COLORADO COMMUNITY COLLEGE SYSTEM

Financial and Compliance Audit

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

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Report Summary

Year ended June 30, 2010

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged KPMG LLP (KPMG) to conduct a financial and compliance audit of the Colorado Community College System (CCCS or the System) for the year ended June 30, 2010. 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 2010 to November 2010.

The purpose and scope of our audit was to:

- Express an opinion on the basic financial statements of CCCS as of and for the year ended June 30, 2010. This includes a report on internal control over financial reporting 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 the statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance Programs of CCCS for the year ended June 30, 2010.
- 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, are included in the June 30, 2010 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, 2010.

Three audit adjustments were proposed and made to the basic financial statements. Seven audit adjustments were not made to the basic financial statements with a net effect of approximately $582,000, which is approximately 0.12% of current year ending 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*. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We identified four deficiencies in internal control over financial reporting that we consider to be significant deficiencies. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In addition, we identified three significant deficiencies related to CCCS' federal programs.

Summary of Key Findings

Community College of Denver Accounting (significant deficiency in internal control)

The Community College of Denver (CCD) has not yet corrected the deficiencies noted in our fiscal year 2009 audit related to reconciliations of the Banner financial management system. In addition, we noted deficiencies in the purchasing process and an error in the calculation of deferred revenue. The System Office had also identified these issues and has been working with CCD to implement effective controls.

We tested 10 expenditures for the period from July 1, 2009 through April 30, 2010 and noted that four sample items did not have a receiving report or purchase order that indicated approval that goods or services were received.

CCD also did not begin reconciling the Banner student module to the general ledger until February 2010 due to staff turnover at the college. We noted that the Colorado Financial Reporting System (COFRS) to the Banner financial management system reconciliation was not completed until March 31, 2010 and that the reconciliation was prepared by the System Office due to staffing issues at CCD. Variances between COFRS and the Banner financial management system identified on the reconciliation were not followed up on in a timely manner.

In addition, CCD understated deferred revenue and overstated revenue by $1,508,000 at June 30, 2010. The college made an error in its year-end calculation by applying the deferral percentage to the incorrect amount of summer session revenue and did not properly reverse deferred revenue recorded in the prior year. CCCS recorded an adjustment for the error prior to finalization of the financial statements.

Community College of Denver Payroll Controls (significant deficiency in internal control)

In July 2010, CCD identified a college employee that had been paid approximately $18,000 for the month of June. Based on a review of supporting payroll documents, the college determined that from June 2009 through June 2010, the employee earned approximately $57,000 in overload assignments in addition to the employee's base salary of $68,000. Of the $57,000 paid for overload assignments, $28,600 were nonteaching overloads charged to federal and private grants.

CCD requested that the System's Internal Audit Department (Internal Audit) review the employee's earnings and assignments as well as payroll controls at the college. Internal Audit identified that the employee's teaching and nonteaching overloads were approved by her supervisor. However, the employee was not eligible for nonteaching overload assignments based on the employee's position, job description, and CCCS policy. The employee was also approved to instruct 15 – 21 credits hours in addition to her full-time position. Internal Audit concluded that this does not represent an appropriate workload for one individual due to the amount of credit hours approved for overload as compared to the individual's regular workload. Internal Audit reported the investigation results to the appropriate external agencies.

Red Rocks Community College Cashier Controls (significant deficiency in internal control)

In March 2010, a student reported that a check she had written for tuition had not cleared the bank. Red Rocks Community College (RRCC) investigated the missing check and determined that nine batches of cash receipts totaling approximately $69,000 ($17,000 in cash and $52,000 in checks) had not been received by the bank. To date, the college has not recovered the cash, but was able to stop payment and receive replacements for approximately half of the checks.

RRCC requested Internal Audit investigate the matter. Internal Audit noted that beginning in December 2009, there was a lack of segregation of duties in the cashier's office and that common controls, such as counting of cash receipts by two individuals, dual custody, and proper safeguarding of cash were not occurring. Although daily deposits slips were prepared after December 2009, some deposits took a week or more to be deposited. The results of the investigation were shared with the appropriate external agencies.

Colorado Northwestern Community College's Financial Position and Accounting Function (significant deficiency in internal control)

Colorado Northwestern Community College's (CNCC) financial condition has deteriorated and needs to continue to be closely monitored by the System Office. As of June 30, 2010, CNCC had a deficit cash balance of $564,000. The College's deficit cash position at June 30th was due in part to its failure to bill and collect approximately $1.9 million from local junior college districts. We also noted that CNCC's current liabilities of $2,434,000 exceeded current assets of $2,330,000 by $104,000. This net working capital deficit shows that CNCC may not be able to satisfy its short-term debt and upcoming operational expenses without financial assistance from the System in the coming year.

During our audit, we also noted that CNCC was unable to complete its reconciliation of COFRS to the Banner financial management system without significant assistance from the System Office. Further, CNCC wrote off approximately $360,000 of accounts receivable at June 30, 2010. The college determined, with the assistance of the System Office, that some receivable activity had been recorded incorrectly in prior years. The college also improperly classified $3.4 million of noncurrent assets as current assets. Each of these matters were also identified by the System Office and were under review.

Recommendations and CCCS Responses

A summary of our recommendations and responses from CCCS can be found in the Recommendation Locator Section of this report. CCCS' responses to the findings have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

(Continued)

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Report Summary

Year ended June 30, 2010

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2009 included 6 recommendations. The disposition of these audit recommendations as of November 12, 2010 was as follows.

Implemented	4
Partially implemented	2
Total	6

The 2009 audit report included four recommendations that were reported as not implemented or partially implemented for the year ended June 30, 2008, or for previous years. These recommendations have been implemented as of November 12, 2010.

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Financial and Compliance Audit

Recommendation Locator

Year ended June 30, 2010

Rec. no.	Page no.	Recommendation summary	Agency addressed	Agency response	Implementation date
1	11	Work with the Community College of Denver to strengthen controls over disbursements, monthly reconciliations of COFRS to the Banner financial management system, and the calculation of deferred revenue.	CCCS	Agree	July 2011
2	14	Work with the Community College of Denver to ensure payroll expenditures are properly reviewed, overload assignments are evaluated, and employees are trained on Board policies.	CCCS	Agree	January 2011
3	17	Work with Red Rocks Community College to strengthen controls over cash receipts and ensure controls are implemented and operating effectively.	CCCS	Agree	December 2010
4	20	Work with Colorado Northwestern Community College (CNCC) to ensure the college's financial information is accurate, complete, and available to decision makers in a timely manner. Also, closely monitor CNCC's financial position to ensure CNCC can meets its financial obligations.	CCCS	Agree	December 2010
5	22	Work with Otero Junior College, Lamar Community College, and Colorado Northwestern Community College to ensure that tuition rates in Banner are accurate.	CCCS	Agree	December 2010

(Continued)

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Recommendation Locator

Year ended June 30, 2010

Rec. no.	Page no.	Recommendation summary	Agency addressed	Agency response	Implementation date
6	24	Work with Pikes Peak Community College to ensure proper reconciliation of accounts receivable and calculation of the accounts receivable allowance.	CCCS	Agree	July 2011
7	25	Work with the Community College of Denver to ensure potential illegal activities or noncompliance with federal regulations is properly investigated and follow-up actions are taken.	CCCS	Agree	November 2010
8	27	Work with Pueblo Community College and Red Rocks Community College to ensure the timely and accurate Return of Title IV funds.	CCCS	Agree	September 2010
9	29	Work with Pueblo Community College and Red Rocks Community College to ensure that borrower data transmission reconciliations are properly performed.	CCCS	Agree	January 2011

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 (LDCs) and Area Vocational Schools (AVSs).

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.

Colorado Community College System's (CCCS') operations and activities are funded primarily through tuition and fees; federal, state, and local grants; tuition revenue; the College Opportunity Fund stipends; a fee-for-service contract with the Department of Higher Education; and State Fiscal Stabilization Funding. In addition, the SBCCOE receives and distributes state appropriations for LDCs, AVSs, and school districts offering vocational programs.

The 13 colleges in the community college system are as follows:

College	Main campus location
Arapahoe Community College (ACC)	Littleton
Community College of Aurora (CCA)	Aurora
Community College of Denver (CCD)	Denver
Colorado Northwestern Community College (CNCC)	Rangely
Front Range Community College (FRCC)	Westminster
Lamar Community College (LCC)	Lamar
Morgan Community College (MCC)	Fort Morgan
Northeastern Junior College (NJC)	Sterling
Otero Junior College (OJC)	La Junta
Pikes Peak Community College (PPCC)	Colorado Springs
Pueblo Community College (PCC)	Pueblo
Red Rocks Community College (RRCC)	Lakewood
Trinidad State Junior College (TSJC)	Trinidad

(Continued)

Enrollment, tuition, and faculty and staff information is presented below. Enrollment information was obtained from the Colorado Commission on Higher Education (CCHE), Final Student Full-Time Equivalent (FTE) Enrollment Report. Staff information was obtained from Format 10 and 40 for the Budget Data Book for Fiscal Year 2010 that is prepared by higher education institutions for CCHE.

CCCS reports FTE student and faculty and staff for three continuous fiscal years as follows:

FTE Student Enrollment

	Resident	Nonresident	Total
Fiscal year:			
2009 – 2010	53,405	3,647	57,052
2008 – 2009	44,920	3,084	48,004
2007 – 2008	41,928	2,843	44,771

FTE Faculty and Staff

	Faculty	Staff	Total
Fiscal year:			
2009 – 2010	3,590	1,912	5,502
2008 – 2009	3,313	1,880	5,193
2007 – 2008	3,197	1,792	4,989

We have audited the basic financial statements of the Colorado Community College System (CCCS or the System) as of and for the year ended June 30, 2010, and have issued our report thereon, dated November 12, 2010. 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 November 2010 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 the date of this report. We did not audit the financial statements of certain discretely presented component units discussed in note 1 to the basic financial statements, which represent 99%, 99%, and 99% of the 2010 assets, net assets, and revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

The maintenance of adequate internal control designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and its operation that we consider to be material weaknesses. We consider Recommendations Nos. 1, 2, 3, and 4 to be significant deficiencies in internal control.

CCCS' responses to the findings have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Community College of Denver Accounting

The Community College of Denver (CCD) is one of 13 colleges in the Community College System. In prior years, we noted certain deficiencies in internal control including failure to meet key financial reporting deadlines, errors in state exhibits, and a lack of reconciliation related to the Banner financial management system. CCD has experienced significant enrollment growth over the last two years, including a 34% increase from 2009 to 2010. In response to the deficiencies, CCD implemented changes in key positions, including the Chief Financial Officer, Controller, Director of Human Resources, and other accounting positions. In addition, the System Office

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provided additional oversight and direct assistance beginning in January 2010 to assess and address deficiencies in ongoing operating controls and daily processing issues. In April 2010, CCD hired a new Chief Financial Officer and Controller and in May 2010 hired a new Human Resources director.

What was the purpose of the audit work?

The purpose of the audit work was to test controls over key classes of transactions and perform year-end test work over account balances. Specifically, we tested whether CCD's controls over disbursements and certain financial reconciliations were in place and operating. In addition, we tested the calculation of CCD's summer session deferred revenue balance.

What audit work was performed and how were results measured?

We tested 10 expenditures from July 1, 2009 through April 30, 2010 to ensure the expenditures were properly approved, the Colorado Procurement Code was followed, a receiving report was retained, and a three-way match occurred between the purchase order/contract, invoice, and receiving report. Internal controls over disbursements should include, but not be limited to, a three-way match between the purchase order, invoice, and receiving report. When goods or services are delivered to the college, the goods/services are agreed to the purchase order and a receiving report is prepared or purchase order is approved as the receiving report before the goods or services are entered into the accounts payable system. When the invoice is received by the accounts payable department, it is agreed to the purchase order and receiving document. The Banner system typically does not allow an invoice to be paid without the receiving process completed within the system; however, CCD elected not to activate the automated control, and as an alternative, a manual approval of receipt is relied upon.

We tested the Banner student module to finance module and Banner to Colorado Financial Reporting System (COFRS) reconciliations. CCCS records student accounts receivable and related revenue in the Banner student module. On a monthly basis, the colleges should reconcile the student module to the finance module (general ledger) to ensure the student module is uploading into the general ledger correctly. Further, CCD uploads financial information in COFRS on a routine basis for purposes of statewide financial reporting. In addition, cash for all colleges is deposited with the State Treasurer's Pool (Pool). In order to ensure that information being reported to the state is complete and accurate and to ensure cash is properly reconciled to the balance held by CCD in the Pool, CCD should reconcile the information recorded in its general ledger system to COFRS on a monthly basis. The reconciliation should be reviewed by someone other than the preparer.

We recalculated deferred revenue at CCD as of June 30, 2010. On an annual basis, colleges calculate the amount of unearned revenue for the summer session by applying the percentage of days in the summer session.

What problem did the audit work identify?

In the current year audit, we noted CCD had not yet corrected the deficiencies noted in the fiscal year 2009 audit in the reconciliations related to Banner. In addition, we noted deficiencies in the purchasing process and an error in the calculation of deferred revenue. Specifically, we noted the following:

- In the 10 expenditures tested, we noted that four sample items did not have a receiving report or purchase orders that indicated approval that goods or services were received.

- CCD did not begin reconciling the Banner student module to the general ledger until February 2010 due to staff turnover at the college. We tested two reconciliations subsequent to February 2010 noting that the reconciliations were prepared properly with assistance from the System Office. In addition, we noted that the COFRS to Banner reconciliation was not completed until March 2010 and that reconciliation was prepared by the System Office due to staffing issues at CCD. The reconciliation as of March 31, 2010 was a year-to-date reconciliation and covered the period from July 1, 2010 to March 31, 2010. Variances between COFRS and Banner were identified on the reconciliation, and the reconciliation was then sent to CCD in order to investigate the variances. As of May 2010, we noted that there were several variances identified in the March 31, 2010 reconciliation that had not yet been investigated by CCD. We tested the June 30, 2010 year-to-date COFRS to Banner reconciliation noting that the reconciliation was properly prepared and all variances identified in the March 2010 reconciliation were reconciled. CCD recorded $169,000 of revenue and $139,000 of expense, which were unsupported, for a net of $30,000 in order to reconcile cash in Banner and COFRS. The unreconciled variance had been present for over a year and CCD determined, based on evaluation of its records, that the cash in COFRS was accurate. As a result, the $30,000 correction was recorded in Banner.
- CCD understated deferred revenue and overstated revenue by $1,508,000 at June 30, 2010. The college made an error in its year-end calculation by applying the deferral percentage to the incorrect amount of summer session revenue, understating deferred revenue and overstating revenue by $1,900,000. In addition, the college did not properly reverse deferred revenue recorded in the prior year overstating deferred revenue and understating revenue by $392,000. CCCS recorded an adjustment to correct the error prior to the finalization of the financial statements.

Why does this problem matter?

Lack of adequate reconciliation and management review of deferred revenue calculations increases the risk of errors in the financial statements. Additionally, the lack of adequate controls over disbursements could result in payment of invoices for goods or services that were not received.

Why did the problem occur?

For several years, CCD has lacked adequate policies and procedures to ensure financial statements are accurate and complete and that the risk of misappropriation of assets is minimized. For example, CCD has not enforced its policy requiring manual approval of receipt for goods and services until January 2010. In addition, turnover in key accounting and financial reporting positions has resulted in lack of adequate controls such as performing timely and complete reconciliations and reviewing deferred revenue calculations.

(Classification of Finding: Significant Deficiency)

Recommendation No. 1

CCCS should work with CCD to implement or enforce policies and procedures over accounting and financial reporting by:

a) Ensuring that CCD evidence the receipt of goods or services and match receiving reports to purchase orders and invoices prior to the payment of invoices.

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b) Performing monthly reconciliations of the student module to finance module and COFRS to the Banner financial management system and investigating reconciling items in a timely manner. Reconciliations should be reviewed by someone at least one level higher than the preparer.

c) Ensuring adherence to the systemwide accounting policy for calculating deferred revenue and ensuring supervisory review.

CCCS Response

CCD:

a) Agree. Implementation date: October 2010. CCD adopted the receiving policy ensuring the receipt of goods against a purchase order, before paying the invoices. Invoices are sent to the Administrative Assistant to the Controller or the Assistant to the CFO as a back-up, who completes the process of receiving (the invoices) in the system against the signature/initials of the individual confirming the physical receipt of the goods. The individual who completes receiving in Banner also signs the invoices and sends them to Accounts Payable for processing the payment.

b) Agree. Implementation date: July 2010. The Staff Accountant performs monthly Student accounts receivable reconciliations after the end of the calendar month and the Controller reviews and signs off on the reconciliations. This process was implemented in May 2010. The Chief Accountant completes the Banner/COFRS reconciliation on a monthly basis.

c) Agree. Implementation date: July 2011. This is a year-end entry. For fiscal year 2011 and future years, the Assistant Controller will prepare the entry with review by the Controller.

Community College of Denver Payroll Controls

CCD serves 15,000 students and employs approximately 855 employees, including faculty, exempt employees, and classified employees. The college's department of Human Resources is responsible for hiring employees, including inputting salary information in the Banner financial management system. The Controller's Office is responsible for working with the System payroll office to process payroll, based on salary and time and attendance information in Banner. Total payroll at CCD for the year ended June 30, 2010 was approximately $27,000,000.

What was the purpose of the audit work?

The purpose of the audit work was to evaluate college controls over payroll expenditures. In addition, CCD identified and presented to Internal Audit unusual amounts paid to an exempt employee for overload assignments and requested that the Internal Audit Department (Internal Audit) investigate the transactions. Internal Audit subsequently reported the investigation results to appropriate external agencies. As part of our audit, we considered the results of Internal Audit's investigation.

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What audit work was performed and how were results measured?

The audit work included testing certain controls implemented by the college to ensure payroll expenditures were complete and accurate. Internal controls over payroll should include, but not be limited to, proper segregation of duties between human resources and payroll personnel, approval of contracts and salaries, approval of timesheets, and reconciliation and review of payroll amounts.

To review payroll, after each college has completed processing payroll, a confirmation report is created. The confirmation report contains the total number of entries for the period, total gross pay, total net pay, and total employee and employer deductions. The Controller at each college (or their designee) reviews the confirmation report for reasonableness and signs off when the review is complete. The approved confirmation report is sent to the System Office for payroll to be processed. In addition to the controls noted above, the System Office has developed diagnostic reports to assist college payroll offices in reviewing payroll. These reports include a report of highly compensated employees. The audit tested two confirmation reports for November 2009 and April 2010.

The audit work also included reviewing Internal Audit's report on its investigation into an employee's excessive amounts of pay for overload assignments. Board Policy 3-80, *Teaching Faculty Workload*, states "overload assignments should be limited so as not to erode the professionalism of the faculty member. An overload for a regular faculty member is defined as a duty assignment (such as a discrete course) in addition to the faculty member's academic year teaching load. An overload assignment must be in writing and approved by the college president." Overload assignments are exclusively available to members of faculty. Contract and professional staff can instruct classes as adjunct faculty, provided they have the approval of their supervisor and the class does not occur during their normal working hours or interfere with their primary employment.

Finally, the audit work considered Board Policy 3-70, *Community College System Code of Ethics*, which states that "employment of members of the same immediate family is subject to the following provisions: College level: Employment of any person in the immediate family of a member of the college staff who is in the line of supervision of that person must be approved and disclosed to the system president by the college president."

What problem did the audit work identify?

We tested two monthly confirmation reports at CCD and found that the report for the November 30, 2009 monthly payroll was properly reviewed and approved. However, the April 30, 2010 monthly payroll was not reviewed.

In July 2010, CCD's Deputy Chief Financial Officer notified the Vice President and Chief Financial Officer that a college employee had been paid approximately $18,000 for the month of June. Based on a review of supporting payroll documents, the college determined that from June 2009 through June 2010 the employee earned approximately $57,000 in overload assignments in addition to the employee's base salary of $68,000. Of the $57,000 paid for overload assignments, $28,600 were nonteaching overloads charged to federal and private grants.

CCD requested Internal Audit review the employee's earnings and assignments as well as payroll controls at the college. Internal Audit identified that the employee's teaching and nonteaching overloads were approved by her supervisor, the Career Technical Education dean. However, the employee was not eligible for nonteaching overload assignments based on the employee's position, job description, and CCCS policy. The employee was also approved to instruct 15 – 21 credits hours in addition to her full-time position. Internal Audit concluded that this does not represent an appropriate workload for one individual due to the amount of credit hours approved for overload as compared to the individual's regular workload. Full-time faculty is permitted two overload assignments without vice president approval. The employee's entire teaching workload should have been approved by the vice president and was not.

As noted, certain overload assignments were charged to federal and private grants, including $6,700 charged to the college's federal Head Start grant. These costs were not charged in accordance with Board policy and the college did not maintain records as to the level of effort the employee charged to the grant. As a result, these costs would be unallowable costs to the grant.

Internal Audit also investigated additional allegations that came to its attention during the review, which further indicate a lack of adequate internal control over the human resource and payroll process. The employee who received various overload contracts noted above also hired two family members, which she indirectly supervised. This employment was not disclosed to the college or System President. Internal Audit noted that sufficient documentation was not made available to provide human resources employees with an understanding of any relationships between individuals, which could have been a catalyst for questions and ultimately proper disclosure.

Subsequent to Internal Audit's investigation, the employee was terminated.

Why does this problem matter?

