Colorado Community College System

Financial and Compliance Audit

Year Ended June 30, 2002

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COLORADO COMMUNITY COLLEGE SYSTEM

FINANCIAL AND COMPLIANCE AUDIT

June 30, 2002

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FINANCIAL AND COMPLIANCE AUDIT

REPORT SUMMARY

YEAR ENDED JUNE 30, 2002

Purpose and Scope

The Office of the State Auditor engaged KPMG LLP (KPMG) to conduct a financial and compliance audit of the Colorado Community College System (CCCS) for the year ended June 30, 2002. KPMG performed this audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related field work from April to October 16, 2002.

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, 2002. This includes a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

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

- Express an opinion on CCCS' compliance and internal control over financial reporting based on our audit of the basic financial statements performed in accordance with *Government Auditing Standards*.

- Express an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs of CCCS for the year ended June 30, 2002.

- Evaluate progress in implementing prior audit findings and recommendations.

CCCS' Schedule of Expenditures of Federal Awards and applicable opinions thereon by the Office of the State Auditor, State of Colorado are included in the June 30, 2002 Statewide Single Audit Report issued under separate cover.

Audit Opinions and Reports

We expressed unqualified opinions on the 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, 2002.

CCCS implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments;* GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities;* GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus;* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

Several audit adjustments were proposed and made to the basic financial statements totaling $4,260,000. Ten audit adjustments were not made to the basic financial statements totaling $774,000. These passed differences are not considered material to CCCS' basic financial statements.

We issued a report on CCCS' compliance and internal control over financial reporting based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*. We noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect CCCS' ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. The reportable condition is described in the accompanying Findings and Recommendations section as recommendation no. 1. We also noted certain areas where CCCS could improve its internal control and compliance procedures, which are described in the Findings and Recommendations section of this report.

Summary of Key Findings

Reportable Condition over Financial Reporting

During our audit, we noted certain aspects of CCCS' current financial reporting are untimely, manually intensive, and prone to error. This condition is due in part to the lack of a shared financial reporting system with a standardized account coding structure. CCCS prepared numerous versions of its financial statements in order to present them in accordance with generally accepted accounting principles.

We believe the overall deficiencies in the CCCS financial reporting process result from a lack of adequate resources and training of certain colleges financial reporting personnel in addition to inadequate planning for the implementation of the new GASB standards. Also, while each college uses the Financial Reporting System (FRS), the system is not shared amongst colleges as one system, common accounts are not used, and system-wide reporting is not possible.

Standard Business Processes Will Benefit CCCS

CCCS is a system of thirteen colleges in addition to the Lowry campus and its system offices. Each college operates as a distinct organization supported by the system office for certain areas such as budget, administration, and grants management. While each college has its unique operating aspects, there are a number of similarities, including those related to accounting and financial reporting. However, while all CCCS colleges use the Financial Reporting System (FRS), it is not used consistently and is not shared so as to allow for consolidated financial or management reporting. We also noted that while there is some commonality in use of account codes, there is no uniform account structure. Also, colleges have developed unique accounting and reporting workarounds within FRS to meet the needs of their college. Such customization may not be an efficient use of resources and can make the transition of new employees and training efforts more difficult.

Student Financial Aid

We performed procedures required by the Office of Management and Budget (OMB) Circular A-133 and the Compliance Supplement for Student Financial Aid (SFA). We also performed procedures as required by *Colorado Handbook for State-Funded Student Financial Assistance Programs,* issued by the Colorado Commission on Higher Education (CCHE), 2002 revision. We noted that CCCS needs to improve controls over its SFA processes and ensure compliance with certain regulations. Specifically, we noted findings with regard to professional judgments, exit counseling, return of Title IV funds, and institutional plans. Our findings noted $4,540 of questioned costs related to CCCS' student financial aid programs.

While we did note that student financial aid programs are carried out by each of the individual colleges in accordance with institution polices and procedures, we believe there is an opportunity to share best practices and help ensure compliance systemwide with student financial aid requirements. For example, a policy for calculating the return of Title IV funds would benefit the entire system and ensure consistent compliance with the requirement. A similar policy on use and documentation of professional judgments would protect the colleges and ensure awards are being made to eligible students.

Vocational Education – Basic Grants to States

We performed procedures required by OMB Circular A-133 and the Compliance Supplement over CCCS' Carl Perkins - Vocational Education program. CCCS needs to improve controls over activities allowed and allowable costs, cash management, reporting, and subrecipient monitoring of the program. Our findings noted $31,523 of questioned costs related to CCCS' Vocational Education – Basic Grants to States program.

CCCS also needs to improve cash management controls over the Preparing Tomorrow's Teachers to Use Technology grant. Our findings noted $105,234 of questioned costs related to this grant.

Recommendations and CCCS Responses

A summary of the recommendations for the above comments is included in the Recommendation Locator on the next page. The Recommendation Locator also shows CCCS' responses to the audit recommendations. A discussion of the audit comments and recommendations is contained in the Findings and Recommendation Section of our report.

Summary Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2001 included six recommendations. The disposition of these audit recommendations as of October 16, 2002 was as follows.

