistance Programs  
 Statement of Appropriations, Expenditures, Transfers, and Reversions  
 Year ended June 30, 2004

	<u>Total Colorado Financial Aid</u>	<u>Colorado Leverage Educational Assistance Partnership</u>	<u>Colorado Student Grant Program</u>	<u>Colorado Work Study Program</u>	<u>Colorado Merit Scholarship</u>	<u>Governor's Opportunity Scholarships</u>	<u>Loan Match</u>
Appropriations:							
Original	\$ 18,089,251	336,195	10,324,596	4,197,025	1,545,945	1,676,862	8,628
Supplementals	81,468	—	—	47,655	—	33,813	—
Total appropriations	<u>18,170,719</u>	<u>336,195</u>	<u>10,324,596</u>	<u>4,244,680</u>	<u>1,545,945</u>	<u>1,710,675</u>	<u>8,628</u>
Less expenditures	<u>18,154,311</u>	<u>336,195</u>	<u>10,322,846</u>	<u>4,240,830</u>	<u>1,545,945</u>	<u>1,699,867</u>	<u>8,628</u>
Reversions to State General Fund	\$ <u>16,408</u>	<u>—</u>	<u>1,750</u>	<u>3,850</u>	<u>—</u>	<u>10,808</u>	<u>—</u>

See accompanying notes to the statement.

## **COLORADO COMMUNITY COLLEGE SYSTEM**

State-Funded Student Financial Assistance Programs

Notes to Statement of Appropriations, Expenditures,  
Transfers, and Reversions

Year ended June 30, 2004

### **(1) Basis of Presentation**

The Colorado Community College System (CCCS) is governed by the State Board for Community College and Occupational Education. CCCS is comprised of the system office and the following thirteen colleges:

- Arapahoe Community College
- Colorado Northwestern Community College
- Community College of Aurora
- Community College of Denver
- Front Range Community College
- Lamar Community College
- Morgan Community College
- Northeastern Junior College
- Otero Junior College
- Pikes Peak Community College
- Pueblo Community College
- Red Rocks Community College
- Trinidad State Junior College

The accompanying statement of appropriations, expenditures, transfers and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format set forth and last revised November 1998 in the Colorado Commission on Higher Education (CCHE) Audit Guides, and in conformity with the provisions of the CCHE Financial Aid Policy, adopted April 2002. The purpose of the Statement is to present, in summary form, the State-Funded student financial assistance activities of CCCS' thirteen campuses for the year ended June 30, 2004.

Because the Statement presents only a selected portion of the activities of CCCS, it is not intended to and does not present either the financial position or changes in financial position of CCCS in conformity with accounting principles generally accepted in the United States of America.

### **(2) Basis of Accounting**

All state-funded student financial assistance is expensed on a cash basis, except for the Perkins Loan Program and the Colorado Work-Study program. Perkins Student Loans are recorded as loans receivable when the funds are disbursed. Colorado Work-Study wages are recorded on the accrual basis whereby expenses are recognized when the services are performed.

The Colorado Leveraging Educational Assistance Partnership (CLEAP) and Supplemental Leveraging Assistance Partnership (SLEAP) consist of state funds and federal funds. The amounts shown in the statement is the combined totals.

**ARAPAHOE COMMUNITY COLLEGE**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

	<u><b>Total Colorado Financial Aid</b></u>	<u><b>Colorado Leverage Educational Assistance Partnership</b></u>	<u><b>Colorado Student Grant Program</b></u>	<u><b>Colorado Work Study Program</b></u>	<u><b>Colorado Merit Scholarship</b></u>	<u><b>Governor's Opportunity Scholarships</b></u>
Appropriations:						
Original	\$ 1,105,391	32,763	590,851	253,483	164,594	63,700
Supplementals	(6,285)	—	—	—	—	(6,285)
Transfers	—	—	—	—	—	—
Total appropriations	<u>1,099,106</u>	<u>32,763</u>	<u>590,851</u>	<u>253,483</u>	<u>164,594</u>	<u>57,415</u>
Less expenditures	<u>1,099,106</u>	<u>32,763</u>	<u>590,851</u>	<u>253,483</u>	<u>164,594</u>	<u>57,415</u>
Reversions to State General Fund	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**COMMUNITY COLLEGE OF AURORA**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