Lack of adequate controls over payroll expenditures increases the risk that the college does not comply with Board policy and misappropriation of assets may occur. In addition, lack of controls may lead to noncompliance with grant regulations. The payments made to the employee for overload assignments appear to constitute abuse or behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances.

Why did the problem occur?

CCD lacked adequate controls over payroll expenditures including approval of confirmation reports and a review of monthly and biweekly payroll that would detect irregularities in payroll and excessive overload assignments. In addition, the college did not follow Board policy with respect to overload assignments and employment of immediate family members.

(Classification of Finding: Significant Deficiency)

(CFDA No. 93.600; Head Start)

Recommendation No. 2

CCCS should work with CCD to strengthen controls over payroll and evaluate costs charged to grants by:

a) Implementing policies and procedures to ensure confirmation reports are properly reviewed by the College's Controller and submitted to the System Office prior to final processing, including review of diagnostic reports to identify unusual amounts.

(Continued)

b) Implementing policies and procedures to ensure overload assignments are properly evaluated and approved in accordance with Board policy.

c) Training employees on Board policy, including employment of immediate family members.

d) Evaluating overload assignments charged to federal and private grants, as identified by Internal Audit, to determine if the costs were allowable. If the costs are unallowable, the grants should be reimbursed with other college funds.

CCCS Response

CCD: The employees involved in the deficiencies noted have been either terminated or appropriate personnel disciplinary action has been taken to ensure controls are in place in the future.

a) Agree. Implementation date: November 2010. For monthly and bi-weekly payroll periods the Controller or their designee will review applicable payroll reports, including exception reports as recommended by the CCCS Payroll Department, prior to submission to the System Office for final processing. These reviews will be documented and any unusual findings will be reported to management.

b) Agree. Implementation date: November 2010. The Provost will work directly with instructional departments to provide review and oversight of overload assignments. Departments will provide reports to the Provost for compilation to create a college-wide master list of overload contracts by employee name to assist in the review, number and amount of faculty overload contracts. Each contract will be evaluated and approved in accordance with Board policy.

c) Agree. Implementation date: January 2011. The Human Resources Office will begin offering training to employees on Board and College policies. This training will include a section on employment of immediate family members. Training will be provided on an on-going basis.

d) Agree. Implementation date: November 2010. Items identified by Internal Audit are currently being reviewed; this review started in early October 2010. If, after the review is completed, the costs are determined to be unallowable, the funds will be returned to the source.

Red Rocks Community College Cashier Controls

Red Rocks Community College (RRCC) collects cash for tuition, auxiliary services, and other programs through its cashier’s office located on the main campus. The cashier’s office has one supervisor, one assistant supervisor and three cashiers. The office is supervised by the controller. The cashier’s office was responsible for collecting approximately $10,600,000 in cash, credit cards and checks in fiscal year 2010.

What was the purpose of the audit work?

The purpose of the audit work was to evaluate the allegation of misappropriation of assets within the cashier’s office. RRCC discovered and presented to Internal Audit a misappropriation of assets. Internal audit conducted an investigation into the matter and the results were shared with the appropriate external agencies.

What audit work was performed and how were results measured?

The audit work included reviewing Internal Audit's report on its investigation, inquiring of college management regarding the allegation, and assessing internal control over cash receipts. Internal control over cash receipts should include proper segregation of duties, reconciliation, and management review. In addition, at a majority of colleges, cameras have been installed in cashier's offices.

What problem did the audit work identify?

In March 2010, a student reported that a check she had written for tuition had not cleared the bank. The RRCC Vice President for Finance and Administration and Controller investigated the missing check and determined that nine batches totaling approximately $69,000 ($17,000 in cash and $52,000 in checks) had not been received by the bank. The incident has been reported to local authorities. To date, the college has not recovered the cash, but was able to stop payment and receive replacements for approximately half of the checks.

Internal Audit's investigation revealed that beginning in December 2009, there was a lack of segregation of duties in the cashier's office and that common controls, such as counting of cash receipts by two individuals, dual custody, and proper safeguarding of cash were not occurring. Although daily deposit slips were prepared after December 2009, some deposits took a week or more to be deposited. Internal Audit's investigation also revealed that deposit corrections for several deposits made in February 2010 were noted. Since these corrections were cash shortages for either $80 or $100, and the amounts were deposited at later dates, it appeared to Internal Audit that the cash had been borrowed and repaid.

In addition, while the safe in the cashier's office was locked, individuals other than employees of the cashier's office, including personal friends, visited frequently, which did not promote a sound control environment. There were also no cameras installed in the cashier's office.

Why does this problem matter?

Lack of adequate controls over cash increases the risk of misappropriation of assets.

Why did the problem occur?

Employees overrode internal controls designed by the college and many controls had ceased occurring after December 2009 around the same time one of the employees in the cashier's office separated from employment at the college. The Cashier Supervisor, who was primarily responsible for the override of existing cash-handling controls, at the same time decided to prepare the daily bank deposits. The Cashier Supervisor was also responsible for the reconciliation of the weekly clearing account. These reconciliations were not presented in a timely manner to the Controller for review. Had the reconciliations been prepared by another individual or reviewed in detail timely, the misappropriation of assets would have been detected. The employee has resigned from the college.

(Classification of Finding: Significant Deficiency)

Recommendation No. 3

CCCS should work with RRCC to strengthen controls in the cashier's office by:

a) Implementing review procedures to ensure that controls designed by the college, including proper segregation of duties and reconciliations, are implemented and operating effectively.

b) Installing cameras in the cashier's office.

CCCS Response

RRCC: The employees involved in the deficiencies noted are either no longer employed at RRCC or appropriate personnel disciplinary action has been taken to ensure adequate controls are in place in the future.

a) Agree. Implementation date: June 2010. To further strengthen the control environment, RRCC has implemented additional review procedures and reassigned the completion of the weekly clearing account reconciliation to the accounting department. To affect the timeliness of the reconciliations, in March 2010, RRCC moved the clearing reconciliation process from the cashier's office to the accounting department and began the hiring process for a temporary professional accountant to complete that process. A professional accountant was hired and began work in April 2010.

   Additional procedures implemented include: surprise cash counts of both the safe and cashier drawers, the installation of an electronic locking device on the cashier's office door and review of a monthly download of access to the department, required logging of all necessary visitors to the cashier's office including other campus departments, enforcement of required but circumvented procedures such as tracking the individual deposits contained in the daily bank deposit bag, the tracking log for pickup and return of the daily deposit bags by the armored car courier, the requirement that all cash items be in dual custody and dual counted at all times, and the prohibition of non-business related visitors to the locked, secure cashier's office space.

   Training sessions have been provided for all cashiers regarding cash handling procedures and physical monitoring of cashiers and controls are being conducted on an on-going basis, effective April 2010. The clearing account reconciliation is prepared and reviewed by the accounting department effective April 2010.

b) Agree. Implementation date: December 2010. RRCC has purchased and installed an extensive electronic monitoring and archiving system to ensure that internal controls such as dual custody and double counting are operating as designed and proscribed. This system will permit remote monitoring by Campus Police, the Controller, Assistant Controller, and Vice President for Administrative Services on a recurring, non-routine, on-demand basis. The electronic monitoring and archiving camera system is partially functional currently and will be fully operational by December 2010.

Colorado Northwestern Community College's Financial Position and Accounting Function

Colorado Northwestern Community College (CNCC) is located in Rangeley with a second campus in Craig. Rangeley Junior College District (RJCD) and Moffat County Affiliated Junior College District (MCAJC) have entered into agreements with CNCC to provide student tuition assistance. Approximately 1,388 students in

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northwest Colorado attend CNCC. CNCC had enrollment growth of 6% from fiscal year 2009 to 2010. CNCC net assets at June 30, 2010 totaled $21 million or 4% of CCCS total net assets. Fiscal year 2010 operating revenue totaled $9.3 million (3% of system operating revenue) and expenses totaled $12.6 million (2.6% of CCCS operating expenses). In addition, CCNC received $1.7 million of federal State Fiscal Stabilization Funds and $1 million of federal Pell grants. Both of these federal sources of revenue were used for operations.

In fiscal years 2009 and 2010, CNCC participated in several complex capital project transactions. In fiscal year 2010, CNCC issued, through the System Office, $5.1 million in revenue bonds with the proceeds to be used to finance construction and improve and equip 78,000 square feet of the Craig Campus Academic Building and 14,000 square feet of the Craig Career and Technical Center. CNCC is also participating in the state's certificate of participation program, which began in fiscal year 2009. Under this program, the state is providing approximately $21 million in support for the Craig Campus Academic Building, with CNCC providing $2.1 million in institutional support. In fiscal year 2009, CNCC also entered into a $3.6 million capital lease for certain energy performance improvements.

What was the purpose of the audit work?

The purpose of the audit work was to evaluate the status of prior year recommendations and to test certain account balances as of June 30, 2010. For the past several years, CNCC has been unable to reconcile COFRS to the Banner financial management system. In addition, we noted CNCC did not meet financial reporting deadlines in the prior year and recorded numerous adjustments to Banner and COFRS.

What audit work was performed and how were results measured?

The audit work included testing the year-end reconciliation of the Banner financial management system to COFRS, reviewing adjustments made to COFRS, testing accounts receivable balances, and performing an overall evaluation of CNCC's financial condition and results of operations at June 30, 2010. The review and testing were completed in conjunction with ongoing discussions with the System Office who had also identified deficiencies in fiscal management and had communicated them to management and the external auditors.

What problem did the audit work identify?

CNCC's financial condition has deteriorated and needs to be closely monitored by the System Office. As of June 30, 2010, CNCC had a deficit cash balance of $564,000. Although CNCC can legally maintain a negative cash balance with the State Treasurer, it is required to pay interest on such balances.

A significant contribution to the cash deficit was approximately $1.9 million due from RJCD and MCAJC at year-end but had not been collected until August 2010. While timely billing and receipt of these receivables would have generated a positive cash balance at year-end, we also noted that CNCC may not have enough current assets to meet its current obligations in the coming year. CNCC's current liabilities of $2,434,000 exceeded current assets of $2,330,000 by $104,000. A current or liquidity ratio is calculated as current assets divided by current liabilities and measures an organization's ability to pay short-term obligations. CNCC's ratio is 0.96. Eleven of the other 12 colleges in the system have current ratios between 3 and 4; one college has a ratio of 2. While CNCC has $2.1 million on deposit with the State Treasurer, these funds will not be available within the next year and are not included in current assets. As noted above, CNCC's share of the Craig Campus Academic Building is $2.1 million under the certificate of participation program. Upon completion of the project, this $2.1 million will be returned to CNCC and replaced with proceeds from the fiscal year 2010 bond issuance. As a result, CNCC will have $2.1 million available for operations but not until completion of the project, which is scheduled in November 2011.

In addition, during our audit, we noted the following problems in CNCC's accounting and financial reporting processes:

- CNCC was unable to complete its year-end reconciliation of COFRS to Banner without significant assistance from the System Office. During fiscal year 2010, CNCC did not reconcile the two systems. Our review of the year-end reconciliation revealed:
  - The college recorded six adjustments in the state general ledger after the close of COFRS. While this is a decrease of 50% from the prior year, it continues to show a need for improvement in the year-end close process. These adjustments included entries to properly capitalize assets, including construction in process, and to write off accounts receivable.
  - CNCC recorded $236,000 of revenue and $170,000 of expense for a net adjustment of $66,000 in order to reconcile cash in Banner and COFRS. Although there was no supporting documentation for the adjustment, CNCC believed the cash balance in COFRS was more accurate than its cash balance in Banner.
  - On its Exhibit J reconciliation of COFRS to Banner, CNCC included several entries that were recorded in Banner in fiscal years 2008 and 2009 but had not been recorded in COFRS. The college recorded these entries to COFRS in fiscal year 2010.
- CNCC wrote off approximately $360,000 of accounts receivable at June 30, 2010. The college determined, with the assistance of the System Office, that receivables were previously recorded incorrectly for a variety of accounts including, but not limited to, RJCD and MCAJC; however, these receivables were not valid claims. CNCC determined that these receivables had been recorded in error in prior years. As part of its reconciliation of accounts receivable with RJCD and MCAJC, the college also made entries to reclassify "deposits held for others," which were improperly included as accounts receivable.
- CNCC did not properly classify current assets in its accounting records. CNCC reported approximately $1,300,000 of Perkins loans receivable and the $2,100,000 certificate of participation amount due from the state as current assets. These amounts are not due within a year and should be reported as noncurrent assets. CCCS did not record a reclassification from current to noncurrent assets in the fiscal year 2010 financial statements as these amounts were not considered material to CCCS' overall financial statements. Therefore, the System's current assets are overstated by $3,400,000, and noncurrent assets are understated by the same amount at June 30, 2010.

Why does this problem matter?

Errors in financial information result in management not having accurate information on which to base decisions. In addition, without good financial management, CNCC may be unable to meet its current financial obligations without obtaining financial assistance from the System Office or elsewhere.

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Why did the problem occur?

CNCC:

- Does not have adequate policies and procedures to ensure its financial information is accurate and complete.
- Has not developed its Controller's office staff to meet college, System Office, and state reporting needs. As a result, in fiscal years 2009 and 2010, the System Office was heavily involved in CNCC's accounting processes and year-end close.
- Failed to bill and collect accounts receivable from RJCD and MCAJC in a timely manner resulting in a deficit cash position at June 30th.

(Classification of Finding: Significant Deficiency)

Recommendation No. 4

CCCS should evaluate CNCC's accounting and financial reporting policies and procedures and make appropriate changes as necessary to ensure the college's financial information is accurate, complete, and available to decision makers in a timely manner. CCCS should:

(a) Prepare a plan with CNCC to develop and train the Controller's office staff or consider whether certain accounting and financial reporting functions should be handled by the System Office.

(b) Closely monitor CNCC's financial position, including a monthly cash flow projection, to ensure CNCC can meet its obligations as they become due and avoid payment of interest to the State Treasurer.

(c) Perform monthly reconciliations of COFRS and the Banner financial management system and investigate reconciling items in a timely manner. Reconciliations should be reviewed by someone at least one level higher than the preparer.

(d) Reconcile accounts receivable on a regular basis, including accounts with RJCD and MAJCD.

(e) Record current and noncurrent assets based on when amounts are due to the college or available to meet current obligations.

CCCS Response

CNCC: The System Office will increase direct fiscal oversight of the CNCC fiscal operations, effective November 1, 2010. The System is committed to strengthening the financial results and procedural fiscal performance at CNCC.

a) Agree. Implementation date: November 2010. CNCC has taken the following actions to correct the deficiencies: CNCC hired a retired college Business Officer to assist in the reconciliation of Banner to COFRS during the closing and that reconciliation was completed with assistance from System Office personnel. CNCC has hired a new Business Officer with a strong accounting background who is currently being trained by the retired Business Officer (it should be noted that this training will

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take time but CNCC is committed to this project). The two Business Officers have worked on generating better reports that should greatly assist the college leadership in monitoring the budgets and cash flow. CNCC is working with the retired business officer for monthly visits to continue that training and assistance.

b) Agree. Implementation date: December 2010. CNCC's financial position will be monitored by the Business Officer who will create monthly cash flow projections.

c) Agree. Implementation date: December 2010. CNCC began working on the remaining reconciliation of aging balances, beginning July 2010 and that process is in the finals stages. Banner and COFRS reconciliations are being completed monthly by the Business Officer and due to limited resources at CNCC, it will be reviewed by either the System Office staff or the retired Business Officer.

d) Agree. Implementation date: November 2010. Billing for RJCD an MCAJCD have been submitted to the respective Boards on a monthly basis beginning July 2010 by the Assistant Controller. The Business Officer will perform monthly accounts receivable reconciliations beginning November 2010, including billings to RJCD and MCAJCD.

e) Agree. Implementation date: November 2010. The Business Officer will monitor when amounts are due to the college on a weekly basis and make proper accruals at year end with appropriate classifications.

Revenue – System Configuration of Rate Tables

CCCS' tuition rates are set by the State Board at the beginning of the fiscal year for each college. Tuition rates range from $85.05 per credit hour to $440 per credit hour. In fiscal year 2010, CCCS' gross tuition revenue was approximately $297,000,000.

What was the purpose of the audit work?

The purpose of the audit work was to test whether CCCS' financial management system, Banner, properly calculated tuition revenue based on registered credit hours and approved tuition rates.

What audit work was performed and how were results measured?

The audit work included testing certain controls implemented by the colleges to ensure tuition rate tables in Banner were accurate. Tuition rate tables are updated at the beginning of each semester by each college with current year tuition rates approved by the State Board. Before new tuition rates are released into the live Banner system, a staff member verifies the accuracy of the rates and performs test calculations to ensure the accuracy of tuition charges.

What problem did the audit work identify?

Our test work revealed that some tuition rates were incorrectly entered into Banner and did not agree to the Board-approved rates at Otero Junior College (OJC), Lamar Community College (LCC), and Colorado Northwestern Community College (CNCC). Specifically, we found the following:

- At OJC, the nonresident classroom student rate and online rates were entered incorrectly into Banner, resulting in an understatement of charges and related tuition revenue of $32,500.
- At LCC, resident nursing rates for the fall and spring semesters and the Western Undergraduate Exchange (WUE) rural rate for the fall semester were entered incorrectly into Banner, resulting in an understatement of the charges and related tuition revenue of $3,500.
- At CNCC, rates for nonresidents with dorms and nursing, aviation, aircraft, maintenance, and dental hygiene differentials were entered incorrectly resulting in an overstatement of charges and related tuition revenue of $3,300.

OJC and LCC did not correct the understatement in Banner, as it is CCCS policy not to retroactively apply charges to student’s accounts due to errors. CNCC will refund the overstatements in fiscal year 2011.

Why does this problem matter?

Lack of adequate review of tuition rate tables increases the risk for errors in tuition charged to students.

Why did the problem occur?

OJC, LCC and CNCC lacked adequate controls over the review of tuition rate tables entered into the Banner system. The business officers perform high-level reviews of tuition rates in Banner; however, these reviews did not detect the errors.

(Classification of Finding: Deficiency)

Recommendation No. 5

CCCS should work with OJC, LCC, and CNCC to strengthen the review of tuition rates in Banner and ensure that the reviews are documented.

CCCS Response

OJC: Agree. Implementation date: Fall Semester 2010. OJC has enhanced the review of the rate table. In addition to review by our Cashier and Business Officer, OJC has instituted a review by the Assistant Controller whereby a sample of students for each tuition classification (e.g. resident, non-resident, etc.) is selected and manual tuition and fee calculations are performed for each sample item based upon Board approved rates, Banner rates, and Banner registration hours. Any discrepancies between the manual calculated totals and Banner calculated totals are investigated and appropriate corrections made.

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LCC: Agree. Implementation date: Fall Semester 2010. The Controller is responsible for entering the rate table into the Banner system using a college rate table that is compiled from the board approved rates from the system board minutes. This deficiency has been corrected through multiple reviews by the Vice President of Administrative and Student Services, Vice President of Marketing and Enrollment Management, and the Cashier of the college rate table created prior to the rates being entered into the Banner system. After the rates are entered into the Banner system, a second more detailed review of the rates are extracted and verified by the Controller and Cashier. A third review is completed by the Cashier and Controller verifying that each rate is calculating correctly by testing each type of student enrolled in the Banner system.

CNCC: Agree. Implementation date: Spring Semester 2010. The Business Officer will institute a review of the rate calculations and data input completed by the Cashiers/Receivable Clerk. The repayment amount of $.02 per credit hour will be determined by the Cashier/Receivable Clerk by December 2010 and will be applied to the students' accounts against spring semester charges (completed by February 2011).

Pikes Peak Community College Accounts Receivable

Pikes Peak Community College (PPCC) records accounts receivable for amounts due from students, governmental entities, and other third parties. PPCC records an allowance for doubtful accounts for student and other accounts receivable based on estimated amounts that will be uncollectible. At June 30, 2010, PPCC recorded approximately $10,800,000 in gross student accounts receivable and an accounts receivable allowance of approximately $3,900,000.

What was the purpose of the audit work?

The purpose of the audit work was to test the existence and accuracy of student accounts receivable as well as the reasonableness of the allowance for accounts receivable.

What audit work was performed and how were results measured?

The audit work included testing a sample of student accounts receivable to ensure they existed and were accurate as of June 30, 2010 and recalculating PPCC's accounts receivable allowance. Student accounts receivable is recorded throughout the year in the Banner student module and reconciled to the Banner finance module on a monthly basis.

The student accounts receivable allowance is calculated by each college on an annual basis by applying a historical collection rate to the June 30th accounts receivable balance. CCCS has developed a systemwide accounting policy on how to calculate the accounts receivable allowance.

What problem did the audit work identify?

Our audit work identified an understatement in student accounts receivable of approximately $582,000. We noted PPCC had a credit balance in its student accounts receivable which caused the understatement. The credit balance which related to College Opportunity Fund revenue should have been eliminated from the receivable accounts but was not. CCCS did not record an adjustment to correct PPCC's accounts receivable balance as the proposed adjustment was discovered after the CCCS financial statements were finalized and was not considered material to the financial statements as a whole. Therefore, accounts receivable for CCCS is understated at June 30, 2010 by $582,000.

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In addition, our audit work identified an understatement in the allowance for doubtful accounts of approximately $475,000. PPCC erroneously excluded summer 2010 accounts receivable from the allowance calculation, which was contrary to the systemwide accounting policy. CCCS recorded an adjustment to correct the allowance prior to issuing the System financial statements.

Why does this problem matter?