Implemented	5
Partially Implemented	1
Total	6

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	College Addressed	College Response	Implementation Date
1	15	CCCS should reevaluate its financial reporting process to improve its efficiency and effectiveness.	System	Agree	March 2003
2	16	CCCS should evaluate its key business processes for consistency and commonality.	System	Agree	June 2003
3	17	CCCS should evaluate logical access controls.	System	Agree	June 2003
4	18	CCCS should implement standards to document program change activities.	System	Agree	June 2003
5	18	CCCS should implement procedures to rotate incremental backup tapes to a secure off-site location and update its business continuity plan.	System	Agree	March 2003
6	19	CCCS should begin to evaluate GASB Statement No. 39 and its impact on CCCS' financial reporting.	System	Agree	June 2003
7	20	Trinidad State Junior College (TSJC) should implement a formal plan to recover its unrestricted net asset deficit and make changes to its operations on a go-forward basis to ensure its auxiliary activities operate on a break-even basis.	TSJC	Agree	June 2003
8	22	Pikes Peak Community College (PPCC) should establish procedures to ensure that professional judgments are clearly based on the supporting documentation received from the students and that the professional judgments are adequately documented, providing a clear audit trail.	PPCC	Agree	June 2003

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	College Addressed	College Response	Implementation Date
9	23	Front Range Community Colleges (FRCC) should establish procedures to ensure that all graduating Federal Direct Loan borrowers who do not complete exit counseling before graduating receive written exit counseling materials within thirty days after their graduation. FRCC and TSJC should establish procedures to ensure that exit counseling is provided to borrowers who cease at least half-time attendance.	FRCC, TSJC	Agree	June 2003
10	23	TSJC should establish procedures to ensure that the withdrawal dates of students who withdraw without providing notification are determined by thirty days after the end of the term, at the latest.	TSJC	Agree	June 2003
11	24	FRCC should establish procedures to ensure that the institution's portion of a student's unearned Title IV funds are returned within thirty days after the school has determined a student has withdrawn.	FRCC	Agree	June 2003
12	25	FRCC–Westminister should establish procedures to ensure students are requested to repay required grant overpayments.	FRCC-Westminister	Agree	June 2003
13	26	Community College of Denver (CCD) should establish procedures to ensure that Return of Title IV Funds calculations are made properly and to ensure that the school's portion of the unearned aid is returned.	CCD	Agree	June 2003

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	College Addressed	College Response	Implementation Date
14	26	FRCC should establish procedures to ensure that the proper institutional charges are used in the Return of Title IV Funds calculations.	FRCC	Agree	June 2003
15	27	PPCC should establish procedures to ensure that the ECAR is kept available for review by auditors.	PPCC	Agree	June 2003
16	28	CCD, PPCC, Pueblo Community College (PCC), and FRCC-Larimer should establish procedures to ensure that Spring Break is properly excluded from the Return of Title IV Funds calculations.	CCD, PPCC, PCC, and FRCC-Larimer	Agree	June 2003
17	29	PPCC should establish procedures to ensure that its Colorado Merit Award recipients meet the additional eligibility requirements per their Institutional Plan.	PPCC	Agree	June 2003
18	30	TSJC should clarify within its Institutional Plan for Merit Awards that state funds are used only for those Merit Awards are made to students who maintain a GPA of 3.0, while the institutional funds Merit Awards made to students who maintain a GPA of less than 3.0.	TSJC	Agree	June 2003
19	31	TSJC should consider the need to automate the award packaging process and consider the need for additional mitigating controls to ensure proper segregation of duties for carrying out the SFA programs.	TSJC	Agree	June 2003

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	College Addressed	College Response	Implementation Date
20	32	CCCS should evaluate the student financial aid findings noted above and ensure all colleges are in compliance and have adequate internal control over the areas noted. CCCS should also develop systemwide policies to address key student financial requirements such as return of Title IV funds and professional judgments.	System	Agree	June 2003
21	34	CCCS should ensure funds are disbursed to subrecipients only on an as-needed basis and only reimburse subrecipients for amounts expended on allowable costs, where the expenditures are adequately documented.	System	Agree	June 2003
22	35	CCCS should strengthen monitoring procedures and the documentation thereof over subrecipients receiving funds for the Carl Perkins – Vocational Education program.	System	Agree	June 2003
23	35	CCCS should strengthen controls over its cash management process to ensure requests for reimbursement are for costs incurred.	System	Agree	June 2003

Description of the Colorado Community College System

Organization

The State Board for Community College 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 Statues. The Board functions as a separate entity and, as such, may hold money, land, or other property for any educational institution under its jurisdiction. The statute assigns responsibility and authority to the Board for three major functions:

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

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

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

Description, continued

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

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

Enrollment, tuition, and faculty and staff information is presented below. Information was obtained from the Format 30 of the Budget Data Book for Fiscal Year 2002-2003, prepared for the Colorado Commission on Higher Education (CCHE).

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

Full-Time-Equivalent (FTE) Student Enrollment			
Fiscal Year	**Resident**	**Nonresident**	**Total**
2001 – 2002	37,805	1,850	39,655
2000 – 2001	35,937	1,781	37,718
1999 – 2000	35,474	1,996	37,470

Full-Time Faculty and Staff			
Fiscal Year	**Faculty**	**Staff**	**Total**
2001 – 2002	2,775	1,578	4,353
2000 – 2001	2,725	1,580	4,305
1999 – 2000	2,683	1,534	4,217

Findings and Recommendations

We have audited the basic financial statements of CCCS for the year ended June 30, 2002, and have issued our report thereon dated October 16, 2002. 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 opinion on the basic financial statements and not to provide assurance on internal control. In addition, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we also have issued our report dated October 16, 2002 on our consideration of the CCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. We have not considered internal control since October 16, 2002.

We noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect CCCS' ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. The reportable condition is described in this Findings and Recommendations section as recommendation no. 1.

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

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

Reportable Condition over Financial Reporting

The CCCS is a large, complex organization that has numerous colleges and departments that participate in the financial reporting process. Each college is responsible for preparation of its financial statements and CCCS' system office compiles year-end financial reporting for the entire system. In fiscal year 2002, the CCCS implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments;* GASB Statement No. 35, *Basic Financial*

Statements – and Management's Discussion and Analysis – for Public Colleges and Universities; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001. Adopting these statements was difficult and time consuming for higher education.

Accurate and timely financial information is critical to CCCS' decision-making process and to CCCS stakeholders. As a result of the issues noted below, the financial reporting process is inefficient and, at times, erroneous. Such issues also require immense efforts on the part of the CCCS to prepare accurate and complete financial statements at year end. Further, CCCS may make erroneous decisions based on this financial information.