	<u>Total Colorado Financial Aid</u>	<u>Colorado Leverage Educational Assistance Partnership</u>	<u>Colorado Student Grant Program</u>	<u>Colorado Work Study Program</u>	<u>Colorado Merit Scholarship</u>	<u>Governor's Opportunity Scholarships</u>
Appropriations:						
Original	\$ 954,119	5,628	517,762	220,326	115,469	94,934
Supplementals	—	—	—	—	—	—
Transfers	—	—	—	—	—	—
Total appropriations	<u>954,119</u>	<u>5,628</u>	<u>517,762</u>	<u>220,326</u>	<u>115,469</u>	<u>94,934</u>
Less expenditures	<u>954,119</u>	<u>5,628</u>	<u>517,762</u>	<u>220,326</u>	<u>115,469</u>	<u>94,934</u>
Reversions to State General Fund	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**COMMUNITY COLLEGE OF DENVER**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

		<b>Total Colorado Financial Aid</b>	<b>Colorado Leverage Educational Assistance Partnership</b>	<b>Colorado Student Grant Program</b>	<b>Colorado Work Study Program</b>	<b>Colorado Merit Scholarship</b>	<b>Governor's Opportunity Scholarships</b>
Appropriations:							
Original	\$	2,530,346	34,892	1,564,888	633,247	187,492	109,827
Supplementals		42,584	—	—	—	—	42,584
Transfers		—	—	—	—	—	—
Total appropriations		<u>2,572,930</u>	<u>34,892</u>	<u>1,564,888</u>	<u>633,247</u>	<u>187,492</u>	<u>152,411</u>
Less expenditures		<u>2,572,930</u>	<u>34,892</u>	<u>1,564,888</u>	<u>633,247</u>	<u>187,492</u>	<u>152,411</u>
Reversions to State General Fund	\$	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**COLORADO NORTHWESTERN COMMUNITY COLLEGE**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

	<u>Total Colorado Financial Aid</u>	<u>Colorado Leverage Educational Assistance Partnership</u>	<u>Colorado Student Grant Program</u>	<u>Colorado Work Study Program</u>	<u>Colorado Merit Scholarship</u>	<u>Governor's Opportunity Scholarships</u>	<u>Loan Match</u>
Appropriations:							
Original	\$ 324,771	10,237	174,813	63,811	27,052	40,230	8,628
Supplementals	—	—	—	—	—	—	—
Transfers	—	—	—	—	—	—	—
Total appropriations	<u>324,771</u>	<u>10,237</u>	<u>174,813</u>	<u>63,811</u>	<u>27,052</u>	<u>40,230</u>	<u>8,628</u>
Less expenditures	<u>313,963</u>	<u>10,237</u>	<u>174,813</u>	<u>63,811</u>	<u>27,052</u>	<u>29,422</u>	<u>8,628</u>
Reversions to State General Fund	\$ <u>10,808</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,808</u>	<u>—</u>

See accompanying independent auditors' report.

**FRONT RANGE COMMUNITY COLLEGE**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

		<b>Total Colorado Financial Aid</b>	<b>Colorado Leverage Educational Assistance Partnership</b>	<b>Colorado Student Grant Program</b>	<b>Colorado Work Study Program</b>	<b>Colorado Merit Scholarship</b>	<b>Governor's Opportunity Scholarships</b>
Appropriations:							
Original	\$	2,852,212	63,374	1,608,956	685,126	304,694	190,062
Supplementals		17,167	—	—	17,167	—	—
Transfers		—	—	—	—	—	—
Total appropriations		<u>2,869,379</u>	<u>63,374</u>	<u>1,608,956</u>	<u>702,293</u>	<u>304,694</u>	<u>190,062</u>
Less expenditures		<u>2,869,379</u>	<u>63,374</u>	<u>1,608,956</u>	<u>702,293</u>	<u>304,694</u>	<u>190,062</u>
Reversions to State General Fund	\$	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**LAMAR COMMUNITY COLLEGE**  
 State-Funded Student Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Year ended June 30, 2004