Lack of adequate review of accounts receivables increases the risk that errors in the financial statements will not be detected and corrected in a timely manner.

Why did the problem occur?

PPCC did not follow the systemwide accounting policy for calculating the accounts receivable allowance and did not properly review the reconciliation of accounts receivable from the Banner student module to the finance module.

(Classification of Finding: Deficiency)

Recommendation No. 6

CCCS should work with PPCC to implement proper reconciliation of accounts receivable from the Banner student module to the finance module and to ensure adherence to the systemwide accounting policy for calculating the accounts receivable allowance.

CCCS Response

PPCC: Agree. Implementation date: July 2011. A reconciliation of student accounts receivable to the Banner finance module is being completed on a monthly basis by the Assistant Controller and is evaluated and reviewed by the Controller. Additionally, PPCC will comply with the system wide accounting policy in the future for calculating the accounts receivable allowance for 2011 fiscal year end close.

Community College of Denver Federal Work Study

CCD participates in several federal student financial aid programs, including Pell, Direct Loans, and Federal Work Study (FWS). The FWS program provides part-time employment to eligible undergraduate students who need the earnings to help meet costs of postsecondary education. CCD determines the award amount, places the student in a job, and pays the student or arranges to have the student paid by an off-campus employer. CCD recorded $181,000 and $252,000 of FWS program expenditures in 2009 and 2010, respectively.

What was the purpose of the audit work?

The purpose of the audit work was to evaluate CCD’s follow-up on potential noncompliance with FWS regulations that was identified during the course of terminating two employees.

What audit work was performed and how were results measured?

The audit work included reviewing CCD's evaluation of potential noncompliance with FWS program regulations. Code of Federal Regulations Title 34, Section 675.16 states "the student's wages are earned when the work is performed."

What problem did the audit work identify?

In January 2009, CCD terminated an employee for what the college determined to be "significant and ongoing violations of performance, office demeanor, ethics, and abuse of state time, equipment, and personnel." In its investigation, CCD noted the employee authorized additional hours on time sheets of work-study students who helped her complete her own course work. In its termination letter, CCD stated that the employee's action in the instance was "an ethical violation that constitutes fraudulent behavior against the Federal Government Work-Study Program for which the college may now be liable for repayment of inappropriately authorized funds." While CCD identified this matter in January 2009, our audit revealed that as of July 2010, the college had not yet followed up on the matters noted in the termination letter and determined whether the college owed money back to the FWS program.

In February 2010, CCD terminated another employee for abuse of authority and misuse of state funds. CCD conducted an internal investigation into complaints by a former employee who alleged an employee had engaged in "several illegal activities." CCD's internal investigation found no concrete evidence that the employee "padded" timesheets. However, CCD's investigation did not include assistance from student financial aid personnel, internal audit, or legal counsel nor was it directed towards determining the full scope of the college's potential liability to the FWS program. As a result, the college was unable to determine whether unallowable time had been charged to the FWS program. In addition, as of July 2010, the college had not yet followed up on the matters noted in the termination letter and determined whether the college owed money back to the FWS program.

Why does this problem matter?

CCD may not be in compliance with FWS regulations and may owe money back to the Federal government.

Why did the problem occur?

CCD did not have a coordinated process in place to follow up on matters identified in employee termination proceedings that may have an impact to compliance with federal program regulations.

(Classification of Finding: Significant Deficiency)

(CFDA No. 84.033; Federal Work-Study Program; Eligibility)

Recommendation No. 7

CCCS should work with CCD to ensure potential illegal activities or noncompliance with federal regulations is properly investigated and follow-up actions are taken as necessary. In addition, CCCS should work with CCD to take specific steps to determine whether the college complied with FWS program regulations and if money is owed to the Federal government based on matters identified during the course of terminating two employees.

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CCCS Response

CCD: Agree. Implementation date: November 2010. CCD is developing processes to aid with the oversight and compliance of Federal Work Study regulations. CCD has completed its preliminary review of the two matters noted to determine if any monies are owed to the Federal government. The final review is targeted for completion by November 30, 2010 at which time appropriate communications will be made to external agencies.

Controls over the Return of Title IV Funds

Pueblo Community College (PCC) and RRCC participate in several federal student financial aid programs, including Direct Loans, Pell, Federal Work Study, and other programs. Title IV establishes general rules that apply to student financial aid programs and requires that when a student withdraws from an institution, the institution must determine the amount of Title IV aid that shall be returned to Title IV programs. PCC and RRCC distributed $16,400,000 and $9,000,000 in Title IV funds in fiscal year 2010, respectively.

What was the purpose of the audit work?

The purpose of the audit work was to assess the adequacy of the colleges' controls and compliance over the return of Title IV funds.

What audit work was performed and how were results measured?

The audit work included reviewing a sample of 10 return calculations at each college to determine whether adequate controls were implemented by the colleges to ensure Title IV funds were returned in compliance with federal regulations. When a recipient of Title IV grants or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's date of withdrawal. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs. Return of Title IV funds is required to be deposited or electronic fund transfers initiated to the Department of Education, or the appropriate lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

What problem did the audit work identify?

PCC and RRCC did not properly initiate the return of Title IV payments to the Department of Education within the required 45-day period.

At PCC, of the 10 students tested, four students withdrew from the fall semester on January 11, 2010; however, repayment of the Title IV funds did not occur until April 9, 2010. There was an 88-day period between the date the institution determined the students withdrew and the date Title IV Funds were repaid. After identification of the error, PCC reviewed all students who withdrew from the fall semester on the January 11, 2010. After the review, PCC determined that all 87 students for which funds were required to be returned to the Department of Education were not returned within the required 45-day period. The total amount that was repaid to the Department of Education for students who withdrew on January 11, 2010 was $54,089.

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At RRCC, of the 10 students tested, three students withdrew and the Title IV funds were not repaid to the Department of Education within the required 45-day period. RRCC determined the first student withdrew from the fall semester on October 13, 2009; however, repayment did not occur until November 30, 2009, which exceeded the required repayment deadline by three days. RRCC determined the second and third students withdrew from the spring semester on March 15, 2010 and March 23, 2010, respectively. However, repayment did not occur until May 24, 2010, which exceeded the required repayment deadline by 25 and 17 days, respectively. Title IV refunds are processed in batches of multiple students on the same date. After identification of the error, RRCC investigated all students who withdrew from the erroneous three batches and determined that seven additional students required funds to be returned to the Department of Education. The total amount of late repayment for the three batches was $4,678.

Why does this problem matter?

Failure to properly initiate refunds in the timeline required increases the risk that Title IV funds are not returned in accordance with federal regulations.

Why did the problem occur?

At PCC, there was not adequate and timely communication between the financial aid advisor who determined the students withdrew and the director of financial aid who initiates the repayment to the Department of Education.

At RRCC, the first batch failure occurred because there was not adequate and timely communication between the financial aid advisor who determined the students withdrew and the director of financial aid who initiates the repayment to the Department of Education. The second and third batch failures occurred because a repayment error was triggered due to a student's incorrect address. As a result, the entire file was rejected by the system and all repayments were not processed until the error was identified and corrected on May 24, 2010.

(Classification of Finding: Significant Deficiency)

(CFDA No. 84.063; 84.268; Student Financial Aid Cluster, Return of Title IV Funds)

Total known questioned costs of $58,767.

Recommendation No. 8

CCCS should work with PCC and RRCC to strengthen policies and procedures over the Student Financial Aid process by:

a) Ensuring adequate and timely communication between financial aid advisors and directors of financial aid when students withdraw so that the returns of Title IV funds can be determined properly and completed in a timely manner in accordance with program requirements.

b) Ensuring RRCC financial aid personnel are knowledgeable of batch errors impacting return of Title IV funds and how to correct the errors in a timely manner.

CCCS Response

PCC: Agree. Implementation date: September 2010. In addition to the Director of Financial Aid (FA) performing random secondary reviews of these calculations on a monthly basis, the Director of Financial Aid has initiated the following new process beginning September 2010: each time the FA Advisor responsible for R2T4 (Return of Title IV) runs the report, the advisor will communicate this to the Director and include the date of the report, the 30 day mark, and the 45 day mark so that the Director can monitor the progress of the calculations and run the appropriate Banner programs to ensure that the return of funds to the Department of Education occurs within the 45 day time-frame.

RRCC: Agree. Implementation date: July 2010. The Director of Financial Aid redesigned processes to ensure adequate and timely communication is received from financial aid advisors when students withdraw. Financial Aid staff also received additional training and instruction in correcting Banner batch errors to ensure returns of Title IV funds are completed in a timely manner in July 2010.

Borrower Data Transmission Reconciliation for Direct Loans

PCC and RRCC participate in the Direct Loan program, which makes interest subsidized or unsubsidized Stafford loans available to students, or PLUS loans to graduate or professional students or to parents of dependent students, to pay for the cost of attending postsecondary educational institutions. PCC and RRCC distributed $14,900,000 and $12,900,000 in Direct Loans in fiscal year 2010, respectively.

What was the purpose of the audit work?

The purpose of the audit work was to assess the college’s controls and compliance as it relates to borrower data transmission reconciliation requirements for Direct Loans.

What audit work was performed and how were results measured?

The audit work included testing certain controls implemented by the colleges to ensure Direct Loans are reconciled to the general ledger. Each month, the Department of Education provides the institution’s Common Origination and Disbursements (COD) for Direct Loans, which includes the School Account Statement data file consisting of a Cash Summary, Cash Detail, and Loan Detail records. The school is required to reconcile these files to the institution’s financial records. Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System via the Common Origination and Disbursement (COD) within 30 days of disbursement. Each month, the COD provides institutions with a School Account Statement (SAS) data file, which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution’s financial records.

What problem did the audit work identify?

Internal controls over the COD to the general ledger reconciliation process at RRCC and PCC were not properly designed to ensure the reconciliations were performed in accordance with requirements.

RRCC represented to us that the required monthly reconciliations were being performed; however, we were not able to obtain sufficient evidence that reconciling items for the November and December 2009 reconciliations were investigated and resolved. The total amount of Net Accepted and Posted Disbursement as reported by the

Department of Education for the sampled reconciliations was $5.16 million for November 2009 and $5.41 million for December 2009. We were able to obtain sufficient support to re-perform the reconciliations for February 2010 and May 2010.

PCC provided evidence that the reconciliations were initiated; however, the September 2009 and January 2010 reconciliations had differences that were not properly investigated or resolved. The total amount of Net Accepted and Posted Disbursements per the Department of Education for the reconciliations was $5.01 million for September 2009 and $6.63 million for January 2010.

Why does this problem matter?

Failure to reconcile Direct Loan disbursements to the general ledger in a timely manner increases the risk that the general ledger does not accurately reflect direct lending activity and the colleges may not be in compliance with federal regulations.

Why did the problem occur?

PCC and RRCC did not have adequate policies and procedures in place to ensure the reconciliation between the COD and the general ledger was performed and that evidence supporting the reconciliation was maintained for review.

(Classification of Finding: Significant Deficiency)

(CFDA No. 84.268; Student Financial Aid Cluster, Federal Direct Student Loans, Borrower Data Transmission Reconciliation)

Recommendation No. 9

CCCS should work with PCC and RRCC to implement policies and procedures to ensure that borrower data transmission reconciliations are performed and reconciling items are addressed in a timely manner and evidence supporting the reconciliation is maintained for review.

CCCS Response

PCC: Agree. Implementation date: January 2011. The Direct Loan reconciliation will be implemented. PCC will seek training opportunities to ensure that it remains in compliance.

RRCC: Agree. Implementation date: December 2010. RRCC's Controller will work with the Director of Financial Aid to ensure the reconciliation between COD and the financial aid system is completed monthly and is reviewed and retained in the accounting department.

(Continued)

Following are the audit recommendations made for the year ended June 30, 2009 and their disposition as of November 12, 2010:

Recommendation	Disposition
Recommendation No. 1 CCCS should ensure its accounting and financial reporting processes are adequate to meet financial reporting and deadlines as well as the Office of the State Controller and audit requirements. Specifically, CCCS should: a. Evaluate its accounting and financial reporting process and identify areas to improve efficiencies during the close process. b. Ensure colleges adequately plan for the year-end close process in order to meet OSC and System Office reporting deadlines. Such planning should ensure entries are made to COFRS prior to its close, financial statements, notes, and exhibits are accurate and submitted to the System Office and OSC in a timely manner. c. Ensure adequate, skilled resources are available to support System Office reporting and financial and compliance audit process.	Implemented.
Recommendation No. 2 CCCS should ensure key reconciliations are completed on a regular basis. CCCS should also ensure accurate and complete reports are available from Banner to facilitate such reconciliations.	Partially implemented for all schools except CCD and CNCC. See Recommendations Nos. 1 and 4.

Recommendation	Disposition
Recommendation No. 3 CCCS should: a. Ensure all colleges consistently follow system-wide policies and procedures to determine the allowance for doubtful accounts on student accounts receivable. These procedures should ensure the allowance calculation is reviewed by someone other than the preparer. b. Ensure CCA submits students accounts receivable to SCC in accordance with state requirements.	Partially implemented for all schools except PPCC. See Recommendation No. 6.
Recommendation No. 4 CCCS should ensure that colleges consistently apply Board policy to the calculation of leave accrued by employees to be paid upon termination or retirement. CCCS should also complete its plan to automate the calculation of compensated absences in Banner so as to ensure the leave pay-out thresholds are properly applied, the calculations are accurate, and properly reviewed.	Implemented.
Recommendation No. 5 CCCS should work with OJC, as appropriate, to strengthen controls over the payroll process ensuring proper segregation of duties is established so that no one person has the ability to set up new employees, change pay rates, pay employees, and make changes to wage garnishments.	Implemented.
Recommendation No. 6 CCCS should work with Northeastern Junior College to strengthen controls over the cash management process and establish segregation of duties so that no one person has the ability to calculate the amount to request for reimbursement and submit for reimbursement and approve the request and associated journal entry.	Implemented.

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202-3499

Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Colorado Community College System (CCCS), a component unit of the State of Colorado, as of and for the years ended June 30, 2010 and 2009, which collectively comprise CCCS' basic financial statements as listed in the table of contents. These financial statements are the responsibility of CCCS management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of certain discretely presented component units, which represent 99%, 99%, and 99% and 99%, 98% and 99% of the 2010 and 2009 assets, net assets and revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they related to the amounts included for the discretely presented component units, are based on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards.* An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CCCS' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors, provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of CCCS as of June 30, 2010 and 2009, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010 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 34 through 49 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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

November 12, 2010

The following discussion and analysis provides management's view of the financial position and results of operations for the Colorado Community College System (CCCS or the System) as of June 30, 2010 and 2009 (fiscal years 2010 and 2009, respectively), with comparative information presented for fiscal year 2008. This analysis should be read in conjunction with CCCS' financial statements and notes to the basic financial statements. This analysis is intended to make CCCS' financial statements easier to understand and communicate our financial situation in an open and accountable manner.

The CCCS includes 13 public community colleges throughout the state, the system office, and an employee benefit trust, presented as a blended component unit. In addition, CCCS has 14 supporting foundations, which are not included in CCCS' primary financial reporting entity, but are included as discretely presented component units in CCCS' basic financial statements (note 1). The Community College of Denver Foundation entered into dissolution effective February 2010 and all assets were remitted to the Community College of Denver.

CCCS is Colorado's largest institution of higher education and served approximately 135,000 students (57,000 full-time equivalent students) during the fiscal year ended June 30, 2010. The System has approximately 7,300 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, CCCS also assists the State Board for Community Colleges and Occupational Education (the Board) in exercising certain curriculum and funding authority over four Area Vocational Schools (AVSs), two Local District Colleges (LDCs), and secondary career and technical programs in over 160 school districts throughout the state.

Higher education institutions in the State of Colorado (the State) have the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), given the institution meets the stated qualifications. CCCS qualified as an enterprise for fiscal year 2010 because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System was required to receive (and is expected to continue to receive) less than 10% (in relation to total revenues) in support from the State. In fiscal years 2010, 2009, and 2008, the System received 2.0%, 2.8%, and 2.6%, respectively, in State support (notes 4 and 20). Beginning in fiscal year 2008, House Bill 08-1079 specifically excluded moneys transferred from the Colorado Department of Education (CDE) for career and technical education as state grants for the purpose of this calculation, including funding under the Colorado Vocational Act (CVA).

CCCS is partially funded through the College Opportunity Fund (COF) stipend program and a fee-for-service (FFS) contract with the Colorado Department of Higher Education (CDHE), approved by the Colorado Commission on Higher Education (CCHE). COF provides state-tax dollars to students through a stipend paid on a per credit hour basis to the institution at which the student is enrolled. For fiscal years 2010, 2009, and 2008, respectively, the COF stipend was $44, $68, and $89, per credit hour, which students could use to pay for a portion of their tuition. COF supports the costs of up to 145 eligible undergraduate credits. The FFS contract is the purchase of educational services, by the State, from CCCS that are not part of the COF stipend program. In fiscal years 2010, 2009, and 2008, respectively, CDHE's contract with CCCS purchased credit hours for vestibule labs, reciprocal programs, and educational services in rural areas, career and technology, vocational, and other high cost, specialized instructional educational services (notes 3 and 4).

Student tuition and fees, net of scholarship allowance are comprised of several important and offsetting components. Student tuition and fees charges alone include all amounts earned for the provision of instructional services to students, including stipends paid for eligible undergraduate students under COF. In fiscal year 2010, CCCS had a $51.4 million increase in gross tuition and fee revenue resulting from an 18.8% increase in enrollment, coupled with a 9% and 5% increase in resident tuition and nonresident tuition rates, respectively. This increase was offset by a reduction in COF funding of approximately $21.1 million compared to fiscal year 2009. This increase was further offset by an increase in the scholarship allowance, or the amount of federal and state funded financial assistance paid on behalf of students, which is netted against tuition and fee revenue. This scholarship allowance offset increased $38.6 million in fiscal year 2010 due in part to the increase in Federal Pell awards received for students, both on a per student basis, as well as a multiplier because of increased enrollment.

The following table represents the change in tuition and fees from fiscal year 2009 to 2010.

		(In millions)
Tuition and fees increase due to enrollment and rate increases	$	51.4
Less: Reduction in COF stipend funding		(21.1)
Gross tuition and fee increase		30.3
Reduced by increased scholarship allowance offset		(38.6)
Net decrease in student tuition and fees, net of scholarship allowance	$	(8.3)

On February 19, 2009, the American Recovery and Reinvestment Act (ARRA) of 2009 was signed into law, including billions of federal funds allocated to state governments. Portions of these federal funds were distributed through the CDHE as the fiscal agent under an award made from the Colorado Governor's Office to the institutions of higher education in the state via the State Fiscal Stabilization Fund (SFSF) Program. This education grant funding was used for activities allowable under the U.S. Department of Education's guidance to mitigate the impacts of state cuts during the recession. During fiscal years 2010 and 2009, respectively, the State distributed $71.2 million and $25.3 million in funds to CCCS as an offset to funding cuts in COF in the form of reduced student stipends and reduced FFS contracts. In accepting these funds, certain stipulations were placed on the use of the funds, including steps to mitigate tuition and fee increases for in-state students. This funding is expected to continue until the first quarter of fiscal year 2011. SFSF funding is provided as pass-through funds through the State without the Federal government or State directly receiving goods and services and is recorded as nonoperating revenue.

On March 10, 2010, CCCS issued $7,335,000 of Systemwide Revenue Refunding bonds to current refund the Series 1997 bonds for Community College of Aurora, Northeastern Junior College, and Trinidad State Junior College; the Series 1998 bonds for Morgan Community College and Northeastern Junior College; and the Series 1999 bonds for Pueblo Community College and Red Rocks Community College. In addition, CCCS issued $830,000 of Systemwide Revenue bonds and $9,665,000 of Taxable Systemwide Revenue Bonds for Colorado Northwestern Community College (CNCC) and Northeastern Junior College (NJC). The bond projects funded include CNCC's construction of 78,000 square feet of the Craig Campus Academic Building and 14,000 square feet of the Craig Career and Technical Center along with NJC's construction of a residence hall for student housing.

Financial Highlights

At June 30, 2010, CCCS' assets of $647,095,668 exceeded its liabilities of $145,544,522 by $501,551,146. At June 30, 2009, CCCS' assets of $557,673,799 exceeded its liabilities of $129,162,867 by $428,510,932. The resulting net assets are summarized into the following categories:

		June 30		
		2010	**2009**	**2008**
Invested in capital assets, net of related debt	$	286,351,174	268,076,704	263,147,395
Restricted, expendable		29,159,795	24,850,440	21,321,284
Unrestricted		186,040,177	135,583,788	121,205,889
Total net assets	$	501,551,146	428,510,932	405,674,568

The restricted, expendable net assets may be spent, 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 or Board for a number of purposes including capital maintenance and building and equipment expansion and repair, and new programs.

During fiscal year 2010, the CCCS' total net assets increased by $70,791,638. The increase in net assets is the result of increased tuition and fees revenue, offset by the decrease in COF and increase in scholarship allowance, an increase in auxiliary revenue, an increase in Fiscal Stabilization funding, an increase in Federal Pell grants, and an increase in State Capital Contributions and Capital grants and gifts, offset, in part, by an increase in operating expenses.

During fiscal year 2009, the CCCS' total net assets increased by $22,836,364. The increase in net assets is the result of increased tuition and fees revenue, offset by the decrease in COF, and an increase in grant and contract revenue, FFS state contract revenue, auxiliary revenue, and other nonoperating revenue offset, in part, by an increase in operating expenses.