We believe the overall deficiencies in the CCCS financial reporting process result from a lack of adequate resources and training of certain colleges financial reporting personnel in addition to inadequate planning for the implementation of the new GASB standards. Also, while each college uses the Financial Reporting System (FRS), the system is not shared, common accounts are not used and systemwide reporting is not possible.

Financial Reporting and Analysis. During our audit, we noted certain aspects of CCCS' current financial reporting are untimely, manually intensive, and prone to error. This condition is due in part to the lack of a shared financial reporting system. CCCS prepared numerous versions of its financial statements in order to present them in accordance with generally accepted accounting principles. Specifically, we noted the following (all issues were corrected and adjusted prior to issuance):

- Financial statement notes that did not reconcile to the financial statements.
- Several colleges did not prepare accurate and complete cash flow statements. Specifically, we noted errors in reporting state appropriations, acquisition of capital assets, and various other reconciliation issues.
- CCCS experienced difficulties and delays in preparing Management's Discussion and Analysis.
- CCCS did not fully evaluate the use of restricted net assets and apply consistent guidelines to its reporting.
- CCCS did not accurately calculate invested in capital assets net of related debt. The colleges used their plant fund balance to represent this amount; however, this approach is not in accordance with GASB Nos. 34 and 35 requirements.
- CCCS' note disclosure detailing capital assets including additions and deletions were inconsistently and erroneously prepared.
- CCCS' note disclosure on related party transactions does not report required information and presents data from foundation audit reports, not the FRS. The colleges do not reconcile the figures reported to FRS.
- Errors were made in the calculation and presentation of the cumulative effect of change in accounting principle resulting from the implementation of the new GASB statements. In particular, we noted errors in depreciation and summer session revenue and expense; specifically, one college-recorded beginning

accumulated depreciation on library books of approximately $16,000, as compared to our estimate of $1,400,000. Another college netted additions and deletions each year resulting in a misstatement of beginning accumulated depreciation. This college also presented its cumulative effect of change in accounting principle of $607,000 for summer session in current year activity.

- CCCS did not make significant elimination entries totaling approximately $6,000,000 in a timely manner for information technology internal service revenues and expenses.
- Two colleges did not evaluate leases entered into with the Community College of Colorado Education Foundation, in April 2002, under FASB Statement No. 13, *Accounting for Leases,* criteria in a timely manner. Also, there was inadequate communication between the System Office and the colleges related to the specifics of the lease transaction and the accounting entries to be made. Approximately $7,000,000 of leases were recorded during the closing process.
- One campus netted undistributed receipts against deferred revenue while another campus reported the amount as cash on hand, and a third reported the amount as cash in transit. Additionally, as the amount was due to the timing of wire transfers near the end of the year, some campuses had instituted a cash cut-off process which included the "turning off" of the telephone and Internet systems.
- Colleges use different methods to calculate deferred revenue for the summer session. Some base the calculation on calendar days while others use business days.
- Two colleges did not allocate their scholarship allowance to tuition and auxiliary revenue consistently.

Finally, we noted that colleges do not prepare regular variance analyses nor quarterly reporting to the system office or the board.

Accrual Accounting. CCCS did not properly accrue accounts payable at year end. Based on our audit work, CCCS made an adjustment of approximately $500,000 to accrue additional accounts payable. Other colleges had immaterial amounts that were not accrued. These errors are due in part to the lack of a consistent, standardized process to ensure accounts payable are fairly stated at year end. Also, one could not provide a detail listing of its accounts payable balance at year end.

We also noted two colleges recorded prepaid assets and accounts payable for health insurance totaling approximately $400,000 and $179,000, respectively, thereby overstating these balance sheet accounts. The amounts were not prepaid prior to year end.

Finally, we noted inconsistencies in the colleges' calculation of allowance for doubtful accounts. One factor in the calculation is a commission rate determined by Central Collections. While this percentage provided by Central Collections is the minimum rate to be used, some colleges use a higher rate in their calculation but had no underlying basis for using this percentage other than it was the percentage they historically used.

State Exhibits. The State Controller's Office requires CCCS to prepare exhibits to be used for statewide reporting based on Colorado Financial Reporting System (COFRS) data. Our testwork revealed a number of instances where exhibits were prepared inconsistently and incorrectly. As a result, numerous revisions were required to these exhibits. The errors noted were due in part to a lack of understanding of required information and the purpose of the exhibits. In particular, we noted errors with the following state exhibits.

- Failure to report all changes in Exhibit C: Schedule of Changes in Long-Term Liabilities.

- Numerous revisions to Exhibit J: Financial Statement Reconciliation Format, and inconsistent preparation amongst colleges.
- Inconsistent preparation of exhibit K: Schedule of Federal Assistance and lack of reconciliation to the financial statements resulting in changes to the K-2.
- Inconsistent preparation of and failure to report COFRS data on Exhibit O: Summary of Related Party Disclosures.
- Incomplete preparation of Exhibit V: Higher Education Cash Flow Statements and failure to reconcile to cash flow statements.

Recommendation No. 1:

The CCCS should reevaluate its financial reporting process to improve its efficiency and effectiveness. The manual efforts currently required to generate financial statements should be taken into consideration. While we recognize the following recommendations may take some time to implement, CCCS' evaluation should include, but not be limited to:

a) Reviewing CCCS policies and procedures to ensure that internal and external financial reporting is accurate, complete, and timely. This review should focus on the specific issues noted above and evaluate current processes to utilize information technology systems and eliminate unnecessary effort.

b) Consider implementing a shared financial reporting system to be used by all colleges.

c) Evaluating staff resources required to effectively prepare accurate, complete, and timely financial statements and evaluate college reporting on a regular basis.

d) Training college accounting personnel on financial statement preparation and analysis.

e) Developing a periodic financial reporting process to the board which includes financial statement variance analysis.

f) Implementing quality review processes by colleges to ensure financial statements are accurate and complete.

g) Implementing quality review processes for the preparation of state exhibits to ensure these are accurate and complete and in accordance with state instructions. CCCS should also work towards preparing systemwide state exhibits.