	<b>Total Colorado Financial Aid</b>	<b>Colorado Leverage Educational Assistance Partnership</b>	<b>Colorado Student Grant Program</b>	<b>Colorado Work Study Program</b>	<b>Colorado Merit Scholarship</b>	<b>Governor's Opportunity Scholarships</b>
Appropriations:						
Original	\$ 456,091	6,777	235,462	96,594	26,423	90,835
Supplementals	(2,346)	—	—	2,650	—	(4,996)
Transfers	—	—	—	—	—	—
Total appropriations	<u>453,745</u>	<u>6,777</u>	<u>235,462</u>	<u>99,244</u>	<u>26,423</u>	<u>85,839</u>
Less expenditures	<u>453,745</u>	<u>6,777</u>	<u>235,462</u>	<u>99,244</u>	<u>26,423</u>	<u>85,839</u>
Reversions to State General Fund	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.



**MORGAN COMMUNITY COLLEGE**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

		<b>Total Colorado Financial Aid</b>	<b>Colorado Leverage Educational Assistance Partnership</b>	<b>Colorado Student Grant Program</b>	<b>Colorado Work Study Program</b>	<b>Colorado Merit Scholarship</b>	<b>Governor's Opportunity Scholarships</b>
Appropriations:							
Original	\$	447,228	4,156	260,963	107,905	34,632	39,572
Supplementals		—	—	—	—	—	—
Transfers		—	—	—	—	—	—
Total appropriations		<u>447,228</u>	<u>4,156</u>	<u>260,963</u>	<u>107,905</u>	<u>34,632</u>	<u>39,572</u>
Less expenditures		<u>447,228</u>	<u>4,156</u>	<u>260,963</u>	<u>107,905</u>	<u>34,632</u>	<u>39,572</u>
Reversions to State General Fund	\$	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**NORTHEASTERN JUNIOR COLLEGE**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

		<b>Total Colorado Financial Aid</b>	<b>Colorado Leverage Educational Assistance Partnership</b>	<b>Colorado Student Grant Program</b>	<b>Colorado Work Study Program</b>	<b>Colorado Merit Scholarship</b>	<b>Governor's Opportunity Scholarships</b>
Appropriations:							
Original	\$	648,595	8,400	374,087	133,573	67,293	65,242
Supplementals		1,566	—	—	—	—	1,566
Transfers		—	—	—	—	—	—
Total appropriations		<u>650,161</u>	<u>8,400</u>	<u>374,087</u>	<u>133,573</u>	<u>67,293</u>	<u>66,808</u>
Less expenditures		<u>650,161</u>	<u>8,400</u>	<u>374,087</u>	<u>133,573</u>	<u>67,293</u>	<u>66,808</u>
Reversions to State General Fund	\$	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**OTERO JUNIOR COLLEGE**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

		<b>Total Colorado Financial Aid</b>	<b>Colorado Leverage Educational Assistance Partnership</b>	<b>Colorado Student Grant Program</b>	<b>Colorado Work Study Program</b>	<b>Colorado Merit Scholarship</b>	<b>Governor's Opportunity Scholarships</b>
Appropriations:							
Original	\$	739,747	13,587	433,561	173,619	42,480	76,500
Supplementals		4,405	—	—	4,405	—	—
Transfers		—	—	—	—	—	—
Total appropriations		<u>744,152</u>	<u>13,587</u>	<u>433,561</u>	<u>178,024</u>	<u>42,480</u>	<u>76,500</u>
Less expenditures		<u>744,152</u>	<u>13,587</u>	<u>433,561</u>	<u>178,024</u>	<u>42,480</u>	<u>76,500</u>
Reversions to State General Fund	\$	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**PIKES PEAK COMMUNITY COLLEGE**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