Overview of the 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 *Independent Auditors' Report* presents an unqualified opinion prepared by our auditors (an independent certified public accounting firm, KPMG LLP) on the fairness, in all material respects, of our financial statements.

The *Statement of Net Assets* presents information on all of CCCS' assets and liabilities at a point in time (June 30, 2010 and 2009), 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. A reader of the financial statements should be able to determine the assets available to continue CCCS' operations, how much CCCS owes to vendors and lending institutions, and a picture of net assets and their availability for expenditure in CCCS.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how CCCS' net assets changed during the fiscal period (the fiscal years ended June 30, 2010 and 2009). 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 compensated absences, or the receipt of amounts due from students and others for services rendered). Its purpose is to assess CCCS' operating results. CCCS reports its activity as a special-purpose government engaged only in business-type activities using the economic resources measurement focus and the accrual basis of accounting.

The *Statement of Cash Flows* presents cash receipts and payments to and from CCCS for the reporting period (the fiscal years ended June 30, 2010 and 2009) using the direct method. The direct method of cash flow reporting portrays cash flows from operations, noncapital financing, capital and related financing, and investing activities. Its purpose is to assess CCCS' ability to generate net cash flows and meet its obligations as they come due.

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. Information is provided regarding both the accounting policies and procedures CCCS has adopted as well as additional detail for certain amounts contained in the basic financial statements. The notes follow the basic financial statements.

Financial Analysis

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

The assets reported by CCCS exceeded liabilities at June 30, 2010 and 2009, resulting in net assets of $501,551,146 and $428,510,932, respectively. The majority (57.1% for 2010 and 62.6% for 2009) 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.

The assets reported by CCCS exceeded liabilities at June 30, 2009 and 2008, resulting in net assets of $428,510,932 and $405,674,568, respectively. The majority (62.6% for 2009 and 64.9% for 2008) of CCCS' net assets are invested in capital assets (e.g., land, buildings, and equipment), net of related debt.

		June 30	
	2010	**2009**	**2008**
Current assets	$ 311,671,460	252,960,168	225,566,344
Noncurrent assets, including capital assets of $321,758,543, $297,036,715, and $293,346,665	335,424,208	304,713,631	295,876,583
Total assets	647,095,668	557,673,799	521,442,927
Current liabilities	88,047,489	81,452,207	76,909,923
Noncurrent liabilities	57,497,033	47,710,660	38,858,436
Total liabilities	145,544,522	129,162,867	115,768,359
Net assets:			
Invested in capital assets, net of related debt	286,351,174	268,076,704	263,147,395
Restricted – expendable	29,159,795	24,850,440	21,321,284
Unrestricted	186,040,177	135,583,788	121,205,889
Total net assets	$ 501,551,146	428,510,932	405,674,568

Current assets increased as of June 30, 2010 compared with June 30, 2009 by approximately $58.7 million or 23.2% as a result of a $52.7 million increase in cash and cash equivalents and a $5.6 million increase in accounts receivable. Increases in accounts receivable include approximately $7.1 million in student receivables resulting primarily from increased enrollment offset by a decrease of $3.7 million in due from other governments.

Current assets increased as of June 30, 2009 compared with June 30, 2008 by approximately $27.4 million or 12.1% as a result of a $16.9 million increase in cash and cash equivalents and a $9.4 million increase in accounts receivable. Increases in accounts receivable include approximately $7.7 million in due from other governments resulting primarily from increased activity in certificate of participation receivables from the State Treasury and the Direct Lending Program, the Pell Program, and from a local coaching grant.

Current liabilities increased as of June 30, 2010 compared with June 30, 2009 by approximately $6.6 million or 8.1% due to normal timing differences in the payment of accounts payable and accrued liabilities of $2.4 million outstanding at year-end, coupled with an increase of approximately $4.5 million in deferred revenue primarily related to the summer tuition increase from enrollment.

Current liabilities increased as of June 30, 2009 compared with June 30, 2008 by approximately $4.5 million or 5.9% due to normal timing differences in the payment of vendor accounts payable including energy performance contract payments new in fiscal year 2009 outstanding at year-end, coupled with an increase in deferred revenue for summer tuition.

(Continued)

Net assets may have restrictions imposed by external parties, such as donors, who specify how the assets must be used, or by their nature are invested in capital assets (property, plant, and equipment). Restricted net assets (5.8% for 2010, 5.8% for 2009, and 5.2% for 2008 of total net assets, respectively) are primarily restricted for auxiliary programs, scholarships, loans, and community training programs.

Unrestricted net assets (37.1% for 2010, 31.6% for 2009, and 29.9% for 2008 of total net assets, respectively) are available for general operations at the discretion of the Board. However, the Board has placed some limitations on future use by designating unrestricted net assets for certain purposes, including capital maintenance, equipment expansion and repair, new programs, and anticipation of future reductions in state funding.

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. A key component of this statement is the differentiation between operating and nonoperating activities. Operating revenues are received for providing goods and services to the various constituencies of CCCS. The COF stipend program revenue is included in student tuition and fees and FFS contract revenue is separately presented, both of which are classified as operating revenues. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenue and to carry out the mission of CCCS. Nonoperating revenues are those where goods or services are not provided. Thus, state appropriations are nonoperating because they are provided by the State without the State directly receiving goods and services. During both 2010 and 2009, SFSF funding is provided as pass-through funds through the State without the federal government or State directly receiving goods and services and is also considered nonoperating. For similar reasons, most gifts and investment income are also nonoperating revenue. Beginning 2010, Federal Pell grants were recognized as nonoperating revenue. These amounts have also been reclassified in the accompanying financial statements for 2009 and 2008.

State appropriations, net of distributions to LDCs and AVSs, represent approximately 4.8%, 5.4%, and 5.7%, student tuition and fees represent approximately 32.8%, 40.6%, and 45.4%, and FFS contracts represent approximately 0.6%, 5.7%, and 5.5% of CCCS' total revenue (less distributions to LDC and AVS) from all sources in fiscal years 2010, 2009, and 2008, respectively, as detailed in the charts on the following pages. However, like most public institutions of higher education, public support in the form of state appropriations offsets or supplements the operating loss from the cost of operations. CCCS experienced a $169.6 million loss from operations in fiscal year 2010 compared to an $103.9 million loss from operations in fiscal year 2009 and an $65.0 million loss from operations in fiscal year 2008. In fiscal year 2010, this operating loss was offset by net state appropriations of $26.8 million, SFSF of $71.2 million, and Federal Pell grants of $108.1 million. In fiscal year 2009, this operating loss was offset by net state appropriations of $25.3 million, SFSF of $25.3 million, and Federal Pell grants of $56.5 million. In fiscal year 2008, this operating loss was offset by net state appropriations of $24.8 million and Federal Pell grants of $47.0 million.

The overall increase in the operating loss over the three year period presented is a result of an increase in operating expenses in excess of operating revenues due to services provided for increased enrollment over the three year period.

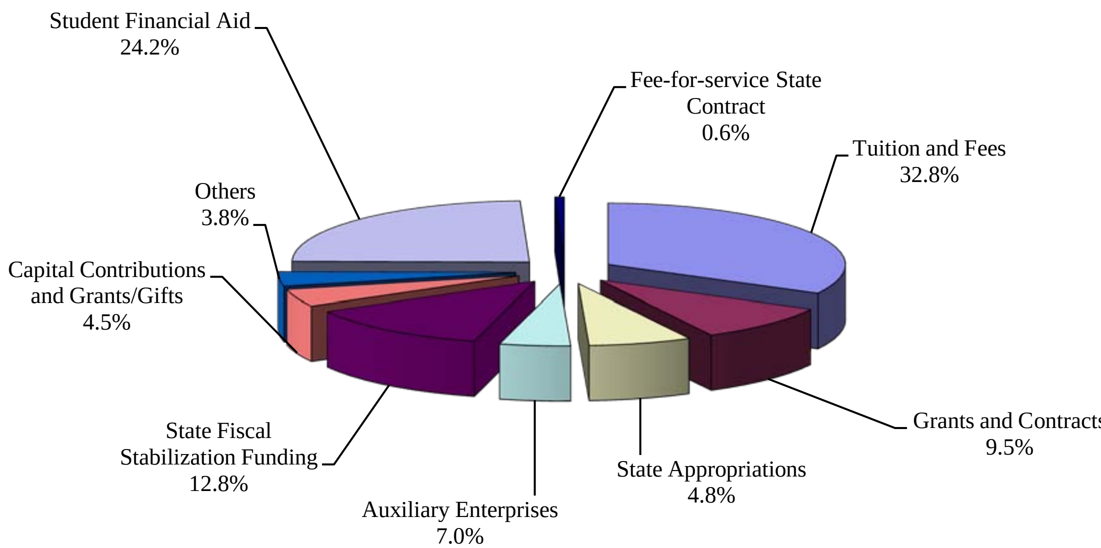
Condensed Summary of Revenues, Expenses, and Changes in Net Assets

	June 30 2010	2009	2008
Operating revenues:			
Tuition and fees, net	$ 182,746,236	190,996,712	199,247,972
Grants and contracts	79,882,791	78,773,116	79,058,663
Fee-for-service state contract	3,541,151	26,900,272	24,133,792
Sales and services of educational activities	1,038,173	980,693	1,445,714
Auxiliary enterprises, net	38,895,405	37,519,433	36,760,125
Other	9,426,697	8,920,325	7,894,633
Total operating revenues	315,530,453	344,090,551	348,540,899
Operating expenses:			
Instruction	203,366,078	189,159,746	180,732,657
Research	88,551	—	—
Public service	4,404,203	5,195,931	1,680,750
Academic support	34,413,831	29,819,335	30,467,507
Student services	47,881,565	44,403,132	36,284,691
Institutional support	67,601,384	67,032,786	61,984,434
Operation and maintenance of plant	47,069,253	47,220,476	40,756,257
Scholarships and fellowships	19,799,690	9,420,041	9,912,459
Auxiliary enterprises	40,280,060	38,267,673	35,154,434
Depreciation	20,259,450	17,456,132	16,550,716
Total operating expenses	485,164,065	447,975,252	413,523,905
Operating loss	(169,633,612)	(103,884,701)	(64,983,006)
Nonoperating revenues (expenses):			
State appropriations	38,476,832	46,404,956	50,106,478
State Fiscal Stabilization Funding	71,186,390	25,300,005	—
Federal Pell grants	108,143,611	56,490,227	46,973,241
Distributions to Local District Colleges and Area Vocational Schools	(11,662,619)	(21,107,462)	(25,273,137)
Other nonoperating revenues and expenses, net	8,960,781	9,669,137	10,300,345
Net nonoperating revenues	215,104,995	116,756,863	82,106,927
Income before other revenues, expenses, gains, or losses	45,471,383	12,872,162	17,123,921
State capital contributions	21,466,589	9,140,719	8,545,653
Capital grants and gifts	3,853,666	823,483	142,688
Increase in net assets	70,791,638	22,836,364	25,812,262
Net assets:			
Beginning of year (note 21)	430,759,508	405,674,568	379,862,306
End of year	$ 501,551,146	428,510,932	405,674,568

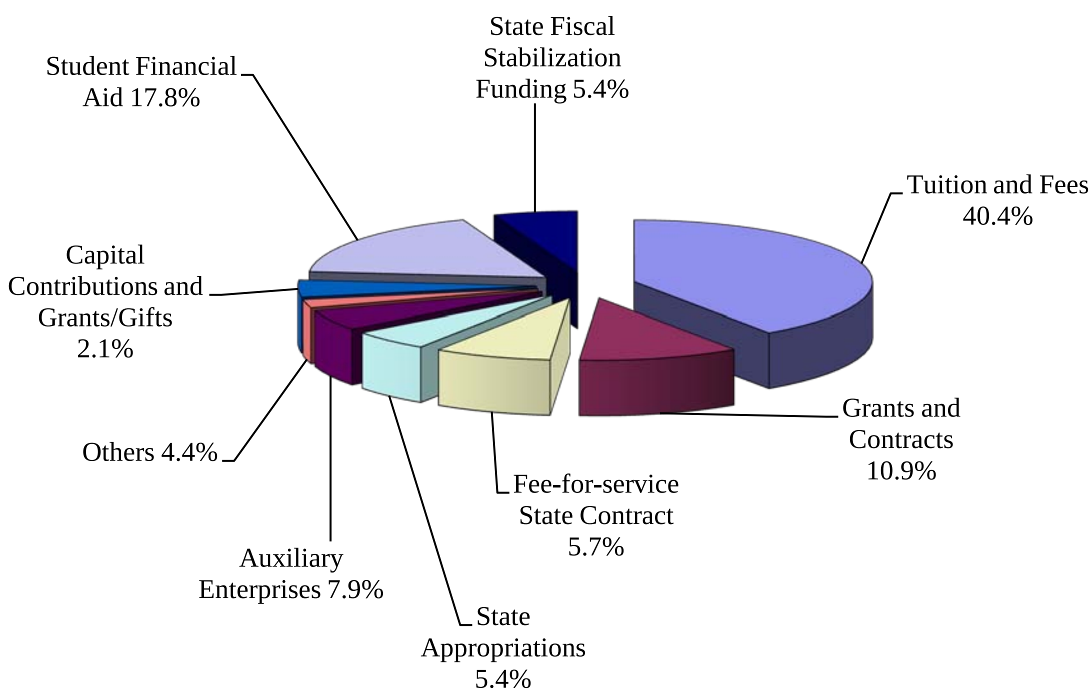
(Continued)

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

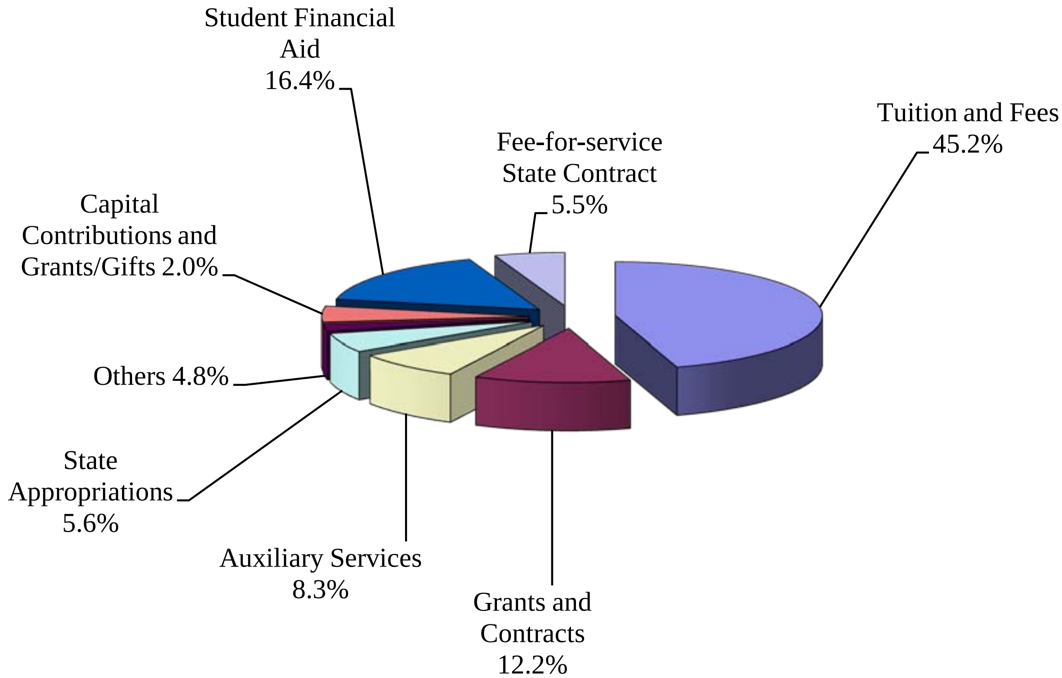
Sources of Revenue
Fiscal Year 2010



Sources of Revenue
Fiscal Year 2009



Sources of Revenue
Fiscal Year 2008



As the above charts demonstrate, student tuition and fees are the largest revenue source for CCCS in fiscal year 2010, 2009, and 2008. The operating loss of approximately $169.6 million, $103.9 million, and $65.0 million in fiscal years 2010, 2009, and 2008, respectively, noted above, is the result of operating expenses exceeding operating revenues. CCCS supplemented operating revenues with State appropriations and Federal Pell grants for fiscal years 2010, 2009, and 2008 and Fiscal Stabilization Funding for fiscal years 2010 and 2009, which are classified as nonoperating revenues but are used to fund operations.

Revenue activity highlights for fiscal year 2010 include:

- Tuition and fee revenue decreased, net of the effect of scholarship allowances, by approximately $8.3 million or 4.3%. This decrease was primarily due to the fact that there was a $51.4 million increase in tuition revenue due to an 18.8% increase in enrollment coupled with an increase of 9% in resident tuition and 5% in nonresident tuition rates offset by an even greater increase in scholarship allowance of

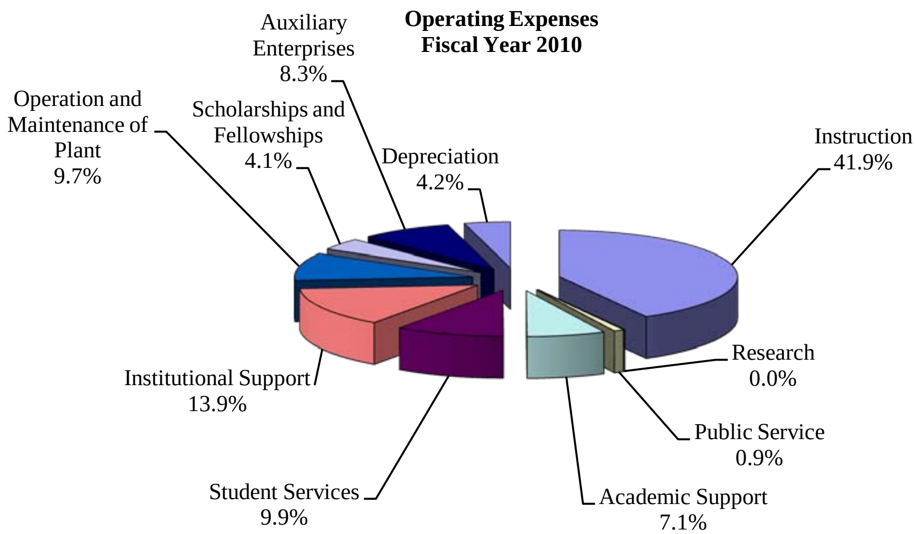
$38.6 million directly as a result of increased Federal Pell grant awards for students and a $21.1 million decrease in the COF stipend.

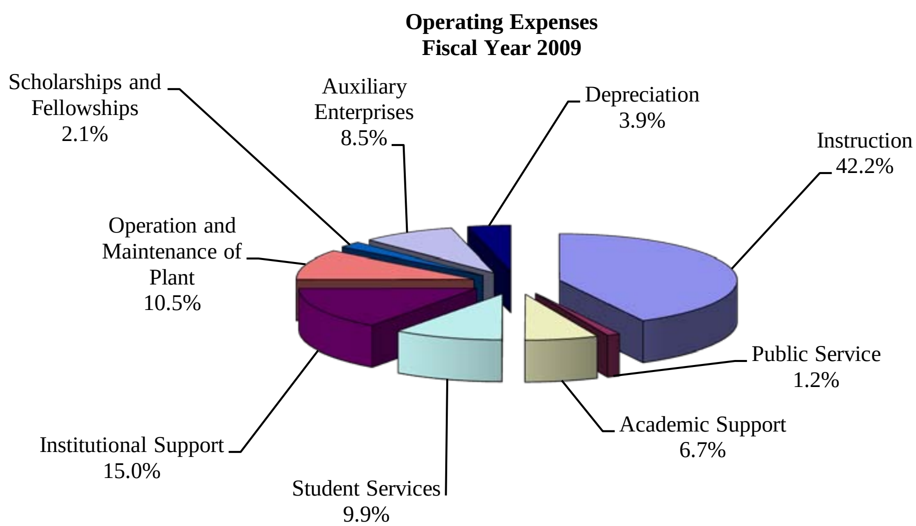
- FFS state contracts decreased by $23.4 million or 86.8% due to a decrease in fee for service appropriations from the State. This reduction was offset by an increase of $45.9 million in SFSF awarded.
- State appropriations decreased by $7.9 million or 17.1% due to a decrease in appropriations for LDCs and AVSs of $9.4 million offset by an increase in CVA appropriations of $1.5 million.
- SFSF increased by $45.9 million or 181.4%. In fiscal year 2010, this funding was received to offset the impact of the $23.4 million reduction in fee for service revenue and a reduction of $21.1 million in COF stipend revenue from the State.
- Federal Pell grants increased $51.7 million or 91.4% due to an increase in overall enrollment of 18.8% leading to a greater number of students qualifying as well as an increase in the award per student under new legislation.
- State capital contributions increased $12.3 million or 134.8%. This increase is primarily due to projects funded through the State's certificates of participation at CNCC for $4.1 million on its Academic Building Project, Front Range Community College for $8.2 million on its new laboratory wing of their science building on the Larimer campus, and Morgan Community College for $2.2 million on its space and building improvements for the health and science programs.
- Capital grants and gifts increased a total of $3.0 million or 368.0% due to CNCC's Foundation contribution of $1.1 million for the Striegel building and capital gifts increased $1.9 million due to NJC's private donation for the purchase of a golf course and clubhouse facility to use for turf management and culinary arts program purposes and additional revenue generation.