CCCS Response:

CCCS agrees. CCCS recognizes the need to improve its financial reporting processes. This improvement will require reallocation of resources and investment in the system's financial operations. A plan to improve the reporting process will be developed and implemented by March, 2003.

Standard Business Processes Will Benefit CCCS

CCCS is a system of thirteen colleges in addition to the Lowry campus and its system offices. Each college operates as a distinct organization supported by the system office for certain areas such as budget, administration, and grants management. While each college has its unique operating aspects, there are a number of similarities, including those related to accounting and financial reporting. However, while all CCCS colleges use the FRS, it is not used consistently and is not shared so as to allow for consolidated financial or management reporting. We also noted that while there is some commonality in use of accounts codes, there is no uniform account structure. Also, colleges have developed unique accounting and reporting workarounds within FRS to meet the needs of their college. Such customization may not be an efficient use of resources and can make the transition of new employees and training efforts more difficult.

Based on our audit and the conditions and findings noted in this report, it appears that CCCS can improve its business processes and financial reporting by implementing more standardized processes and systems. In the future, CCCS should consider implementing an enterprise resource planning system to be shared by all Colleges. Such a system could enhance the financial and management reporting of CCCS, facilitate the decision-making process, reduce the resources and effort required to maintain customized processes and systems, and improve response time to data requests.

Recommendation No. 2:

CCCS should evaluate its key business processes for consistency and commonality. Such a review should include standardization of key accounting processes and internal control as well as a uniform account structure. CCCS should also consider implementing a systemwide financial reporting system to improve the efficiency and effectiveness of its accounting and reporting.

CCCS Response:

CCCS Agrees. CCCS currently uses an accounting system originally designed and implemented nearly 15 years ago. With each college operating as a distinct organization for financial accounting, over time this system has been modified and used in a variety of different ways to meet the diverse needs of each college. The CCCS does need a new system-wide financial system which will support consistency in accounting and reporting. Such systems are, however, very expensive and in this period of budget stress, resources to acquire and implement such a system are limited. The CCCS will however, work toward gaining efficiencies where possible within its current system until a new system can be implemented. Improvements within this existing system will be implemented by July 1, 2003.

Information Technology (IT) Logical Access Controls

During our audit, we noted the following issues with respect to logical access controls:

- The network system at CCCS' system office does generate security violation reports identifying access violations. These security events are audited and logged in the event viewer, but not reviewed on a regular basis to identify security weaknesses.

- A standard process has not been developed to remove network and application access upon termination of employment. As a result, terminations are not communicated to the System Office in a timely manner for removal.
- In the Billing Receivable System (BRS) system, access to modify the tuition rate table and adjust to student balances should be further restricted. Certain users have no restrictions placed on their access within the BRS system. In addition, multiple temporary/group accounts are in use.
- Access to set up and approve the entry of new employees in the Colorado Personnel and Payroll System (CPPS) is not segregated between users. The majority of CPPS users have access to set up and approve a new employee in the system by themselves.

Inappropriate access to programs and data may result in loss, damage, or theft of valuable information and/or resources. At a minimum, users may obtain access to sensitive data and systems that are not commensurate with their job requirements.

Recommendation No. 3:

The CCCS should improve logical access controls by:

a) Continuing to work with the appropriate department/process managers to review current user access rights granted within the BRS and CPPS systems to ensure that access granted to employees is appropriate and consistent with job responsibilities.

b) Standardizing a process to remove network and application access as part of the employee termination from employment.

c) Replacing, where possible, temporary/group accounts with accounts assigned to individual users to promote accountability.

d) Documenting acceptance of risk for those colleges that are not able to achieve segregation of duties for the hiring of new employees into the payroll system. The CCCS should continue to ensure compensating controls are in place where segregations of duties cannot be achieved.

e) Expanding the standard form used to grant and modify user access to CPPS to allow a supervisor to indicate the individual screens within CPPS to which a user should have access.

CCCS Response:

CCCS agrees and will implement procedures as soon as possible but no later than June 30, 2003.

Application Change Control

CCCS does not obtain user acceptance testing signoffs before application changes are moved into the production environment. Without appropriate documentation of user approval when changes are tested, it becomes more difficult to help ensure that only properly tested, reviewed, and approved changes are transferred into the production environment.

CCCS should implement standards to document program change activities. Specifically, these standards should require users to sign off on testing prior to changes being implemented into production. For emergency changes, these standards should require that approval be obtained retroactively. This documentation combined with the information recorded electronically in the system (where the request originated, type of change, and who is moving the change to production) will provide an audit trail of changes moved to production.

Recommendation No. 4:

CCCS should implement standards to document program change activities.

CCCS Response:

CCCS agrees and will add signature signoff or an electronic signoff to the existing process used to request changes by June 2003.

Business Continuity Plan

Incremental Virtual Memory System (VMS) backups and Windows NT backups are not taken to an off-site location. In addition, the CCCS business continuity plan should be updated. Without off-site storage of incremental backup tapes, there is a possibility that CCCS could lose up to a month's worth of data in the event of a disaster. Also, without an up-to-date business continuity plan there is a high likelihood that CCCS could not maintain its ability to provide services in the event of a real disaster. The plan should address recovery from a partial and/or total loss of facilities and computing resources. At a minimum, the plan should include the following:

- Complete inventory lists of current hardware, peripheral equipment, and software;
- Vendor contact information;
- Action plans and designated responsibilities in the event of a disaster;
- Prioritization of systems and applications recovery in the event of a disaster;
- Alternative working practices in the event of a disruption of normal processing;
- Testing of the restoration of the system or major applications from backup tapes; and
- Schedules for testing the entire business continuity plan.

Recommendation No. 5:

CCCS should implement procedures to rotate incremental backup tapes to a secure off-site location. In addition, the business continuity plan should be updated to assist all departments (and especially the IT organization) in the recovery of critical business processes in the event of a disaster.