		<b>Total Colorado Financial Aid</b>	<b>Colorado Leverage Educational Assistance Partnership</b>	<b>Colorado Student Grant Program</b>	<b>Colorado Work Study Program</b>	<b>Colorado Merit Scholarship</b>	<b>Governor's Opportunity Scholarships</b>
Appropriations:							
Original	\$	3,159,558	68,784	1,702,421	711,949	224,729	451,675
Supplementals		17,753	—	—	17,753	—	—
Transfers		—	—	—	—	—	—
		<u>3,177,311</u>	<u>68,784</u>	<u>1,702,421</u>	<u>729,702</u>	<u>224,729</u>	<u>451,675</u>
Total appropriations		3,177,311	68,784	1,702,421	729,702	224,729	451,675
Less expenditures		<u>3,175,517</u>	<u>68,784</u>	<u>1,700,671</u>	<u>729,658</u>	<u>224,729</u>	<u>451,675</u>
		3,175,517	68,784	1,700,671	729,658	224,729	451,675
Reversions to State							
General Fund	\$	<u>1,794</u>	<u>—</u>	<u>1,750</u>	<u>44</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**PUEBLO COMMUNITY COLLEGE**  
 State-Funded Student Assistance Programs  
 Schedule of Appropriations, Expenditures, Transfers, and Reversions  
 Year ended June 30, 2004

	<b>Total Colorado Financial Aid</b>	<b>Colorado Leverage Educational Assistance Partnership</b>	<b>Colorado Student Grant Program</b>	<b>Colorado Work Study Program</b>	<b>Colorado Merit Scholarship</b>	<b>Governor's Opportunity Scholarships</b>
Appropriations:						
Original	\$ 2,265,941	43,719	1,428,998	549,621	123,277	120,326
Supplementals	—	—	—	—	—	—
Transfers	—	—	—	—	—	—
Total appropriations	<u>2,265,941</u>	<u>43,719</u>	<u>1,428,998</u>	<u>549,621</u>	<u>123,277</u>	<u>120,326</u>
Less expenditures	<u>2,265,941</u>	<u>43,719</u>	<u>1,428,998</u>	<u>549,621</u>	<u>123,277</u>	<u>120,326</u>
Reversions to State General Fund	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**RED ROCKS COMMUNITY COLLEGE**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

		<b>Total Colorado Financial Aid</b>	<b>Colorado Leverage Educational Assistance Partnership</b>	<b>Colorado Student Grant Program</b>	<b>Colorado Work Study Program</b>	<b>Colorado Merit Scholarship</b>	<b>Governor's Opportunity Scholarships</b>
Appropriations:							
Original	\$	1,143,938	21,266	659,651	263,233	174,410	25,378
Supplementals		3,844	—	—	5,680	—	(1,836)
Transfers		—	—	—	—	—	—
		<u>1,147,782</u>	<u>21,266</u>	<u>659,651</u>	<u>268,913</u>	<u>174,410</u>	<u>23,542</u>
Total appropriations		1,147,782	21,266	659,651	268,913	174,410	23,542
Less expenditures		<u>1,147,782</u>	<u>21,266</u>	<u>659,651</u>	<u>268,913</u>	<u>174,410</u>	<u>23,542</u>
Reversions to State General Fund	\$	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**TRINIDAD STATE JUNIOR COLLEGE**

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2004

		<b>Total Colorado Financial Aid</b>	<b>Colorado Leverage Educational Assistance Partnership</b>	<b>Colorado Student Grant Program</b>	<b>Colorado Work Study Program</b>	<b>Colorado Merit Scholarship</b>	<b>Governor's Opportunity Scholarships</b>
Appropriations:							
Original	\$	1,461,314	22,612	772,183	304,538	53,400	308,581
Supplementals		2,780	—	—	—	—	2,780
Transfers		—	—	—	—	—	—
Total appropriations		<u>1,464,094</u>	<u>22,612</u>	<u>772,183</u>	<u>304,538</u>	<u>53,400</u>	<u>311,361</u>
Less expenditures		<u>1,460,288</u>	<u>22,612</u>	<u>772,183</u>	<u>300,732</u>	<u>53,400</u>	<u>311,361</u>
Reversions to State General Fund	\$	<u><u>3,806</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>3,806</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

See accompanying independent auditors' report.





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