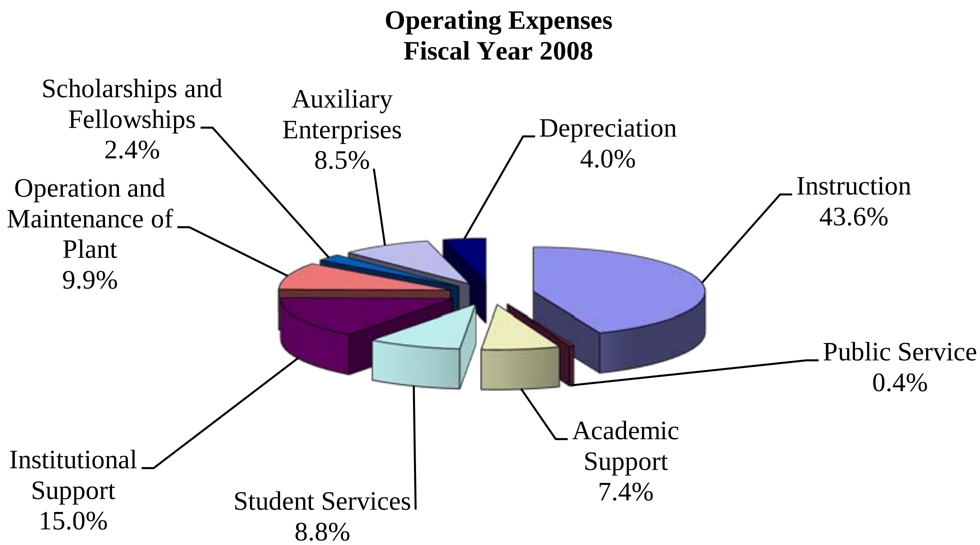
Revenue activity highlights for fiscal year 2009 include:

- Tuition and fee revenue decreased, net of the effect of scholarship allowances, by approximately $8.3 million or 4.1%. This decrease was primarily due to the fact that there was a $21.0 million increase in tuition revenue due to increased enrollment and tuition rates offset by an even greater increase of $11.2 million or 17.8% in scholarship allowance in addition to a reduction in COF of $18.1 million.
- Auxiliary enterprises increased by $0.8 million or 2.1%. In fiscal year 2009, approximately $0.3 million of select agency accounts were determined by colleges to be properly reclassified as auxiliary accounts. There were also increases in programs of approximately $0.3 million as the result of growth in enrollment.
- Federal Pell grants increased by $9.5 million or 20.3%. This increase is due to an increase in Pell funding for student financial aid due to the overall increase in enrollment coupled with a $421 increase in the amount granted per student for Pell.
- State capital contributions increased by $0.6 million or 7.0% due to the spending of appropriations from the State's budget for capital appropriations (see Capital Asset and Debt Management in MD&A for detail of projects).

(Continued)


Operating Expenses
Fiscal Year 2010
Auxiliary Enterprises 8.3%
Operation and Maintenance of Plant 9.7%
Scholarships and Fellowships 4.1%
Depreciation 4.2%
Instruction 41.9%
Research 0.0%
Public Service 0.9%
Academic Support 7.1%
Student Services 9.9%
Institutional Support 13.9%


Operating Expenses
Fiscal Year 2009
Scholarships and Fellowships 2.1%
Auxiliary Enterprises 8.5%
Depreciation 3.9%
Instruction 42.2%
Operation and Maintenance of Plant 10.5%
Public Service 1.2%
Academic Support 6.7%
Institutional Support 15.0%
Student Services 9.9%



Expense activity highlights for fiscal year 2010 include:

- Instruction expenses increased by $14.2 million or 7.5%. Approximately $7.8 million was the result of increases in distributions of CVA funds and an additional $7.8 million was the result of instruction-related salary and benefits across the colleges due to increased enrollment. This was offset, in part, by faculty decreases at CNCC of approximately $550.0 thousand reducing instruction-related salary and benefits.
- Academic support expenses increased by $4.6 million or 15.4%. Approximately $1.0 million was the increased activity resulting from the Pueblo Community College (PCC) merger with San Juan Technical Basin resulting in additional salary and benefit expense and other additional required non-capital expenditures. In addition, approximately $1.9 million was the result of increased salaries and benefits across the colleges due to increased enrollment. Arapahoe Community College (ACC) also incurred approximately $380.0 thousand for website and other technology improvements and $561.0 thousand in new Perkins grant activity. Lamar Community College (LCC) expended approximately $100.0 thousand for new grants targeted for improving services and offerings to low income students.
- Student services expenses increased by $3.5 million or 7.8%. Approximately $1.2 million of fee expenses recorded in prior years were reclassified to student services in the current year. Additionally, expenses of $500.0 thousand increased for grant activity and $300.0 thousand resulted from increases for services provided to students related to increased student enrollment and $240.0 thousand resulted from increases for salaries and the addition of new positions to address increased enrollment.
- Scholarships and fellowships expenses increased by $10.4 million or 110.2%. This is primarily due to a $51.7 million increase in Federal Pell grants offset by an increase of $40.3 million in scholarship allowance, which reduces tuition and fees and auxiliary revenues.
- Distributions to LDC and AVS decreased $9.4 million or 44.7% due to a decrease in the State appropriations. LDCs and AVSs alternatively received State Fiscal Stabilization funds directly from the State.

Expense activity highlights for fiscal year 2009 include:

- Instruction expenses increased by $8.4 million or 4.7%. Approximately $5.5 million was the result of increases in instruction-related salary and benefits across the colleges due to increased enrollment. Also, $1.0 million was due to reclassifications of expenses as the result of a reevaluation of programs within functional categories.
- Public service expenses increased by $3.5 million or 209.1%. Approximately $3.3 million was the result of new grant activity of federal pass-through dollars for a child care licensing fixed fee contract at one college, a coaching grant at another college, and a new Hispanic Servicing Institutions Education Grant at a rural college. Also, there was a $0.3 million increase from reclassification entries between functional categories.
- Student services expenses increased by $8.1 million or 22.4%. Approximately $2.3 million was increased grant activity due to increased student enrollment and $0.9 million in salary increases and the addition of new positions related to increased enrollment. Approximately $3.8 million of programs were reclassified.
- Auxiliary enterprise expenses increased by $3.1 million or 8.9%. This is primarily due to a $1.3 million increase in inventory and costs of goods related to increases in student enrollment. Other increases in auxiliary activity include expenses of $520 thousand on an event center and parking lot at a college, $198 thousand on a child care center and coffee shop, $495 thousand for a college center, Heating, Ventilation and Air Conditioning (HVAC) improvements, and preparation for catering services to be provided by a college. Approximately $1.3 million of programs were reclassified.

Capital Asset and Debt Management

At June 30, 2010, CCCS had $321,758,543 of capital assets, net of accumulated depreciation of $247,859,315 and including current year depreciation of $20,259,450. At June 30, 2009, CCCS had $297,036,715 of capital assets, net of accumulated depreciation of $228,574,326 and including current year depreciation of $17,456,132. A breakdown of assets by category, net of accumulated depreciation is provided below:

	June 30		
	2010	2009	2008
Land	$ 20,624,742	20,073,667	20,073,667
Land improvements	9,177,640	9,932,087	9,587,862
Buildings and improvements	214,299,145	208,819,299	215,809,453
Leasehold improvements	4,204,440	1,644,052	2,114,024
Construction in progress	30,850,907	15,959,594	28,051,998
Equipment and software	37,564,423	35,532,308	12,556,888
Library materials	4,401,340	4,454,882	4,531,947
Collections	635,906	620,826	620,826
Total capital assets	$ 321,758,543	297,036,715	293,346,665

(Continued)

Major capital additions of $500,000 or more completed during fiscal year 2010 are as follows:

College	Project	Cost (In millions)	Source of funding
Community College of Aurora	Centre Tech Parking Lot	$ 0.5	Internal Reserves
Colorado Northwestern Community College	Energy Performance Contract	6.4	State Funded, Debt, Internal Reserves
Front Range Community College	Brighton Center Science Lab	0.6	Internal Reserves
	Westminster Campus Electrical	1.4	State Funded
Lamar Community College	Horse and Training Management Facility Remodel	1.8	State Funded
Morgan Community College	Information, Technology & Connectivity Project	1.1	State Funded
Northeastern Junior College	Northeastern 18 Golf Facility	1.3	Private Donation
Otero Junior College	Dormitory	0.6	Internal Reserves
Pueblo Community College	Administration Building	2.0	Internal Reserves, State Funded
System Office	Energy Performance Contract	1.5	Debt

The System has $32.7 million in commitments for various upcoming capital construction and controlled maintenance projects as of June 30, 2010.

CCCS had $45,807,238 and $36,636,889 in debt outstanding at June 30, 2010 and 2009, respectively.

In September 2010, Moody's affirmed the rating of Aa3 on the 2003 and 2004 Systemwide Revenue Bonds outstanding and the Series 2010 Bonds (A, B-1, B-2, C and D).

The breakdown of the debt follows:

	June 30 2010	2009	2008
Auxiliary revenue bonds	$ 24,693,110	15,121,278	16,249,621
Capital lease obligations	21,114,128	21,515,611	14,156,365
Total debt	$ 45,807,238	36,636,889	30,405,986

(Continued)

Colorado Community College System Future

The budgetary situation for higher education continues to change with the ongoing implementation of COF. As a result of legislation adopted in the 2004 session (Senate Bill 04-189), the State no longer provides direct state General Fund appropriations to the governing boards for general operations. Instead, the state provides stipends to the qualified, resident undergraduate students, and institutions receive FFS contracts from CDHE for the provision of other educational services. For fiscal year 2011, CCCS is authorized to receive $18.8 million in fee for service revenue and $99.4 million in student stipends. This support totaling $118.2 million of anticipated fiscal year 2011 represents a 62.8% increase in state support from the $72.6 million that was provided in 2010. CCCS anticipates receiving $13.8 million of additional funding under the SFSF program in fiscal year 2011.

In November of 2008, voters passed Amendment 50, which expanded limited stakes gaming in three Colorado mountain towns. In September 2010, CCCS received a share of the additional gaming tax proceeds for the first time of approximately $5.4 million generated from Amendment 50, per the implementation language contained in H.B. 09-1272. While this will continue to generate additional revenue for CCCS, it is too early to project the ongoing revenue stream to be expected from these gaming proceeds. These proceeds must be used for classroom instruction-related activities.

On October 5, 2010, CCCS issued Series 2010C Systemwide Revenue Bonds for $6,545,000. The proceeds will be used to finance the construction, improvement, and equipping of the Student Learning and Success Building on the CCD campus and the Learning Resource Center at PCC. In addition, on October 5, 2010, CCCS also issued Series 2010D Taxable Systemwide Revenue Bonds for $31,455,000. The Series 2010D Bonds were issued as "Build America Bonds" for purposes of the ARRA of 2009. The proceeds from the 2010 bonds will be used to finance the construction, improvement, and equipping of the Student Learning and Success Building on the CCD campus and the Learning Resource Center at PCC.

The CCCS funding also relies on two other primary drivers: enrollment and tuition rates.

Enrollment: As the economy changes, enrollment in community colleges typically changes inversely, and as a result, CCCS has experienced unprecedented enrollment growth. CCCS 2010 resident enrollment of 53,405 increased by 18.9% from fiscal year 2009 in the weakened economy and further increases in enrollment were considered in the fiscal year 2011 budget. Nonresident enrollment of 3,647 increased over the same period by 18.3%, resulting in a total net enrollment increase of 18.8%.

Tuition Rates: In an effort to mitigate increased costs and decreased state support overall during the previous three years, the Board raised the resident tuition by 9.0% and the nonresident by 5.0% in fiscal year 2010. In preparation for the discontinuance of State Fiscal Stabilization funding, colleges have been told to prepare for a 9.0% resident tuition increase for fiscal year 2011.

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activity

Statements of Net Assets

June 30, 2010 and 2009

Assets		2010	2009
Current assets:			
Cash and cash equivalents	$	241,206,894	187,835,181
Restricted cash and cash equivalents		4,209,356	4,858,345
Accounts receivable, net		61,414,070	55,842,485
Inventories		4,376,911	3,738,478
Prepaid expenses		464,229	685,679
Total current assets		311,671,460	252,960,168
Noncurrent assets:			
Restricted cash and cash equivalents		326,476	—
Restricted investments		12,887,915	7,596,626
Other assets		451,274	80,290
Capital assets, net		321,758,543	297,036,715
Total noncurrent assets		335,424,208	304,713,631
Total assets	$	647,095,668	557,673,799
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	15,511,205	13,774,669
Accrued liabilities		31,741,583	31,035,767
Deferred revenue		25,345,695	20,895,631
Deposits held for others		11,790,727	11,814,173
Bonds payable, current portion		1,400,000	1,220,000
Capital leases payable, current portion		808,557	488,981
Other long-term liabilities, current portion		353,458	1,051,840
Compensated absences liability, current portion		1,096,264	1,171,146
Total current liabilities		88,047,489	81,452,207
Noncurrent liabilities:			
Bonds payable		23,293,110	13,901,278
Capital leases payable		20,305,571	21,026,630
Other long-term liabilities		627,303	398,385
Compensated absences liability		13,271,049	12,384,367
Total noncurrent liabilities		57,497,033	47,710,660
Total liabilities		145,544,522	129,162,867
Net assets:			
Invested in capital assets, net of related debt		286,351,174	268,076,704
Restricted for expendable purposes:			
Auxiliary pledged revenue		23,286,953	16,624,969
Scholarships/fellowships		772,469	419,944
Loans		1,360,646	1,370,403
Training programs		858,484	1,626,647
Debt service		326,476	—
Other		2,554,767	4,808,477
Total restricted for expendable purposes		29,159,795	24,850,440
Unrestricted		186,040,177	135,583,788
Total net assets		501,551,146	428,510,932
Total liabilities and net assets	$	647,095,668	557,673,799

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Discretely Presented Component Units – Statements of Financial Position

June 30, 2010 and 2009

Assets		**2010**	**2009**
Cash and cash equivalents	$	9,486,823	10,425,942
Accounts and pledges receivable		2,492,113	947,214
Due from primary government		20,000	270,000
Investments		21,775,867	17,635,137
Investment in direct financing leases		12,245,000	12,685,000
Beneficial interest in charitable remainder trust		429,500	421,700
Other assets		160,201	177,748
Capital assets, net		12,840,438	12,447,265
Total assets	$	59,449,942	55,010,006
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	204,136	222,029
Due to primary government		1,267,394	602,549
Accrued liabilities		76,152	108,768
Deferred revenue		933,587	909,806
Bonds payable		5,994,980	6,764,833
Other liabilities		12,810,905	13,301,167
Total liabilities		21,287,154	21,909,152
Net assets:			
Unrestricted		10,720,845	9,400,740
Temporarily restricted		20,250,897	17,554,031
Permanently restricted		7,191,046	6,146,083
Total net assets		38,162,788	33,100,854
Total liabilities and net assets	$	59,449,942	55,010,006

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activity

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2010 and 2009

	2010	2009
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $112,576,339 in 2010 and $74,004,363 in 2009; including revenues pledged for bonds of $25,399,579 in 2010 and $7,461,884 in 2009	$ 182,746,236	190,996,712
Grants and contracts	79,882,791	78,773,116
Fee-for-service state contract	3,541,151	26,900,272
Sales and services of educational activities	1,038,173	980,693
Auxiliary enterprises, net of scholarship allowances of $5,128,793 in 2010 and $3,405,493 in 2009; including revenues pledged for bonds of $38,888,848 in 2010 and $31,233,304 in 2009	38,895,405	37,519,433
Other operating revenues and gifts	9,426,697	8,920,325
Total operating revenues	315,530,453	344,090,551
Operating expenses:		
Instruction	203,366,078	189,159,746
Research	88,551	—
Public service	4,404,203	5,195,931
Academic support	34,413,831	29,819,335
Student services	47,881,565	44,403,132
Institutional support	67,601,384	67,032,786
Operation and maintenance of plant	47,069,253	47,220,476
Scholarships and fellowships	19,799,690	9,420,041
Auxiliary enterprises	40,280,060	38,267,673
Depreciation	20,259,450	17,456,132
Total operating expenses	485,164,065	447,975,252
Operating loss	(169,633,612)	(103,884,701)
Nonoperating revenues (expenses):		
State appropriations	38,476,832	46,404,956
State Fiscal Stabilization Funding	71,186,390	25,300,005
Federal Pell Grants	108,143,611	56,490,227
Distributions to Local District College and Area Vocational Schools	(11,662,619)	(21,107,462)
Gifts	1,051,358	957,985
Investment income	7,381,669	7,496,900
Interest expense on capital debt	(1,782,729)	(1,336,927)
Other nonoperating revenues, including gain (loss) on disposal of assets	2,310,483	2,551,179
Net nonoperating revenues	215,104,995	116,756,863
Income before other revenues, expenses, gains, or losses	45,471,383	12,872,162
Other revenues, expenses, gains, or losses:		
State capital contributions	21,466,589	9,140,719
Capital grants	1,938,608	764,083
Capital gifts	1,915,058	59,400
Increase in net assets	70,791,638	22,836,364
Net assets, beginning of year (note 21)	430,759,508	405,674,568
Net assets, end of year	$ 501,551,146	428,510,932

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Discretely Presented Component Units – Statement of Activities

Year ended June 30, 2010

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:					
Contributions	$	783,370	5,848,265	1,007,321	7,638,956
Grants		—	128,572	—	128,572
Investment income, net		1,562,484	1,649,283	126,492	3,338,259
Rental income		2,000,654	59,710	31,946	2,092,310
Special events		271,560	115,750	—	387,310
Net assets released from restrictions		5,012,512	(5,012,262)	(250)	—
Other income (loss)		679,141	(87,452)	(120,546)	471,143
Total revenues		10,309,721	2,701,866	1,044,963	14,056,550
Expenses:					
Program services		6,707,558	—	—	6,707,558
Fund-raising services		674,754	—	—	674,754
Administrative services		876,670	—	—	876,670
Transfer to CCCS		735,634	—	—	735,634
Total expenses		8,994,616	—	—	8,994,616
Change in net assets		1,315,105	2,701,866	1,044,963	5,061,934
Net assets, beginning of year as restated		9,405,740	17,549,031	6,146,083	33,100,854
Net assets, end of year	$	10,720,845	20,250,897	7,191,046	38,162,788

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Discretely Presented Component Units – Statement of Activities

Year ended June 30, 2009

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:					
Contributions	$	1,227,906	7,295,600	129,509	8,653,015
Grants		—	339,653	—	339,653
Investment loss, net		(134,309)	(2,943,012)	(157,121)	(3,234,442)
Rental income		1,973,448	62,969	—	2,036,417
Special events		216,596	233,836	—	450,432
Net assets released from restrictions		4,357,491	(4,357,491)	—	—
Other income (loss)		196,319	102,012	(37,965)	260,366
Total revenues		7,837,451	733,567	(65,577)	8,505,441
Expenses:					
Program services		6,981,551	—	—	6,981,551
Fund-raising services		661,786	—	—	661,786
Administrative services		939,819	—	—	939,819
Total expenses		8,583,156	—	—	8,583,156
Change in net assets		(745,705)	733,567	(65,577)	(77,715)
Net assets, beginning of year as restated (note 22)		10,151,445	16,815,464	6,211,660	33,178,569
Net assets, end of year	$	9,405,740	17,549,031	6,146,083	33,100,854

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activity

Statements of Cash Flows

Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash received:		
Tuition and fees	$ 174,077,913	191,176,616
Student loans collected	4,058,490	132,599
Sales of products and services	39,936,167	38,520,213
Grants, contracts, and gifts	89,214,348	104,133,429
Other operating receipts	7,341,516	11,754,040
Cash payments:		
Scholarships disbursed	(19,461,424)	(9,578,831)
Student loans disbursed	(4,120,598)	(188,766)
Payments for employees	(274,586,859)	(261,910,058)
Payments to suppliers	(160,584,277)	(154,771,614)
Net cash used in operating activities	(144,124,724)	(80,732,372)
Cash flows from noncapital financing activities:		
State appropriations – noncapital	38,476,832	46,404,956
State Fiscal Stabilization Funding	71,186,390	25,300,005
Federal Pell grants	108,143,611	56,490,227
Distributions to Local District Colleges and Area Vocation Schools	(11,662,619)	(21,107,462)
Gifts and grants for other than capital purposes	1,016,608	957,985
Agency (inflows)	215,468,831	134,759,910
Agency (outflows)	(219,809,018)	(140,692,600)
Other noncapital financing activities	2,853,354	2,608,499
Net cash provided by noncapital financing activities	205,673,989	104,721,520
Cash flows from capital and related financing activities:		
Capital grants, contracts, and gifts	4,285,844	1,444,119
Proceeds from capital debt	17,720,322	7,849,414
Acquisition and construction of capital assets	(22,473,229)	(11,597,406)
State certificates of participation cash match	—	(2,901,049)
Principal paid on capital debt	(9,517,321)	(2,034,645)
Interest on capital debt	(1,579,695)	(1,331,745)
Net cash used in capital and related financing activities	(11,564,079)	(8,571,312)
Cash flows from investing activities:		
Investment earnings	7,381,669	7,496,900
Proceeds from sale of investments	6,034,167	6,408,739
Purchase of investments	(10,351,822)	(12,410,592)
Net cash provided by investing activities	3,064,014	1,495,047
Net increase in cash and cash equivalents	53,049,200	16,912,883
Cash and cash equivalents, beginning of the year	192,693,526	175,780,643
Cash and cash equivalents, end of the year	$ 245,742,726	192,693,526

(Continued)

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activity

Statements of Cash Flows

Years ended June 30, 2010 and 2009

		2010	2009
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(169,633,612)	(103,884,701)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization		20,259,450	17,491,767
Increase in other nonoperating assets/noncash expenses		292,310	1,273,124
Decrease (increase) in assets:			
Receivables, net		(1,619,235)	(1,063,926)
Inventory and prepaids		(403,909)	(690,436)
Increase (decrease) in liabilities:			
Accounts payable		998,269	(2,383,488)
Accrued liabilities		705,229	2,959,715
Deferred revenues		4,450,063	2,470,154
Deposits held for others		65,370	(166,226)
Compensated absences liability		811,800	2,233,045
Other liabilities		(50,459)	1,028,600
Net cash used in operating activities	$	(144,124,724)	(80,732,372)
Noncash investing, capital, and noncapital financing activities:			
State funding for acquisitions of capital assets	$	20,634,865	8,491,384
State funding for acquisitions of non-capital assets		291,648	—
Equipment donations and capital gifts		3,085,891	30,400
Capital leases		103,850	—
Loss on disposal of capital assets		(4,672)	(73,005)
Amortization of bond premium/discount, issuance costs, and gain or loss on refunding		(10,258)	(158,083)

See accompanying notes to basic financial statements.