CCCS Response:

CCCS agrees. Although CCCS does have off site storage for files older than one month, and daily and weekly backups are placed in a fireproof vault, we are testing an electronic backup of daily files off-site. This process should be in place by March 30, 2003.

Affiliated Organizations

In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment to GASB Statement No. 14, *The Financial Reporting Entity*. This statement provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The provisions of this proposed statement are effective for financial statements for periods beginning after June 15, 2003; however, earlier application is encouraged. Under this statement, CCCS will evaluate certain related organizations such as its college foundations under the criteria noted above to determine whether these organizations should be included in the financial reporting entity of CCCS. As a result of the significant, potential changes to its financial reporting entity, we recommend CCCS begin to examine the requirements of the proposed standard and its financial statement impact.

Recommendation No. 6:

CCCS should begin to evaluate GASB Statement No. 39 and its impact on CCCS' financial reporting. CCCS should at a minimum evaluate the impact and, if the foundations are to be included in CCCS' reporting entity, CCCS should develop an implementation plan to include these entities in its fiscal year 2004 basic financial statements.

CCCS Response:

CCCS agrees and will evaluate the impact of GASB Statement No. 39 by June 2003.

Trinidad State Junior College Auxiliary Activities

Trinidad State Junior College (TSJC) operates auxiliary activities including an athletic program and dormitories. At June 30, 2002, TSJC had an unrestricted net asset deficit of $918,000, which resulted from its auxiliary activities generating approximately $314,000 less revenue than costs that were incurred. TSJC's fiscal year 2002 net asset deficit has grown from fiscal year 2001 and 2000 amounts of $604,000 and $630,000, respectively.

TSJC's deficit primarily results from its athletic program which generates revenues of approximately $200,000 less than its costs and certain salaries that are paid for out of the auxiliary fund but for which there is no offsetting revenue. We did note that TSJC properly charges indirect costs to its auxiliary activities.

Based on our discussions with TSJC senior management, the college has identified certain opportunities to recover the deficit and balance the auxiliary fund in the future. While these actions may reduce the deficit position of the college, we are concerned that TSJC may have to make cuts in other programs in order to ensure a deficit is not incurred by the general fund. Currently, such cuts have not been identified. Also, it does not appear that the college has sufficiently addressed the current costs of its auxiliary activities and potential opportunities to save money.

Recommendation No. 7:

TSJC should implement a formal plan to recover its unrestricted net asset deficit and make changes to its operations on a go-forward basis to ensure its auxiliary activities operate on break-even basis. This plan should be monitored on a periodic basis throughout the year by the president's office and system office and should include steps to evaluate key auxiliary activities budgets and identify potential cost savings.

CCCS Response:

TSJC agrees and will implement by June, 2003.

Student Financial Assistance

We performed procedures required by the Office of Management and Budget (OMB) Circular A-133 and the Compliance Supplement for Student Financial Aid. We also performed procedures as required by *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2002 revision. The thirteen findings and recommendations below result from this work and are presented in the format required under OMB Circular A-133 and *Government Auditing Standards*.

SFA Professional Judgments

Criteria: A Financial Aid Administrator (FAA) may use professional judgment, based on adequate documentation and on a case-by-case basis, to either increase or decrease one or more of the data elements used to calculate an estimated family contribution (EFC) or to adjust a student's cost of attendance (COA). The reason must be documented in the student's file, and it must relate to that student's special circumstances that differentiate the individual student (not to conditions that exist for a whole class of students). A school must maintain records for each SFA recipient that include, but are not limited to, documentation of all professional judgment decisions. Moreover, a school's recordkeeping procedures should allow for establishing and maintaining a clear audit trail. A clear audit trail is defined as maintaining required documentation that supports each transaction involving receiving or expending federal funds. *(2001 – 2002 United States Department of Education Application and Verification Guide; 2001 – 2002 United States Department of Education Student Financial Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 8 Recordkeeping and Disclosure; June 2001 United States Department of Education Blue Book Chapter 2 General Institutional Responsibilities.)*

Condition: Adequate procedures are not in place at Pikes Peak Community College (PPCC) to ensure that professional judgments are made in accordance with the supporting documentation provided by the student.

Questioned Costs: $2,250 (These charges were originally made to the federal Pell program and then subsequently credited to the federal Pell program, being covered by institutional funds, following discovery during the audit.)

Context: In a sample of thirty students (eight from PPCC), two of the PPCC students selected had inadequately documented professional judgments that changed their EFCs. The changes were not supported by the documentation provided. The students were awarded SFA based on the newly calculated EFCs. Upon presenting this situation to the Registrar/Director of Enrollment Services, who concurred that the documentation did not support the changes made, the professional judgments were redone, resulting in new EFCs. The resulting Pell awards were $2,250 less than the originally paid Pell awards. The original Pell over-awards were replaced by state aid, leaving the students with the same total aid packages.

Effect: PPCC may make professional judgments that are not based on the supporting documentation, which if not detected and corrected, could result in SFA awards being made to ineligible students or at improper award levels.

Recommendation No. 8:	PPCC should establish procedures to ensure that professional judgments are clearly based on the supporting documentation received from the students and that the professional judgments are adequately documented, providing a clear audit trail.
CCCS Response:	PPCC agrees and will provide focused training for all financial aid officers to reinforce the need for a clear audit trail by June 2003.

Federal Direct Loans

Criteria:	A school should advise its Stafford Loan borrowers to sign up for an exit counseling session or complete on-line exit counseling before the student borrower ceases at least half-time attendance or graduates. If the student fails to complete the exit counseling as required, the school must provide exit counseling either through interactive electronic means or by mailing written exit counseling materials to the student borrower within thirty days after the school learns that the student borrower has withdrawn from school or failed to complete exit counseling as required. A school must maintain documentation substantiating their compliance with exit counseling for each student borrower. *(34 CFR 682.604 – FFEL; 34 CFR 685.304 – FDL)*
Condition:	Front Range Community College (FRCC) does not have adequate procedures in place to ensure that Spring graduate Federal Direct Loan borrowers receive written exit counseling materials in a timely manner. FRCC and TSJC do not have adequate procedures to ensure that exit counseling is provided to borrowers who cease at least half-time attendance.
Questioned Costs:	None.
Context:	In a sample of thirty students (seven from FRCC and three from TSJC), there was one FRCC student that separated from the College by graduating in May for whom the College did not have documentation substantiating their compliance with exit counseling regulations. At FRCC, exit counseling materials are mailed at the end of summer term to spring and summer graduates. Therefore, the school did not advise this student, or any of its other spring graduate borrowers, to complete exit counseling shortly before graduating and exit counseling materials were not mailed to this student, or any of the other spring graduate borrowers, within thirty days of graduation, as required by the regulations. TSJC and FRCC do not monitor borrowers who cease at least half-time attendance; therefore, these borrowers do not receive exit counseling unless they graduate.
Effect:	Exit counseling is not being provided timely to spring graduate Federal Direct Loan borrowers at FRCC. Exit counseling is not being provided to Stafford loan borrowers at FRCC and TSJC who cease at least half-time attendance.

Recommendation No. 9:	FRCC should establish procedures to ensure that all graduating Federal Direct Loan borrowers who do not complete exit counseling before graduating receive written exit counseling materials within thirty days following their graduation. FRCC and TSJC should establish procedures to ensure that exit counseling is provided to borrowers who cease at least half-time attendance.
CCCS Response:	FRCC and TSJC agrees and will implement the necessary changes no later than June 30, 2003.

Withdrawals

Criteria:	A school is required to determine the withdrawal date for a student who withdraws without providing notification by thirty days after the end of the term from which the student withdrew. Further, the school must return its portion of unearned Title IV funds by no later than thirty days after the date the school determined the student withdrew. *(34 CFR 668.22)*
Condition:	Adequate procedures are not in place at TSJC to ensure that the withdrawal date of students who withdraw without providing notification is determined within thirty days after the end of the term.
Questioned Costs:	None.
Context:	In a sample of thirty students (three from TSJC), there was a TSJC student who unofficially withdrew in the fall 2001 semester, but the withdrawal date was not determined until April 15, 2002, with the return of unearned funds being made on April 16, 2002. The latest date that this student's withdrawal date should have been determined by was January 12, 2002, while the return of unearned Title IV funds should have been made by February 11, 2002.
Effect:	Withdrawal dates for students who unofficially withdraw from TSJC are not being determined timely. This in turn has caused TSJC to return its portion of unearned Title IV funds, in our sample totaling $500, beyond the timeframe established by the regulations.
Recommendation No. 10:	TSJC should establish procedures to ensure that the withdrawal dates of students who withdraw without providing notification are determined by thirty days after the end of the term, at the latest.
CCCS Response:	TSJC agrees and will implement by June, 2003.

Return of Title IV Funds

Criteria:	A school is required to return unearned Title IV funds no later than thirty days after the date the school determined the student withdrew. *(34 CFR 668.22)*
Condition:	Adequate procedures are not in place at FRCC to ensure that returns are made within thirty days after the date the school determined the student withdrew.
Questioned Costs:	None.
Context:	In a sample of thirty students (seven from FRCC), there were two FRCC students for whom returns of Title IV funds were made after the thirty-day time period allowed. One return was made forty days late (or seventy days after the school determined the student had withdrawn) and one return was made sixty days late (or ninety days after the school determined the student had withdrawn). As a result, FRCC returned $1,168 late.
Effect:	FRCC has returned its portion of unearned Title IV funds beyond the timeframe established by the regulations. As result, FRCC was not compliant with applicable regulations.
Recommendation No. 11:	FRCC should establish procedures to ensure that the institution's portion of a student's unearned Title IV funds are returned within thirty days after the school has determined a student has withdrawn.
CCCS Response:	FRCC agrees and will implement the necessary changes no later than June 30, 2003.

Overpayments

Criteria:	If a student owes a grant overpayment as a result of a withdrawal, the student is not required to repay the grant overpayment if the initial amount of the grant overpayment, before the 50% grant return reduction afforded to students, is less than $25. *(2001 – 2002 United States Department of Education Student Financial Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 6 Return of Title IV Funds)*
Condition:	Adequate procedures are not in place at FRCC–Westminster (FRCC–W) to ensure that grant overpayments less than $25 after the 50% reduction but greater than or equal to $25 before the 50% reduction, are requested to be repaid by the student.
Questioned Costs:	$12.50 (The College subsequently requested the student to repay these funds, which the student has done.)

Context:	In a sample of thirty students (four selected specifically from FRCC–W), one of the FRCC students owed a grant overpayment that was $25 before the 50% reduction, but the College did not request the student to make the return.
Effect:	FRCC–W did not request the student to repay a required grant overpayment.
Recommendation No. 12:	FRCC–W should establish procedures to ensure students are requested to repay required grant overpayments.
CCCS Response:	FRCC agrees and will implement the necessary changes no later than June 30, 2003.

Return of Title IV Funds Calculation

Criteria:	If a recipient of SFA grant or loan funds withdraws from a school after beginning attendance, the amount of SFA grant or loan assistance earned by the student must be determined by calculating a Return of Title IV Funds. If the amount disbursed to the student is greater than the amount the student earned, unearned funds must be returned. The school must return the lesser of (1) the amount of Title IV funds that the student does not earn or (2) the amount of institutional charges that the student incurred for the payment period or period of enrollment multiplied by the percentage of funds that was not earned. If the school returns amount (2), then the student must return the difference between the amount of unearned Title IV funds and amount (2). *(34 CFR 668.22)*
Condition:	Adequate procedures are not in place at the Community College of Denver (CCD) to properly calculate Return of Title IV Funds and to make the returns.
Questioned Costs:	$2,278 not returned (likely questioned costs exceed $10,000 based on indications made by the Financial Aid Director that no returns were likely made for the entire award year).
Context:	In a sample of thirty students (six from CCD), six CCD Returns of Title IV Funds calculations were performed incorrectly and the resulting returns of unearned aid were not made by the school. Additionally, the school requested the students to return $1,628 more than they were required to return. In summary, the College erroneously calculated the percentage of Title IV unearned by the students, improperly excluded spring break, did not make the actual returns, and requested the students to return more than required.
Effect:	CCD's Return of Title IV Funds calculations were incorrect, the amounts they requested the students to return were all higher than they should have been, and the school did not return its portion of the unearned aid.