(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 and the system office, and administers vocational-technical education funds distributed to the two Local District Colleges (LDCs), three Area Vocational Schools (AVSs), and school districts offering vocational programs.

CCCS is an institution of higher education of the State of Colorado established by the Community College and Occupational Education Act of 1967, Title 23, Article 60 of the Colorado Revised Statutes (CRS). Thus, for financial reporting purposes, CCCS is included as part of the State of Colorado's primary government. CCCS' operations and activities are funded primarily through tuition and fees, federal, state, and local grants, tuition revenue, the College Opportunity Fund (COF) stipends, a fee-for-service (FFS) contract, and Fiscal Stabilization Funding. Pursuant to 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 LDCs, AVSs, and school districts offering vocational programs.

Accordingly, the accompanying basic financial statements contain the operations of the system office and the following 13 colleges. All significant intercampus balances and transactions have been eliminated.

- Arapahoe Community College (ACC)
- Community College of Aurora (CCA)
- Community College of Denver (CCD)
- Colorado Northwestern Community College (CNCC)
- Front Range Community College (FRCC)
- Lamar Community College (LCC)
- Morgan Community College (MCC)
- Northeastern Junior College (NJC)
- Otero Junior College (OJC)
- Pikes Peak Community College (PPCC)
- Pueblo Community College (PCC)
- Red Rocks Community College (RRCC)
- Trinidad State Junior College (TSJC)

As an institution of higher education in the State of Colorado, the income of CCCS is generally exempt from income taxes under Section 115(a) of the Internal Revenue Code. Income generated from activities unrelated to the exempt purpose of CCCS would be subject to tax under Section 511(a)(2)(B). There was no material tax liability related to income generated from activities unrelated to CCCS' exempt purpose as of June 30, 2010 and 2009.

(a) Blended Component Unit

The SBCCOE Employee Benefit Trust Fund (the Benefit Trust) is included in the accompanying basic financial statements as a blended component unit. The Benefit Trust was established on February 1, 1983, as a legally and financially independent entity whose governing committee is appointed by the SBCCOE. The Benefit Trust was established to provide benefits under the Health and Welfare Program. Benefits are determined by the Benefit Trust committee, and may include life, accidental death and dismemberment, short-term and/or long-term disability, basic or major medical, dental, or other sick or accident benefits. Other benefits, as determined by the Benefit Trust committee, may be provided for employees and their dependent families through self-funded or insured programs, or a combination of the two, provided that such other benefits are permissible under Section 501(c)(9) of the Internal Revenue Code. The Benefit Trust is a 501(c)(3) not-for-profit corporation. Separate unaudited financial statements of the Benefit Trust are available upon request.

(b) Discretely Presented Component Units

A legally separate, tax-exempt foundation exists for the system office and each of the 13 colleges. While not all of the foundations are materially significant, they have all been included as discretely presented 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, 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 is 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 colleges, the foundations are considered component units of CCCS and are discretely presented in CCCS' basic financial statements. The discretely presented component unit financial statements are presented in accordance with Financial Accounting Standards Board (FASB) pronouncements.

The Arapahoe Community College Foundation, Inc.; Community College of Aurora Foundation; Community College of Denver Foundation, Inc.; Colorado Northwestern Community College Foundation; Front Range Community College Foundation; Morgan Community College Foundation; Northeastern Junior College Foundation, Inc.; Pikes Peak Community College Foundation, Inc.; Pueblo Community College Foundation; Red Rocks Community College Foundation; Trinidad State Junior College Foundation, Inc.; and Colorado Community College System Foundation were audited by other auditors.

Complete financial statements for the foundations can be obtained from the Division of System Advancement at the Colorado Community College System at (303) 595-1535 or by writing to:

Colorado Community College System
Finance and Administration Department
9101 E. Lowry Blvd.
Denver, CO 80230

(c) Joint Venture

CCCS has an association with the following organization for which it neither is financially accountable nor has primary access to the resources. Accordingly, it has not been included in CCCS' financial statements.

The Auraria Higher Education Center (AHEC), established by legislation in 1974, is jointly governed and utilized by the Community College of Denver, the University of Colorado Denver, and Metropolitan State College of Denver. The institutions share the costs of operating common educational, library, and other auxiliary facilities. Costs of the common facilities are shared in accordance with an operating agreement between AHEC and the respective institutions.

Complete financial statements for AHEC can be obtained from the Administrative and Business Services Department at (303) 556-3384 or by writing to:

Auraria Higher Education Center
Controller's Office
Campus Box B
P.O. Box 173361
Denver, CO 80217-3361

(2) Basis of Presentation

CCCS applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. In addition, CCCS has chosen to only apply FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

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

For financial reporting purposes, CCCS is considered a special-purpose government engaged only in business-type activities. Accordingly, CCCS' basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when obligations are incurred.

(a) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, cash in checking accounts, demand deposits, certificates of deposit with original maturities of three months or less with financial institutions, pooled cash with the State Treasurer, and all highly liquid investments with an original maturity of three months or less. Earnings from pooled cash are distributed monthly based on average daily cash balances at each institution.

(b) Accounts Receivable

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

(c) Restricted Cash and Cash Equivalents and Restricted Investments

Restricted cash and cash equivalents and restricted investments primarily represent moneys unspent bond proceeds, restricted for Benefit Trust benefits, and cash and investments held in escrow for capital leases related to energy performance contracts. Investments are reported at fair value, which is determined based on quoted market prices as of June 30, 2010 and 2009.

(d) Inventories

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

(e) 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. CCCS uses a capitalization threshold of $50,000 for buildings and improvements other than buildings and internally developed software, and $5,000 for all other capital assets and estimated useful lives in accordance with the *State Fiscal Procedures Manual*. CCCS' estimated useful lives are as follows: 20 – 50 years for buildings, 20 – 50 years for improvements other than buildings, 3 – 10 years for equipment, 7 – 15 years for library collections, and 1.5 – 15 years for software. Depreciation expense is 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. Such amortization is included as depreciation expense in the accompanying financial statements.

As of June 30, 2010 and 2009, the construction-in-progress includes capital construction projects in process but not substantially complete.

(f) Deposits Held for Others

Deposits held for others include balances representing the net assets owed to the individual or organization for which CCCS is acting as custodian.

(g) Accrued Liabilities

Accrued liabilities primarily represent accrued payroll, benefits payable, and other payroll-related liabilities at June 30, 2010 and 2009.

(h) Compensated Absences Liability

Compensated absences and related personnel expenses are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at CCCS. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Vacation accruals are paid in full upon separation, whereas only a portion of sick leave is paid upon specific types of separation, such as retirement. The current portion of compensated absences liability is the portion that is estimated to be paid within one year. This estimate is based upon the average paid over the preceding three years. 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.

(i) Deferred Revenue

Deferred revenue consists of amounts received from the provision of educational goods and services that have not yet been earned. CCCS prorates the summer session revenues and direct instructional expenses based on the percentage of total calendar days before June 30 to total calendar days in the selected primary summer term. To the extent revenues are earned after June 30, such amounts are recorded in deferred revenue.

(j) Capital Leases

Capital leases consist of various lease-purchase contracts, energy performance contracts, and other lease agreements. Such contracts provide that any commitments beyond the current year are contingent upon funds being appropriated for such purposes. It is reasonably assured that such leases will be renewed in the normal course of business and, therefore, are treated as noncancelable for financial reporting purposes.

(k) Net Assets

Net assets are classified in the accompanying financial statements as follows:

- Invested in capital assets, net of related debt represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- Restricted for expendable purposes represents net resources in which CCCS is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- Unrestricted net assets represent net resources derived from student tuition and fees, FFS contracts, COF stipends, state appropriations, and sales and services of education departments. These resources are used for transactions relating to the educational and general operations of

CCCS to meet current expenses for any purpose. These resources also include those from auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. Unrestricted net assets include assets designated by the SBCCOE for certain purposes.

(l) Classification of Revenues and Expenses

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

- Operating revenues and expenses are derived from activities associated with providing goods and services for instruction, public service, or related support services to an individual or entity separate from CCCS to carry out the mission of CCCS. Operating revenues include stipends paid for eligible undergraduate students under COF, created and funded by the Colorado Legislature. The stipend can be used to pay a portion of in-state tuition for both new and continuing students and is paid on a per credit-hour basis to the institution at which the student is enrolled. The credit-hour amount is set annually by the General Assembly. In addition, operating revenues include payment for the FFS contract from the State for delivery of educational services by CCCS that are not part of the COF stipend program. In fiscal years 2010 and 2009, FFS purchased credit hours included vestibule labs, reciprocal programs, educational services in rural areas, and career and technology, vocational, and other high cost, specialized instructional education services.
- Nonoperating revenues and expenses are those that do not meet the definition of operating revenues or capital revenues. In fiscal years 2010 and 2009, nonoperating revenues include Colorado Vocational Act state appropriations, State Fiscal Stabilization Funding, Federal Pell grants, state training program grants, occupational education funds, gifts, investment income, and insurance recoveries. Nonoperating expense includes interest expense and distributions to Area Vocational Schools (AVSs) and Local District Colleges (LDCs).
- Other revenues, expenses, gains, and losses include state capital construction contributions and controlled maintenance appropriations, gifts, and grants restricted for capital purposes.

(m) Application of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available to pay an expense, CCCS' policy is to first utilize restricted resources. Only when restricted resources are unavailable are unrestricted resources used to pay expenses.

(n) Scholarship Allowances

Scholarship allowances are the differences between the stated charge for the goods and services provided by CCCS and the amount that is paid by the students or by other third parties making payments on the students' behalf. Student tuition and fee revenues and certain other auxiliary enterprises revenue are reported net of scholarship allowance in the accompanying basic financial statements. Certain grants from external governmental and private programs are recorded as either operating or nonoperating revenues in the accompanying basic financial statements. To the extent that such grant revenues are used to satisfy tuition and fees and other student charges, CCCS records scholarship allowances. Any excess grant revenues are recorded as scholarships and fellowships operating expense. CCCS calculates scholarship allowances on a student-by-student basis.

(o) State Fiscal Stabilization Funds

On February 19, 2009, the American Recovery and Reinvestment Act (ARRA) of 2009 was signed into law. Under ARRA, some federal funds were allocated to state governments via the State Fiscal Stabilization Fund (SFSF) Program. This education grant funding was used for activities allowable under the U.S. Department of Education's guidance. The Colorado Department of Higher Education is the fiscal agent under this award made from the Colorado Governor's Office to the institutions of higher education in the state. In fiscal years 2010 and 2009, the funds were distributed to CCCS as an offset to funding cuts in the COF in the form of reduced student stipends and reduced FFS contracts. In accepting these funds, certain stipulations were placed on the use of the funds, including steps to mitigate tuition and fee increases for in-state students. This funding is expected to continue until the first quarter of fiscal year 2011. SFSF funding is provided as pass-through funds through the State without the federal government or State directly receiving goods and services and is recorded as nonoperating revenue.

(p) Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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.

(q) Reclassifications

Prior year amounts have been reclassified to conform to the current year presentation, including Federal Pell grants in the amount of $56,490,227, which was reclassified from Operating Grants and Contracts to Nonoperating Revenues for 2009.

(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, COF stipend, and FFS contract revenue, 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, 2010 and 2009, appropriated expenditures were within the authorized spending authority. CCCS received a total general fund appropriation of $38,476,832 and $46,404,956, respectively, for 2010 and 2009. Included in the general fund appropriations for both 2010 and 2009 are $11,662,619 and $21,107,462, respectively, of State appropriations specified to be passed through to two LDCs and four AVSs: $7,350,751 and $12,601,934 for 2010 and 2009, respectively, for LDCs, and

$4,311,868 and $8,505,528 for 2010 and 2009, respectively, for AVSs. Also included in general fund appropriations were capital contributions of $21,466,589 in 2010 and $9,140,719 in 2009. During 2010, CCCS received FFS contract revenue in the amount of $3,541,151 and COF stipends in the amount of $69,059,656. During 2009, CCCS received FFS contract revenue in the amount of $26,900,272 and COF stipends in the amount of $90,120,506.

(5) Tuition, Fees, and Auxiliary Revenue

Tuition, fees, and auxiliary revenue and the related scholarship allowance for the year ended June 30, 2010 were as follows:

	Tuition and fees	Auxiliary revenue	Total
Gross revenue	$ 295,322,575	44,024,198	339,346,773
Scholarship allowances:			
Federal	(88,360,084)	(3,830,151)	(92,190,235)
State	(17,152,109)	(796,168)	(17,948,277)
Private	(2,937,407)	(140,041)	(3,077,448)
Institutional	(4,126,739)	(362,433)	(4,489,172)
Total scholarship allowances	(112,576,339)	(5,128,793)	(117,705,132)
Net revenue	$ 182,746,236	38,895,405	221,641,641

Tuition, fees, and auxiliary revenue and the related scholarship allowance for the year ended June 30, 2009 were as follows:

	Tuition and fees	Auxiliary revenue	Total
Gross revenue	$ 265,001,075	40,924,926	305,926,001
Scholarship allowances:			
Federal	(49,782,505)	(2,200,602)	(51,983,107)
State	(16,778,291)	(733,249)	(17,511,540)
Private	(2,617,553)	(100,601)	(2,718,154)
Institutional	(4,826,014)	(371,041)	(5,197,055)
Total scholarship allowances	(74,004,363)	(3,405,493)	(77,409,856)
Net revenue	$ 190,996,712	37,519,433	228,516,145

(6) Cash and Cash Equivalents and Investments

CCCS' cash and cash equivalents, exclusive of those held with the Colorado State Treasurer, are detailed in the table below:

		2010	2009
Cash on hand and change funds	$	226,099	1,611,598
Deposits with financial institutions		7,665,627	6,814,614
Total	$	7,891,726	8,426,212

Colorado statutes require protection of public moneys in banks beyond that provided by the Federal Deposit Insurance Corporations. The Public Deposit Protection Act in CRS 11-10.5-107(5) requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102% of the deposits exceeding those amounts insured by federal insurance.

The following schedule reconciles deposits and investments to the financial statements:

		Carrying amount	
		June 30, 2010	June 30, 2009
Footnote amounts:			
Deposits	$	7,891,726	8,426,212
Deposits held with State Treasurer		237,851,000	184,267,314
Restricted investments		12,887,915	7,596,626
Total	$	258,630,641	200,290,152
Financial statement amounts:			
Net cash and cash equivalents	$	241,206,894	187,835,181
Current restricted cash and cash equivalents		4,209,356	4,858,345
Noncurrent restricted cash and cash equivalents		326,476	—
Subtotal cash and cash equivalents		245,742,726	192,693,526
Restricted investments		12,887,915	7,596,626
	$	258,630,641	200,290,152

CCCS deposits its cash with the Colorado State Treasurer (the Treasurer) as required by CRS. The State Treasurer pools these deposits and invests them in securities approved by Section 24-75-601.1, CRS. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited with the State Treasurer are invested until the cash is needed. Earnings are allocated in proportion to the average daily cash balance for all participants in the pool. At June 30, 2010 and 2009, CCCS had cash on deposit with the State Treasurer of $237,851,000 and $184,267,314, respectively, which represented approximately 4.0% of the total of $5,977.9 million and 3.2% of the total of $5,742.1 million, respectively, in deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes, all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of CCCS' participation in the Pool, CCCS reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains (losses) included in income reflect only the change in fair value for the fiscal year.

For CCCS' deposits with the State Treasury, the net unrealized gain for fiscal year 2010 was $2,526,876 and the net unrealized gain for fiscal year 2009 was $1,737,785. These unrealized gains are included in cash and cash equivalents on the statements of net assets.

(a) Custodial Credit Risk

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name. State securities must be held by the Treasurer or by a third-party custodian evidenced by a safekeeping receipt. As of June 30, 2010 and 2009, none of the investments in the Treasurer's Pool is subject to custodial credit risk. The Benefit Trust does not have a documented risk policy for its investments for custodial credit risk.

(b) Credit Quality Risks

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. The State requires two ratings with the rating level set by the investment portfolio and investment type. Based on these parameters, as of June 30, 2010 and 2009, approximately 88.1% and 92.6%, respectively, of investments in the Treasurer's Pool are subject to credit quality risk reporting. Except for $25,573,200 and $46,976,250 in 2010 and 2009, respectively, of corporate bonds rated lower medium, and $14,533,750 and $38,237,320 in 2010 and 2009, respectively, of corporate bonds rated as speculative, and $14,218,750 in 2010 of corporate bonds rated as very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

As of June 30, 2010, there were no investments in the Benefit Trust, subject to credit quality risk. As of June 30, 2009, there was $98 thousand, or 6.6% of total investments in the Benefit Trust, subject to credit quality risk. Of these investments, all were rated upper medium to the highest quality except $47.0 thousand, which was rated high default risk. The Benefit Trust does not have a documented risk policy on its investments for credit quality risk.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. The weighted average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in terms of years, weighted to reflect the dollar size of individual investments within an investment type. The overall portfolio WAM is derived by dollar-weighting the WAM for each investment type. The State has selected WAM as the primary method for reporting interest rate risk. As of June 30, 2010, the WAM of investments in the Treasurer's Pool is 0.04 years for commercial paper (3.7% of the Pool), 0.01 years for money market funds (3.2% of the Pool), 1.3 years for U.S. government securities (73.8% of the Pool), 1.36 years for asset-backed securities (12.6% of the Pool), and 2.05 years for corporate bonds (6.7% of the Pool). As of June 30, 2009, the WAM of investments in the Treasurer's Pool is 0.08 years for commercial paper (1.8% of the Pool), 0.01 years for money market funds (7.1% of the Pool), 1.14 years for U.S. government securities (67.2% of the Pool), 1.55 years for asset-backed securities (16.7% of the Pool), and 2.01 years for corporate bonds (7.2% of the Pool).

As of June 30, 2010, the Benefit Trust had no investments subject to interest rate risk. As of June 30, 2009, the Benefit Trust had the following investments subject to interest rate risk:

Type		Fair value	Weighted average maturity (years)
Corporate bonds	$	97,971	0.80

The Benefit Trust does not have a documented risk policy on its investments.

(d) Concentration of Credit Risk

The Benefit Trust does have investments (other than U.S. government or agency securities, mutual funds, or investment pools), which represent five percentage or more of total investments subject to concentration of credit risk, thus concentrating credit risk. Although all investments intrinsically carry credit risk, when investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. As of June 30, 2010, the fair value of Benefit Trust investments greater than 5% of total applicable investments is as follows:

Issuer	Fair value	Percentage of investments
Berkshire Hathaway Inc Series B	$ 119,535	6.73%
Caterpillar Inc	138,161	7.78%
Celgene Corp	203,280	11.45%
Continental Resources Inc	89,240	5.03%
Newfield Exploration Company	107,492	6.05%
Thermo Fisher Scientific	117,720	6.63%
Aon Corp	89,088	5.02%
Google Inc Cl A	118,357	6.67%

As of June 30, 2009, the fair value of Benefit Trust investments greater than 5% of total investments is as follows:

Issuer	Fair value	Percentage of investments
Berkshire Hathaway Inc	$ 86,872	5.99%
Caterpillar	75,992	5.24%
Celgene Corp	191,360	13.20%
Potash Corp of Saskatchewan Inc	74,440	5.13%
Quest Diagnostics Inc	90,288	6.28%
Thermo Fisher Scientific Inc	97,848	6.75%
Transocean Ltd	74,290	5.12%
Wyeth	90,780	6.26%
Google Inc Cl A	112,143	7.74%

CCCS management does not believe that possible future losses resulting from this Benefit Trust investment would have a material adverse effect on CCCS' financial condition or operations. The Benefit Trust does not have a documented risk policy on its investments for concentration of credit risk.

The State has established maximum holding percentages for investments. The Treasurer's Pool was not subject to concentration of credit risk in fiscal year 2010 or 2009.

(e) Foreign Currency Risk

The State does not allow foreign currency investments. The Benefit Trust does not have a documented risk policy on its investments relative to foreign currency risk. The Treasurer's Pool and the Benefit Trust were not subject to foreign currency risk in fiscal year 2010 or 2009.

Additional information on investments of the Treasurer's Pool may be obtained in the state's comprehensive annual financial report for the year ended June 30, 2010.