Recommendation No. 13:	CCD should establish procedures to ensure that Return of Title IV Funds calculations are made properly and to ensure that the school's portion of the unearned aid is returned. This should include a review of all Title IV calculations during the period in question and errors should be corrected and appropriate action taken.
CCCS Response:	CCD agrees and will implement by June 2003.

Return of Title IV Funds Calculation

Criteria:	In a Return of Title IV Funds calculation, the school must return the lesser of (1) the amount of Title IV funds that the student does not earn or (2) the amount of institutional charges that the student incurred for the payment period or period of enrollment multiplied by the percentage of funds that was not earned. Institutional charges are tuition, fees, and other education-related expenses assessed by the institution. *(34 CFR 668.22)*
Condition:	Adequate procedures are not in place at FRCC to ensure that the proper institutional charges are used.
Questioned Costs:	There are no questioned costs because FRCC returned $393 more than was required to the Title IV programs since the institutional charges used in the calculations were incorrect.
Context:	In a sample of thirty students (seven from FRCC), seven institutional charges components of the Return of Title IV Funds calculations were based on student budgets rather than charges that were initially assessed to the student for the payment period or period of enrollment at FRCC.
Effect:	The calculated amounts of Title IV funds to be returned by FRCC and their students were affected by the improper use of student budgets instead of charges actually assessed the student for the institutional charges portion of the Return of Title IV Funds calculations. The College returned $393 more than they were required to and the students returned less than they were required to, with the net effect being an over-return.
Recommendation No. 14:	FRCC should establish procedures to ensure that the proper institutional charges are used in the Return of Title IV Funds calculations.
CCCS Response:	FRCC agrees and will implement the necessary changes no later than June 30, 2003.

Eligibility Certification Approval Report

Criteria:	The Eligibility Certification Approval Report (ECAR) must be kept available for review by auditors. The ECAR contains the most critical data elements that form the basis of the school's approval for participating in the SFA programs, such as the SFA programs the school is eligible to participate in, the highest level of programs offered, any non-degree programs or short-term programs, and any additional locations that have been approved for the SFA programs. *(2001 – 2002 United States Department of Education Student Financial Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 10 Applying for and Maintaining Participation; June 2001 United States Department of Education Blue Book Chapter 2 General Institutional Responsibilities)*
Condition:	Adequate procedures are not in place at PPCC to ensure that the ECAR is kept available for review by auditors.
Questioned Costs:	None.
Context:	PPCC could not provide its ECAR for fiscal year 2002 as it had been misplaced.
Effect:	PPCC is noncompliant with recordkeeping requirements regarding its ECAR, and we were unable to observe some of the most critical data elements that form the basis of the school's approval for participation in the SFA programs as shown on the ECAR.
Recommendation No. 15:	PPCC should establish procedures to ensure that the ECAR is kept available for review by auditors.
CCCS Response:	PPCC agrees and will take steps to ensure ECAR reports are kept available for review in the future.

Return of Title IV Funds Calculation

Criteria:	Institutionally scheduled school day breaks of five or more consecutive days are excluded from the total number of calendar days in the term in Return of Title IV Funds calculations and therefore do not affect the calculation of the amount of Title IV aid earned. This provides for more equitable treatment of students who withdraw near each end of a scheduled break. All days between the last scheduled day of classes before a scheduled break and the first day classes resume are excluded from both the numerator and denominator in calculating the percentage of the term completed. *(34 CFR 668.22; 2001 – 2002 United States Department of Education Student Financial Aid Handbook Volume 2 Institutional Eligibility and Participation Chapter 6 Return of Title IV Funds)*

Condition:	Adequate procedures are not in place at Community College of Denver (CCD), PPCC, Pueblo Community College (PCC), and Front Range Community College – Larimer (FRCC-L) to ensure that Spring Break, an institutionally scheduled school day break of five or more consecutive days, is properly excluded from the Return of Title IV Funds calculations.
Questioned Costs:	There are no questioned costs because PPCC, PCC, and FRCC-L returned more than was required to the Title IV programs since they had more days in the Spring Term than they should have had in their Return of Title IV Funds calculations. CCD did not return any of its portion of unearned Title IV funds, which is reported in recommendation no. 13.
Context:	In a sample of thirty students (twenty-three from CCD, PPCC, PCC, and FRCC-L), there were three CCD students, two PPCC students, one PCC student, and one FRCC student for whom Spring Break was improperly excluded, which affected the Return of Title IV Funds calculation.
Effect:	CCD, PPCC, PCC, and FRCC-L improperly excluded Spring Break in their Return of Title IV Funds calculations, causing $1,266 more to be returned to the Title IV programs than was required.
Recommendation No. 16:	CCD, PPCC, PCC, and FRCC-L should establish procedures to ensure that Spring Break is properly excluded from the Return of Title IV Funds calculations.
CCCS Response:	CCD agrees and will implement by June 2003; FRCC agrees and will implement the necessary changes no later than June 30, 2003; PCC agrees with the recommendation and will implement necessary changes no later than June 30, 2003; PPCC agrees with the recommendation and will require that a second level review for Spring Break calculations is made to ensure funds in excess of that required by the calculations are not returned to the Title IV programs by June 2003.