(f) Other Investments

CCCS also has restricted investments of $10,001,989 in money market mutual funds, which are not rated and are not subject to interest rate risk.

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

Accounts receivable at June 30, 2010 are as follows:

		Gross receivables	Allowance for uncollectible accounts	Net receivables
Student accounts receivable	$	45,244,073	(18,707,200)	26,536,873
Due from other governments		24,987,712	—	24,987,712
Other receivables		10,151,593	(262,108)	9,889,485
Total receivables	$	80,383,378	(18,969,308)	61,414,070

Accounts receivable at June 30, 2009 are as follows:

		Gross receivables	Allowance for uncollectible accounts	Net receivables
Student accounts receivable	$	32,371,156	(12,923,858)	19,447,298
Due from other governments		28,694,691	—	28,694,691
Other receivables		8,395,069	(694,573)	7,700,496
Total receivables	$	69,460,916	(13,618,431)	55,842,485

Accounts payable and accrued liabilities at June 30, 2010 and 2009 are as follows:

		2010	2009
Amounts owed to vendors	$	13,928,625	13,054,654
Salaries and benefits payable		31,741,583	31,035,767
Accrued interest payable		285,609	132,025
Other payables		1,296,971	587,990
Total accounts payable and accrued liabilities	$	47,252,788	44,810,436

(8) Capital Assets

The following table presents changes in capital assets and accumulated depreciation for the year ended June 30, 2010. Adjustments reflect one-time adjustments to buildings, equipment, and accumulated depreciation to recognize the valuation of assets acquired through the merger of San Juan Technical Basin into PCC:

	Balance June 30, 2009	Additions	Deletions	Transfers	Adjustments	Balance June 30, 2010
Nondepreciable capital assets:						
Land and land improvements	$ 20,073,667	551,075	—	—	—	20,624,742
Construction in progress	15,959,594	30,462,256	(97,302)	(15,473,641)	—	30,850,907
Collections	620,826	15,080	—	—	—	635,906
Total nondepreciable capital assets	36,654,087	31,028,411	(97,302)	(15,473,641)	—	52,111,555
Depreciable capital assets:						
Land improvements	17,269,423	82,502	—	—	—	17,351,925
Buildings and improvements	392,689,229	5,289,265	—	11,396,478	2,090,227	411,465,199
Leasehold improvements	4,347,570	508,600	—	2,663,079	—	7,519,249
Equipment and software	61,973,596	5,849,121	(1,513,921)	1,414,084	851,042	68,573,922
Library materials	12,677,136	673,130	(754,258)	—	—	12,596,008
Total depreciable capital assets	488,956,954	12,402,618	(2,268,179)	15,473,641	2,941,269	517,506,303
Less accumulated depreciation:						
Land improvements	7,337,336	836,949	—	—	—	8,174,285
Buildings and improvements	183,869,930	12,681,487	—	—	614,637	197,166,054
Leasehold improvements	2,703,518	611,291	—	—	—	3,314,809
Equipment and software	26,441,288	5,424,742	(1,461,996)	—	605,465	31,009,499
Library materials	8,222,254	704,981	(732,567)	—	—	8,194,668
Total accumulated depreciation	228,574,326	20,259,450	(2,194,563)	—	1,220,102	247,859,315
Net depreciable capital assets	260,382,628	(7,856,832)	(73,616)	15,473,641	1,721,167	269,646,988
Total capital assets, net	$ 297,036,715	23,171,579	(170,918)	—	1,721,167	321,758,543

The following table presents changes in capital assets and accumulated depreciation for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Deletions	Transfers	Adjustments	Balance June 30, 2009
Nondepreciable capital assets:						
Land and land improvements	$ 20,073,667	—	—	—	—	20,073,667
Construction in progress	28,051,998	15,086,822	(250,655)	(26,931,571)	3,000	15,959,594
Collections	620,826	—	—	—	—	620,826
Total nondepreciable capital assets	48,746,491	15,086,822	(250,655)	(26,931,571)	3,000	36,654,087
Depreciable capital assets:						
Land improvements	16,267,445	184,697	(22,296)	839,577	—	17,269,423
Buildings and improvements	387,754,380	1,340,214	—	3,597,635	(3,000)	392,689,229
Leasehold improvements	4,347,570	—	—	—	—	4,347,570
Equipment and software	36,789,306	4,227,299	(1,537,368)	22,494,359	—	61,973,596
Library materials	12,576,861	613,770	(513,495)	—	—	12,677,136
Total depreciable capital assets	457,735,562	6,365,980	(2,073,159)	26,931,571	(3,000)	488,956,954
Less accumulated depreciation:						
Land improvements	6,679,583	657,753	—	—	—	7,337,336
Buildings and improvements	171,944,927	11,971,818	(46,815)	—	—	183,869,930
Leasehold improvements	2,233,546	469,972	—	—	—	2,703,518
Equipment and software	24,232,418	3,692,870	(1,484,000)	—	—	26,441,288
Library materials	8,044,914	663,719	(486,379)	—	—	8,222,254
Total accumulated depreciation	213,135,388	17,456,132	(2,017,194)	—	—	228,574,326
Net depreciable capital assets	244,600,174	(11,090,152)	(55,965)	26,931,571	(3,000)	260,382,628
Total capital assets, net	$ 293,346,665	3,996,670	(306,620)	—	—	297,036,715

(9) Long-Term Liabilities

The following table presents changes in long-term liabilities at June 30, 2010:

	Balance, June 30, 2009	Additions	Reductions	Balance, June 30, 2010	Current portion
Bonds payable	$ 15,121,278	18,004,901	(8,433,069)	24,693,110	1,400,000
Capital leases payable	21,515,611	199,452	(600,935)	21,114,128	808,557
Other long-term liabilities	1,450,225	573,405	(1,042,869)	980,761	353,458
Compensated absences liability	13,555,513	15,523,213	(14,711,413)	14,367,313	1,096,264

The following table presents changes in long-term liabilities at June 30, 2009:

		Balance, June 30, 2008	Additions	Reductions	Balance, June 30, 2009	Current portion
Bonds payable	$	16,249,621	—	(1,128,343)	15,121,278	1,220,000
Capital leases payable		14,156,365	7,824,466	(465,220)	21,515,611	488,981
Other long-term liabilities		786,852	1,028,327	(364,954)	1,450,225	1,051,840
Compensated absences liability		11,322,468	15,440,645	(13,207,600)	13,555,513	1,171,146

(10) Bonds Payable

(a) Systemwide Revenue Bonds

The State's Department of Higher Education, through the SBCCOE, issued revenue bonds in 1996, 1997, 1998, 1999, 2003, 2004, and 2010 known as Systemwide Revenue Bonds. Bond proceeds were used to benefit facilities at the individual colleges, as noted below.

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, 2030. 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.

Series 2004 Bonds

The Series 2004 Systemwide Revenue Refunding bonds for $4,695,000 were issued on December 10, 2004. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2015. The principal of the Series 2004 issue was used to advance refund the remaining $2,620,000 balance of the Front Range Community College-Westminster Campus Series 1995 bonds and the remaining $1,740,000 balance of the Front Range Community College-Larimer Campus Series 1996 bonds.

Series 2010 Bonds

The Series 2010A Systemwide Revenue Refunding Bonds for $7,335,000 were issued on March 10, 2010. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2019. The principal of the Series 2010A issue was used to current refund the remaining outstanding balances of the following:

Series 1997 bonds for Community College of Aurora, Northeastern Junior College, and Trinidad State Junior College	$	2,770,000
Series 1998 bonds for Morgan Community College and Northeastern Junior College Series		905,000
Series 1999 bonds for Pueblo Community College and Red Rocks Community College		3,565,000
	$	7,240,000

The principal of the Series 2010A issue was distributed between the colleges as follows:

Community College of Aurora	$	761,893
Morgan Community College		334,400
Northeastern Junior College		2,092,944
Pueblo Community College		1,663,917
Red Rocks Community College		1,940,311
Trinidad State Junior College		541,535
	$	7,335,000

Series 2010B-1 Systemwide Revenue Bonds for $830,000 were issued on March 10, 2010. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2014. The principal of the Series 2010B-1 issue was distributed between the colleges as follows:

Colorado Northwestern Community College	$	495,000
Northeastern Junior College		335,000
	$	830,000

The Series 2010B-2 Taxable Systemwide Revenue Bonds for $9,665,000 were issued on March 10, 2010. Interest is payable semiannually on May 1 and November 1. The Series 2010B-2 Bonds were issued as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the “Recovery Act”). Pursuant to the Recovery Act, the Board expects to receive a cash subsidy payment from the United States Treasury (referred to herein as the “Federal Direct Payments”) equal to 35% of the interest payable on the Series 2010B-2 Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. Any Federal Direct Payments received by the Board are to be deposited into the Debt

Service Fund and applied to the payment of principal and interest on the Series 2010B-2 Bonds. Final maturity of the bonds is November 1, 2041. The principal of the Series 2010B-2 issue was distributed between the colleges as follows:

Colorado Northwestern Community College	$	4,585,000
Northeastern Junior College		5,080,000
	$	9,665,000

The Series 2010 Bonds qualify for the State of Colorado Intercept Program (the “State Intercept Program”). Pursuant to the State Intercept Program, Colorado’s State Treasurer shall pay the principal of and interest on the Series 2010 Bonds if the Board does not make such payments when they are due.

The proceeds from the 2010B-1 and 2010B-2 bonds will be used to finance construction, improvement, and equipping of 78,000 square feet of the Craig Campus Academic Building at CNCC, 14,000 square feet of the Craig Career and Technical Center at CNCC, and a new student residence hall for the housing of students at NJC.

(b) Advance Refunding

In fiscal year 1999, Pueblo Community College and Red Rocks Community College Systemwide Revenue Bonds Series 1992 were advance refunded. Proceeds of the new bonds were placed in an escrow fund for all future debt service payments on the previous series bonds.

In fiscal year 2003, the Pikes Peak Community College Systemwide Revenue Bonds Series 1996 were advance refunded. A portion of the proceeds of the 2003 bonds was placed in an escrow fund for all future debt service payments on the previous series bonds.

In fiscal year 2005, $1,740,000 of Front Range Community College-Larimer Campus Series 1996 bonds were advance refunded to reduce total debt service payments over the term of the bonds. Also in fiscal year 2005, $2,620,000 of Front Range Community College-Westminster Campus Series 1995 bonds were advance refunded to reduce total debt service payments over the life of the bonds.

In fiscal year 2010, the following bonds were current refunded to reduce total debt service payments over the term of the bonds:

- Community College of Aurora, Northeastern Junior College, and Trinidad State Junior College Series 1997 bonds
- Morgan Community College and Northeastern Junior College Series 1998 bonds
- Pueblo Community College and Red Rocks Community College Series 1999 bonds

For June 30, 2010 and 2009, $5,920,000 and $6,155,000, respectively, outstanding is 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 Series 2010 bonds are payable solely out of and secured by an irrevocable pledge of 10% of tuition and fee revenues, net of scholarship allowance. The Series 2004 and Series 2003 bonds are payable solely out of and secured by an irrevocable pledge of income or moneys 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 Board's discretion, any grants, appropriations, or other donations from the U.S. government 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; recreational or athletic facilities; parking lots or facilities; properties providing heat or other utilities; and other miscellaneous unrestricted sources of income related to the auxiliary facilities.

Total net pledged revenue for bonds was $64,288,427 and $38,695,188 for fiscal year 2010 and 2009, respectively. These amounts consisted of $25,399,579 student tuition and fees, net of scholarship allowance for fiscal year 2010 and $7,461,884 of student fees net of scholarship allowance for fiscal year 2009 plus $38,888,848 and $31,233,304 of auxiliary enterprise revenue for fiscal year 2010 and 2009, respectively.

(d) Earnings Requirement

Under the terms of the December 2004 bond indenture, CCCS must adopt fees, tuition 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.

(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.

(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 CCCS' colleges maintain separate accounts for the auxiliary facilities whose revenues are pledged to bond issues. The individual college accounts are included in the systemwide basic financial statements and bond reporting.

(h) Long-Term Bond Principal Maturities

Bond principal payments to be made during fiscal years through 2015 are enumerated in the following table:

	Principal maturing in next five years by year				
Bond issue	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**
Series 2003:					
Pikes Peak Community College	145,000	150,000	155,000	160,000	165,000
Series 2004:					
Front Range Community College	440,000	450,000	470,000	485,000	505,000
Series 2010A:					
Community College of Aurora	67,156	68,707	71,752	74,625	73,006
Morgan Community College	33,199	33,754	37,514	36,654	35,855
Northeastern Junior College	186,900	199,769	208,711	208,300	212,398
Pueblo Community College	223,140	229,498	234,056	238,398	242,928
Red Rocks Community College	168,989	182,463	183,640	184,723	190,600
Trinidad State Junior College	60,616	65,809	64,327	67,300	70,213
Series 2010B-1:					
Colorado Northwestern Community College	75,000	100,000	105,000	105,000	110,000
Northeastern Junior College	—	—	110,000	110,000	115,000
Series 2010B-2:					
Colorado Northwestern Community College	—	—	—	—	—
Northeastern Junior College	—	—	—	—	—
Total revenue bonds payable	1,400,000	1,480,000	1,640,000	1,670,000	1,720,000
Interest	1,042,020	906,207	867,440	825,658	782,277
Total annual debt service	$ 2,442,020	2,386,207	2,507,440	2,495,658	2,502,277

Bond debt service payments after fiscal year 2015 to maturity are as follows:

		Principal	Interest	Total
2016 – 2020	$	6,010,000	3,303,300	9,313,300
2021 – 2025		2,495,000	2,602,536	5,097,536
2026 – 2030		2,800,000	1,970,497	4,770,497
2031 – 2035		2,110,000	1,267,702	3,377,702
2036 – 2040		2,510,000	660,871	3,170,871
2041 – 2045		875,000	45,293	920,293

Remaining debt service by bond issuance is as follows:

	Revenue bonds outstanding* June 30, 2010	Interest rate	Maximum annual principal	Callable	Call premium	Final payment
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds:						
Series 2003:						
Pikes Peak Community College	3,914,019	2.08% to 4.125%	290,000	Yes	None	11/1/2030
Series 2004:						
Front Range Community College	2,778,917	3.08% to 3.65%	525,000	No	None	11/1/2015
Series 2010A:						
Community College of Aurora	777,054	2.00% to 3.00%	86,935	No	None	11/1/2019
Morgan Community College	341,686	2.00% to 3.00%	41,803	No	None	11/1/2018
Northeastern Junior College	2,135,626	2.00% to 3.00%	233,038	No	None	11/1/2019
Pueblo Community College	1,700,719	2.00% to 2.50%	249,706	No	None	11/1/2016
Red Rocks Community College	1,979,158	2.00% to 3.00%	220,025	No	None	11/1/2019
Trinidad State Junior College	553,321	2.00% to 2.75%	74,279	No	None	11/1/2017
Series 2010B-1:						
Colorado Northwestern Community College	506,818	2.00%	110,000	No	None	11/1/2014
Northeastern Junior College	344,406	2.00%	115,000	No	None	11/1/2014
Series 2010B-2:						
Colorado Northwestern Community College	4,584,232	2.00% to 6.10%	280,000	Yes (after 11/2021)	None	11/1/2040
Northeastern Junior College	5,077,154	2.00% to 6.10%	115,000	Yes (after 11/2021)	None	11/1/2041
	$ 24,693,110					

* Includes deferred loss on refunding and unamortized bond premium and discount of $(16,890).

(11) Leases and State of Colorado Certificates of Participation

CCCS has acquired land, buildings, and equipment under leases and lease/purchase arrangements with the Education Foundation, a discretely presented component unit of CCCS, which are classified as capital leases. In addition, ACC has recorded capital leases with GE Capital Public Finance and JP Morgan, and PPCC has recorded a capital lease with the Colorado Educational and Cultural Facilities Authority. Stated and/or implicit interest rates on these leases range from 3.25% to 5.30% interest.

CNCC, NJC, TSJC, and CCCS have recorded capital leases in conjunction with building improvements and equipment related to energy performance contracts. The interest rate on the capital leases range from 4.75% to 5.35%. 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 were approximately $22,404,086 in 2010 and $16,213,599 in 2009 with amortization expense of $1,792,139 at June 30, 2010 and $1,150,295 at June 30, 2009, respectively.

Future minimum payments under capital leases are as follows for the years ending June 30:

		Principal	Interest	Total
2011	$	808,557	1,051,303	1,859,860
2012		849,275	1,012,799	1,862,074
2013		897,673	970,814	1,868,487
2014		942,246	925,293	1,867,539
2015		976,885	877,510	1,854,395
2016 – 2020		5,505,612	3,362,070	8,867,682
2021 – 2025		5,667,933	1,951,857	7,619,790
2026 – 2030		4,120,947	726,268	4,847,215
2031 – 2035		1,345,000	81,270	1,426,270
Total	$	21,114,128	10,959,184	32,073,312

On October 23, 2008, the State issued State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 with an approximate par value of $230,845,000 and a premium of $1,883,800 and a discount of $1,702,900. The certificates have interest rates ranging from 3.00% to 5.50% and mature in November 2019. Annual lease payments are made by the State and are subject to annual appropriations by the Legislature. As a result, this liability is recognized by the State and not included in CCCS' financial statements.

The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. The proceeds are being used to finance various capital projects for the benefit of certain State-supported institutions of higher education in Colorado including CNCC, FRCC, and MCC. The projects include CNCC's construction of a new 53,000-square-foot academic building that will house classrooms, laboratories, offices, a learning resource center, and academic support functions, as well as expanded surface parking on the new site; FRCC's construction of a new laboratory wing and renovate existing space in the primary science building on the Larimer campus; and MCC's construction will provide additional space and building improvements for the college's nursing, health technology, and science programs, as well as additional parking and reconfiguration of the main entrance loop. The underlying capitalized assets are contributed to CCCS from the State.

CCCS also has building and equipment operating leases. One of these leases is by and between CCA and a discretely presented component unit, CCA Foundation. Total rent expense for all operating leases for the years ended June 30, 2010 and 2009 was $3,819,775 and $4,025,262, respectively. Future minimum rental payments, exclusive of real estate taxes and other expenses, under operating leases are as follows:

Year ending June 30:		
2011	$	3,435,872
2012		2,202,045
2013		1,830,658
2014		1,196,451
2015		1,147,816
2016 – 2020		2,790,741
2021 – 2025		642,885
2026 – 2030		642,885
2031 – 2035		642,885
2036 – 2040		642,885
2041 – 2045		642,885
2046 – 2050		321,442

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.

(12) Other Long-Term Liabilities

Other long-term liabilities consist primarily of expired warrants that are unclaimed at year-end. The combined payment schedule is as follows:

		Principal	Interest	Total
2011	$	353,458	—	353,458
2012		—	—	—
2013		—	—	—
2014		187,098	—	187,098
2015		197,463	—	197,463
2016		242,742	—	242,742
Total	$	980,761	—	980,761

(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, 2010 and 2009 is $14,367,313 and $13,555,513, 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, 2010 and 2009, the Public Employees' Retirement Association of Colorado (PERA) estimated that 55.4% and 56.0%, 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 an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, CO 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, excluding the community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case, they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2008 are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior 12 months. In that case, they are required to remain in the PERA plan in which they participated previously.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which he or she last contributed or, if there was not prior participation, to the defined benefit plan. PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year of membership to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. The employer contribution to the defined contribution plan is the same amount as the contributions to the PERA defined benefit plan.

Defined benefit plan members vest after five years of service and are eligible for full retirement based on their original hire date as follows:

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

- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

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

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

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5% times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15.0% increase between periods.

For retirements after January 1, 2009, the HAS is calculated based on original hire date as follows:

- Hired before July 1, 2007 – HAS is calculated based on three periods of service credit and is limited to a 15.0% increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15.0% increase.
- Hired on or after January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to an 8.0% increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8% increase.

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5%, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3.0% or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3.0% or the actual increase in the national Consumer Price Index, limited to a 10.0% reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1.0% of salaries contributed by employers for employees hired on or after January 1, 2007.)

In the 2010 legislative session, the general assembly set the current increase as the lesser of 2.0% or the average of the monthly CPI amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0.0%. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

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

(b) Funding Policy

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state-sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0% of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2009 through December 31, 2009, CCCS contributed 12.95%. From January 1, 2010 through June 30, 2010, CCCS contributed 13.85% of the employee's salary. During all of fiscal year 2009 – 2010, 1.02% of the employees' total salary was allocated to the Health Care Trust Fund.

Per CRS, an amortization period of 30 years is deemed actuarially sound. At December 31, 2009, the division of PERA in which the state participates was underfunded with an amortization period of 43 years.

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5% of salary beginning January 1, 2006, another 0.5% of salary in 2007, and subsequent year increases of 0.4% of salary until the additional payment reaches 3.0% in 2012.

In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one-half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED.

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4% of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. If the funding ratio reaches 103.0%, both the AED and the SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5.0%.

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

CCCS' contributions to PERA and/or the Defined Benefit Plan and Health Care Trust Fund and/or the State's defined contribution plan for the fiscal years ended June 30, 2010, 2009, and 2008 were $28,362,396, $25,574,877, and $22,423,299, respectively. These contributions met the contribution requirements for each year.

(15) Other Retirement Plans

(a) Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the state's defined contribution plan was transferred to PERA, and participants of the state's plan became participants of the PERA defined contribution plan. Existing state plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50.0% to 100.0% evenly over five years. Participants in the plan are required to contribute 8.0% of their salary. At December 31, 2009, the plan had 3,039 participants.

(b) Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the state's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the state's administrative functions were transferred to PERA, and all costs of administration and funding are borne by plan participants. In calendar year 2009, participants were allowed to make contributions of up to 100.0% of their annual gross salary (reduced by 8.0% PERA contribution) to a maximum of $16,500. Participants who are age 50 and older may contribute an additional $5,500 for total contributions of $22,000 in 2009. At December 31, 2009, the plan had 18,007 participants.

PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan. Certain agencies and institutions of the state offer 403(b) or 401(a) plans.

(16) Postretirement Healthcare and Life Insurance Benefits

(a) Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for healthcare coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, CO 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the healthcare plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5.0% for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in note 14. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. CCCS' contribution is disclosed above in conjunction with contributions for the State defined benefit plan. In each year, the amount contributed was 100.0% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third-party vendors. In addition, two of PERA's insurance carriers offered high deductible healthcare plans in 2009. As of December 31, 2009, there were 46,985 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2009, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.50 billion, a funded ratio of 14.8%, and a 53-year amortization period.

(b) 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.

CCCS' principal employee pension plan is PERA (note 14). Pursuant to SBCCOE Board Policy BP3-60 (Retirement), employees hired prior to 1989 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 post-retirement benefit offered to CCCS employees. This actuarially determined liability related to this plan is considered immaterial to CCCS' financial statements. Consequently, no provision has been made in the accompanying basic financial statements for this liability.

The postretirement benefits described above are funded out of annual current funds.

(17) Employee Benefit Trust Fund

The Benefit Trust provides long-term disability benefits to all employees participating in the Employee Choice Flexible Benefit Plan sponsored by the SBCCOE. For fiscal years 2010 and 2009, CCCS made contributions to the Benefit Trust of approximately $265,000 and $259,000, respectively.

(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 Office 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, neither did reduction occur 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 Office 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 has $32.7 million in commitments for various capital construction and controlled maintenance projects as of June 30, 2010.

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, the State Office of Risk Management (the Office), and it is anticipated that the Office 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 CCCS in its annual Appropriations Long Bill. Beginning fiscal year 2005, appropriated funds included an amount from the General Fund as well as cash funds, such as tuition, certain fees, and other revenue sources. Nonappropriated funds were excluded from the annual appropriations bill. Nonappropriated funds include certain grants and contracts, gifts, indirect cost recoveries, designated auxiliary revenues, and other revenue sources.

Legislation passed in fiscal year 2004 provided higher education institutions in the State the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), given the institution met the stated qualifications. In fiscal year 2006, the System qualified as an enterprise because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System was required to receive (and is expected to continue to receive) less than 10.0% (in relation to total revenues) in support from the State. In fiscal years

2010 and 2009, the System received 2.0% and 2.8%, respectively, in State support. Effective in fiscal year 2008, House Bill 08-1079 specifically excluded moneys transferred from the state Department of Education for career and technical education as state grants for the purpose of this calculation, including funding under the CVA.

(21) San Juan Basin Vocational Schools Merger with PCC

Effective July 1, 2009, the State statutorily merged the San Juan Basin AVSs with PCC to form the Southwest Colorado Community College, a division of PCC. The merger plan was supported by the SBCCOE and the school districts of Cortez, Dolores, and Mancos. Appropriations to the Department of Higher Education made in the annual appropriations for fiscal year 2010 were adjusted accordingly for COF and FFS, and federal funds received from the SFSF were also redirected to PCC.

As of July 1, 2010, CCCS net assets were adjusted to reflect the change in reporting entity due to the San Juan Merger. A summary of the total adjustments as of July 1, 2010 is as follows:

Net assets, beginning of year, as previously reported	$	428,510,932
Change in reporting entity		2,248,576
Net assets, beginning of year	$	430,759,508

(22) Discretely Presented Component Units Restatement

As of July 1, 2009, FRCC Foundation's and PCC Foundation's net assets were restated to correct errors and the presentation of net assets. A summary of the total adjustments is as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year, as previously reported	$	9,733,739	17,233,169	6,211,661	33,178,569
Restatement		417,706	(417,705)	(1)	—
Net assets, beginning of year, as restated	$	10,151,445	16,815,464	6,211,660	33,178,569

(23) Related-Party Transactions

Approximately $2,878,000 and $3,827,000 was transferred to the colleges from the foundations for the years ended June 30, 2010 and 2009, respectively, in pursuit of providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities.

(24) Subsequent Events

On October 5, 2010, CCCS issued Series 2010C Systemwide Revenue Bonds for $6,545,000. The proceeds will be used to finance the construction, improvement, and equipping of the Student Learning and Success Building on the CCD campus and the Learning Resource Center at PCC. In addition, on October 5, 2010, CCCS also issued Series 2010D Taxable Systemwide Revenue Bonds for $31,455,000.

The Series 2010D Bonds were issued as “Build America Bonds” in accordance with the provisions of the ARRA of 2009. The proceeds from the 2010 bonds will be used to finance the construction, improvement, and equipping of the Student Learning and Success Building on the CCD campus and the Learning Resource Center at PCC.

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

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of the Colorado Community College System (CCCS), a component unit of the State of Colorado, as of and for the year ended June 30, 2010, which collectively comprise CCCS' basis financial statements, and have issued our report thereon dated November 12, 2010. Our report was modified to include a reference to 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. The financial statements of the discretely presented component units were audited by the other auditors and 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCCS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CCCS' internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and are described in the Findings and Recommendations section of this report as Recommendation Nos. 1, 2, 3 and 4. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

We noted certain matters that we reported to management of CCCS in the Findings and Recommendations section of this report.

CCCS' responses to the findings identified in our audit are described in the Findings and Recommendations section of this report. We did not audit CCCS' responses and, accordingly, we express no opinion on them.

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 12, 2010

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202-3499

November 12, 2010

Members of the Legislative Audit Committee:

We have audited the basic financial statements of the business-type activities and aggregate discretely presented component units of the Colorado Community College System (CCCS), a component unit of the State of Colorado, as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated November 12, 2010, which include a reference to the reports of other auditors. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audits.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion about whether the basic financial statements, which have been prepared by management with the oversight of the State Board for Community Colleges and Occupational Education (SBCCOE), are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform 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. Our audit does not relieve management and the SBCCOE of their responsibilities.

In addition, in planning and performing our audit of the basic financial statements, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of CCCS' internal control. Accordingly, we do not express an opinion on the effectiveness of the CCCS' internal control. However, during the course of our audit, we identified certain deficiencies in internal control that we consider to be significant deficiencies. Our required communications to you in writing, under professional standards, of all deficiencies in internal control identified during our audit are included in the Findings and Recommendations section of this report.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the SBCCOE in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

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. We have, however, read the other information included in the 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.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by CCCS are described in note 3 to the basic financial statements.

The Governmental Accounting Standards Board's (GASB) *Implementation Guide* issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have only administrative requirements for these funds. The State Controller's Office issued guidance for fiscal year 2010 to higher education institutions indicating that Pell grants should be reported as nonoperating revenue. Previously, state institutions of higher education reported Pell grants as operating revenue based on their historical accounting policy and definition of operating revenue and the prevalent practice across the country, and the fact that GASB's Implementation Guide and industry practice are both level D in the U.S. generally accepted accounting principles hierarchy. In fiscal year 2010, CCCS reclassified Pell revenue for fiscal year 2009 from operating to nonoperating revenue. In addition, CCCS reclassified the amounts on the cash flow statement from operating receipts to receipts from noncapital financing activities.

Unusual Transactions

We noted no unusual transactions entered into by CCCS, which were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance.

Qualitative Aspects of Accounting Practices

We have discussed with the SBCCOE and management our judgments about the quality, not just the acceptability, of CCCS' accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of CCCS' accounting policies and their application, and the understandability and completeness of CCCS' basic financial statements, which include related disclosures.

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 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. Accounting estimates are an integral part of the basic financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

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, grant-accrued expenses, scholarship allowances, 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.

Uncorrected and Corrected 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 the CCCS' books and records as of and for the year ended June 30, 2010. We have reported such misstatements to management on a Summary of Unadjusted Audit Differences and have received written representations from management that management believes that the effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. Page 94 includes a copy of the summary that has been provided to, and discussed with, management.

There were three financial statement misstatements identified by us that were discussed with and corrected by CCCS. Page 95 includes a summary of those entries.

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 the CCCS' basic financial statements.

Management's 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 year ended June 30, 2010.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management prior to Retention

We generally discuss a variety of matters with the SBCCOE and management each year prior to our retention as CCCS' auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Material Written Communications

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

1. Management representation letter

2. Internal control deficiencies letter (findings and recommendations included in this report)

Significant Difficulties Encountered during the Audit

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

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all relationships between our firm and CCCS and persons in a financial reporting oversight role at CCCS and provide confirmation that we are independent accountants with respect to CCCS.

Confirmation of Audit Independence

We hereby confirm that as of November 12, 2010 we are independent accountants with respect to CCCS under all relevant professional and regulatory standards.

* * * * * * *

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

Very truly yours,

KPMG LLP

COLORADO COMMUNITY COLLEGE SYSTEM

Summary of Unadjusted Audit Differences

Year ended June 30, 2010

Adj No.	Description		Change in net assets unadjusted audit differences arising in Current period	Statement of net assets: Net assets	Assets	Liabilities
1	Other noncurrent assets	$	—	—	3,502,684	—
	Accounts receivable, net		—	—	(3,502,684)	—
	To reclassify noncurrent other receivables from a current asset to a noncurrent asset at CNCC and TSJC.					
2	Tuition and auxiliary revenue		6,923,550	6,923,550	—	—
	Bad debt expense – institutional support		(6,923,550)	(6,923,550)	—	—
	To adjust for revenues net of bad debt expense.					
3	Tuition revenue		582,384	582,384	—	—
	Accounts Receivable, net		—	—	(582,384)	—
	To adjust for a credit balance Colorado Opportunity Fund receivable at PPCC.					
4	Grant revenue		673,595	673,595	—	—
	Net assets		—	(673,595)	—	—
	To reverse revenue recorded in FY 2010 that relates to Pell, SEOG and FWS FY 2009 receivables that were not recorded at CCA in FY 2009.					
5	Misc. operating expenses		601,620	601,620	—	—
	Net assets		—	(601,620)	—	—
	To correct expenses for an entry recorded in FY 2010 to reverse liabilities that were in error in FY 2009 at CCD.					
6	Institutional support expense		1,450,062	1,450,062	—	—
	Instruction expense		(62,300)	(62,300)	—	—
	Academic support expense		(68,309)	(68,309)	—	—
	Operation and maintenance of plant expense		(463,741)	(463,741)	—	—
	Auxiliary expense		(855,712)	(855,712)	—	—
	To reclassify FY 2010 expenses.					
7	Bad debt expense – institutional support		646,070	646,070	—	—
	Net assets		—	(646,070)	—	—
	To record the effect of bad debt entries not made in FY 2009 impacting FY 2010 at RRCC, NJC, CCA and FRCC.					
	Total	$	2,503,669	582,384	(582,384)	—

COLORADO COMMUNITY COLLEGE SYSTEM

Summary of Adjusted Audit Differences

Year ended June 30, 2010

Adj No.	Description		Change in net assets unadjusted audit differences arising in Current period	Statement of net assets: Net assets	Assets	Liabilities
1	Tuition Revenue, net	$	1,489,793	1,489,793	—	—
	Deferred Revenue		—	—	—	(1,489,793)
	To record an adjustment to the deferred revenue calculation at CCD due to an error in the initial calculation.					
2	Scholarship Allowance- Expense		302,989	302,989	—	—
	Scholarship Allowance- Auxiliary and Sales		(302,989)	(302,989)	—	—
	To record an adjustment to properly classify scholarship allowance at CCD.					
3	Bad Debt Expense		474,801	474,801	—	—
	Allowance for Accounts Receivable		—	—	(474,801)	—
	To record an adjustment at PPCC to correctly calculate the accounts receivable allowance.					
	Total	$	1,964,594	1,964,594	(474,801)	(1,489,793)

COLORADO COMMUNITY COLLEGE SYSTEM

State-Funded Student Financial Assistance Programs

Introduction

Year ended June 30, 2010

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 13 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, and Trinidad State Junior College.

The financial and compliance examination of the various state-funded student financial assistance programs at CCCS for the year ended June 30, 2010 was directed toward the objectives and criteria set forth in the Colorado Commission on Higher Education's (CCHE) Financial Aid Policy. The state-funded student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2010.

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

- Colorado Need-Based Grants awards:
  - Colorado Student Grants Program
  - Colorado Leveraging Educational Assistance Partnership (CLEAP)
- Colorado Work-Study Program
- Governor's Opportunity Scholarships

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-funded 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.

The total state-funded student financial assistance expenditures made by CCCS were approximately $24.1 million during the year ended June 30, 2010.

Authorizations and expenditures for state-funded student financial assistance programs are detailed by program in the accompanying statement of appropriations, expenditures, transfers, and reversions for the year ended June 30, 2010. CCCS also obtained authorizations for federal student financial aid funds as follows:

- Supplemental Educational Opportunity Grant of approximately $1.2 million
- College Work-Study of approximately $1.9 million

In addition to these programs, CCCS also received funding through the Pell Grant Program in the amount of approximately $107.6 million and through direct lending in the amount of approximately $164.3 million. Authorizations were not applicable for these programs given the Pell Grant and Direct Loans are available to any eligible student.

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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 (SFSFA) Programs (the Statement) of the Colorado Community College System (CCCS), a component unit of the State of Colorado, for the year ended June 30, 2010. This statement is the responsibility of CCCS' management. Our responsibility is to express an opinion on this statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CCCS' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement, 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 note 1 to the Statement, the Statement was prepared in the format set forth in the Colorado Department of Higher Education (CDHE) *Audit Guide*, and in conformity with the provisions of the Colorado Commission on Higher Education (CCHE) *Financial Aid Policy*. The Statement is a summary of cash activity of the SFSFA programs, with the exception of the College Work-Study Program, and does not present certain transactions that would be included in the Statement if it was presented on the accrual basis of accounting, as prescribed by U.S. generally accepted accounting principles. Accordingly, the Statement is not intended to present the financial position, changes in net assets, or cash flows of the SFSFA programs in conformity with U.S. generally accepted accounting principles. As 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, or cash flows of CCCS, in conformity with U.S. generally accepted accounting principles.

In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the SFSFA programs of CCCS for the year ended June 30, 2010, in accordance with the format set forth in the CDHE *Audit Guide*, and in conformity with the provisions of the CCHE *Financial Aid Policy*, as described in notes 1 and 2 to the Statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010 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 in accordance with the format set forth in the CDHE *Audit Guide*, and in conformity with the provisions of the CCHE *Financial Aid Policy*. The accompanying introduction and schedules of appropriations, expenditures, transfers, and reversions of each of the colleges (the Schedules) are presented for purposes of additional analysis and are not a required part of the Statement. The introduction has not been subjected to the auditing procedures applied in the audit of the Statement, and accordingly, we express no opinion on it. The Schedules have been subjected to the auditing procedures applied in the audit of the Statement and, in our opinion, are fairly stated in all material respects in relation to the Statement taken as a whole.

KPMG LLP

November 12, 2010

COLORADO COMMUNITY COLLEGE SYSTEM

State-Funded Student Assistance Programs

Statement of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	24,143,355	18,999,684	330,667	4,642,504	170,500
Supplementals		48,412	50,000	—	85,000	(86,588)
Transfers		—	—	—	—	—
Total appropriations		24,191,767	19,049,684	330,667	4,727,504	83,912
Less expenditures		24,139,360	19,049,684	330,667	4,721,773	37,236
Reversions to state general fund	$	52,407	—	—	5,731	46,676

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

(1) Basis of Presentation

The Colorado Community College System (CCCS) is governed by the State Board for Community College and Occupational Education. CCCS comprises the system office and the following 13 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 as prescribed by the Colorado Department of Higher Education (CDHE) *Audit Guide*, and in conformity with the provisions of the Colorado Commission on Higher Education (CCHE) *Financial Aid Policy*. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance (SFSFA) activities of CCCS' 13 campuses for the year ended June 30, 2010.

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 U.S. generally accepted accounting principles.

(2) Basis of Accounting

All state-funded student financial assistance is expensed on a cash basis, except for the Colorado Work-Study Program. Colorado Work-Study wages are recorded on the accrual basis recognizing expenses when the services are performed.

The Colorado Leveraging Educational Assistance Partnership (CLEAP) and Supplemental Leveraging Assistance Partnership (SLEAP) consist of state and federal funds. The amount shown in the Statement is the combined total.

ARAPAHOE COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	1,634,670	1,323,568	32,744	278,358	—
Supplementals		—	—	—	—	—
Transfers		—	—	—	—	—
Total appropriations		1,634,670	1,323,568	32,744	278,358	—
Less expenditures		1,634,670	1,323,568	32,744	278,358	—
Reversions to state general fund	$	—	—	—	—	—

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

COMMUNITY COLLEGE OF AURORA

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	1,663,324	1,392,191	5,676	235,457	30,000
Supplementals		—	—	—	—	—
Transfers		—	—	—	—	—
Total appropriations		1,663,324	1,392,191	5,676	235,457	30,000
Less expenditures		1,641,017	1,392,191	5,676	235,457	7,693
Reversions to state general fund	$	22,307	—	—	—	22,307

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

COMMUNITY COLLEGE OF DENVER

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	3,281,907	2,486,591	34,927	695,389	65,000
Supplementals		(16,968)	40,000	—	—	(56,968)
Transfers		—	—	—	—	—
Total appropriations		3,264,939	2,526,591	34,927	695,389	8,032
Less expenditures		3,264,939	2,526,591	34,927	695,389	8,032
Reversions to state general fund	$	—	—	—	—	—

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

COLORADO NORTHWESTERN COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	267,912	187,652	10,187	70,073	—
Supplementals		—	—	—	—	—
Transfers		—	—	—	—	—
Total appropriations		267,912	187,652	10,187	70,073	—
Less expenditures		267,912	187,652	10,187	70,073	—
Reversions to state general fund	$	—	—	—	—	—

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

FRONT RANGE COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	4,295,527	3,479,718	63,450	752,359	—
Supplementals		—	—	—	—	—
Transfers		—	—	—	—	—
Total appropriations		4,295,527	3,479,718	63,450	752,359	—
Less expenditures		4,295,527	3,479,718	63,450	752,359	—
Reversions to state general fund	$	—	—	—	—	—

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

LAMAR COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	475,443	358,362	6,840	110,241	—
Supplementals		—	—	—	—	—
Transfers		—	—	—	—	—
Total appropriations		475,443	358,362	6,840	110,241	—
Less expenditures		473,412	358,362	6,840	108,210	—
Reversions to state general fund	$	2,031	—	—	2,031	—

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

MORGAN COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	535,824	416,126	4,220	115,478	—
Supplementals		—	—	—	—	—
Transfers		—	—	—	—	—
Total appropriations		535,824	416,126	4,220	115,478	—
Less expenditures		535,824	416,126	4,220	115,478	—
Reversions to state general fund	$	—	—	—	—	—

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

COLORADO NORTHEASTERN JUNIOR COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	641,642	478,246	8,441	154,955	—
Supplementals		25,000	10,000	—	15,000	—
Transfers		—	—	—	—	—
Total appropriations		666,642	488,246	8,441	169,955	—
Less expenditures		666,642	488,246	8,441	169,955	—
Reversions to state general fund	$	—	—	—	—	—

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

OTERO JUNIOR COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

	Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:					
Original	$ 989,569	774,327	9,585	190,657	15,000
Supplementals	—	—	—	—	—
Transfers	—	—	—	—	—
Total appropriations	989,569	774,327	9,585	190,657	15,000
Less expenditures	975,000	774,327	9,585	186,957	4,131
Reversions to state general fund	$ 14,569	—	—	3,700	10,869

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

PUEBLO COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	3,459,301	2,721,357	48,752	642,192	47,000
Supplementals		(9,620)	—	—	20,000	(29,620)
Transfers		—	—	—	—	—
Total appropriations		3,449,681	2,721,357	48,752	662,192	17,380
Less expenditures		3,449,681	2,721,357	48,752	662,192	17,380
Reversions to state general fund	$	—	—	—	—	—

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

PIKES PEAK COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	4,105,614	3,241,465	68,835	781,814	13,500
Supplementals		30,000	—	—	30,000	—
Transfers		—	—	—	—	—
Total appropriations		4,135,614	3,241,465	68,835	811,814	13,500
Less expenditures		4,122,114	3,241,465	68,835	811,814	—
Reversions to state general fund	$	13,500	—	—	—	13,500

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

RED ROCKS COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	1,661,604	1,351,291	21,247	289,066	—
Supplementals		20,000	—	—	20,000	—
Transfers		—	—	—	—	—
Total appropriations		1,681,604	1,351,291	21,247	309,066	—
Less expenditures		1,681,604	1,351,291	21,247	309,066	—
Reversions to state general fund	$	—	—	—	—	—

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

TRINIDAD STATE JUNIOR COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2010

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	1,131,018	788,790	15,763	326,465	—
Supplementals		—	—	—	—	—
Transfers		—	—	—	—	—
Total appropriations		1,131,018	788,790	15,763	326,465	—
Less expenditures		1,131,018	788,790	15,763	326,465	—
Reversions to state general fund	$	—	—	—	—	—

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

There are no audit comments and recommendations related to the state-funded student financial assistance programs.

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