Colorado Merit Award – Institutional Plan

Criteria:	Colleges must establish an Institutional Plan for selection of Colorado Merit Award recipients and the recipients of these awards must meet any eligibility criteria that are established by the Institutional Plan. *(Colorado Commission on Higher Education 2001 – 2002 Audit Guide Colorado Funded Student Aid)*
Condition:	Adequate internal control procedures are not in place at PPCC to ensure that recipients of Colorado Merit Awards meet the additional eligibility requirements in the College's Institutional Plan. We did not note any instances of noncompliance in our sample.
Questioned Costs:	None.

Context:	PPCC's Colorado Merit Award Institutional Plan requires new students that receive Colorado Merit Awards to submit an application that has a GPA certification by their high school counselor or an attachment of their GED scores. Talent must be documented by producing a letter from a recognized organization attesting to the placement in an event. In a sample of thirty students (eight from PPCC), one PPCC student did not have the required application on file that documented the student's GPA or talent.
Effect:	Lack of a documented application results in noncompliance with the state's Program Policy Records requirements, which require the College to maintain applications in students' files for those programs that require them, and the state's Student Eligibility requirements, which require recipients to meet any additional eligibility requirements as established by Institutional Plans.
Recommendation No. 17:	PPCC should establish procedures to ensure that its Colorado Merit Award recipients meet the additional eligibility requirements per their Institutional Plan.
CCCS Response:	PPCC agrees with the recommendation and has, in the current academic year, implemented a process of manual review of all Colorado Merit Awards, other than continuing which are based on cumulative G.P.A., to ensure the additional eligibility requirements of the college are documented in the students file.

Colorado Merit Award – Institutional Plan

Criteria:	Colleges must establish Institutional Plans for their Colorado Merit Award program. These Institutional Plans can establish eligibility requirements beyond those required by the state; however, they cannot establish requirements that are contrary to those of the state. *(2001 – 2002 Audit Guide Colorado Funded Student Aid; Colorado Commission on Higher Education Financial Aid Policy 5.02.01)*
Condition:	Adequate procedures are not in place at TSJC to ensure that its Merit Award Institutional Plan meets those eligibility requirements set by the state. We did not note any instances of noncompliance in our sample.
Questioned Costs:	None.
Context:	TSJC's Institutional Plan for the Honor Scholarship, a Colorado Merit Award, requires students to maintain a 2.5 GPA. The state requires Merit Award recipients to maintain at least a 3.0 cumulative GPA. The school funds the Honor Scholarship with both institutional and state funds.

Effect: Lack of adequate procedures to ensure that the Institutional Plan meets those eligibility requirements set by the state caused TSJC's Honor Scholarship, a Colorado Merit Award, Institutional Plan to require students to maintain a GPA of 2.5, while the state requires Merit Award recipients to maintain a GPA of 3.0.

Recommendation No. 18: TSJC should clarify within its Institutional Plan for Merit Awards that state funds are used only for those Merit Awards made to students who maintain a GPA of 3.0, while the institutional funds Merit Awards made to students who maintain a GPA of less than 3.0.

CCCS Response: TSJC agrees and will implement by June 2003.

Award Packaging

Criteria: The U.S. Department of Education (ED) and the CCHE prescribe a broad range of responsibilities that schools participating in the Title IV Student Financial Assistance programs and the state-funded student assistance programs, respectively, must meet. These responsibilities cover such areas as institutional fiscal operations and network of responsibilities; institutional eligibility; financial responsibility; administrative capability (including separation of functions); and other areas such as consumer information, institutional policies and procedures, program evaluation, return of Title IV funds, record maintenance, and disclosing student information. The ED also requires schools to be administratively capable. *(June 2001 United States Department of Education Blue Book Chapter 2 General Institutional Responsibilities; 6/17/0 Colorado Commission on Higher Education Appendix A Guidelines)*

Condition: In conducting our audit, we noted that TSJC had a small financial aid staff of two people, and awards financial aid manually to each student rather than using the available automated packaging programs that the other CCCS schools use. We also noted several areas highlighted in the completed CCHE Financial Aid Questionnaire that could be improved upon.

Questioned Costs: None

Context: The manual awarding process does not appear efficient, given TSJC's limited financial aid staff size. These areas may make it difficult for the college to meet the required responsibilities of schools that participate in the Title IV and state-funded programs and may make it difficult to maintain optimum segregation of duties and administrative oversight. Some of the common responsibilities assigned to a financial aid office are to: (1) develop written policies and procedures about the way the school administers Title IV and state-funded programs; (2) adhere to the principle of separation of functions; and (3) keep current on changes in laws and regulations to ensure that the school remains in compliance. Schools should also evaluate the way they administer Title IV and state-funded programs on a regular basis by evaluating and analyzing existing procedures, practices, and policies to determine where improvements are needed. This is a priority area of the ED and should also be priority for financial aid administrators and school business officers. Some components of administrative capability include: (1) administering Title IV programs according to all Title IV requirements; (2) using an adequate number of qualified persons to administer Title IV programs in which the school participates; (3) administering Title IV programs with adequate checks and balances in the system of internal controls; (4) not demonstrating any significant problems in the ability to administer Title IV programs; and (5) not appearing to lack the ability to administer Title IV programs appropriately.

In reviewing TSJC's completed CCHE Colorado Financial Aid Questionnaire, KPMG noted the following areas to improve upon:

- The school does not have a Financial Aid Committee.
- The Pell Grant that a student is entitled to receive is not counted as a resource if a student has not applied for it. For need-based programs, institutions are to consider the amount of PELL funds a student is entitled to receive as a resource regardless of whether the student has applied for the PELL grant.
- The written packaging policy does not address the method by which aid is awarded to less than full-time students.
- The institution has not established due process procedures for students suspected of fraud and abuse in state-funded programs and has not established penalties for proven fraud.

Effect: The limited staff size creates an environment where segregation of duties is difficult to achieve and the manual awarding leads to a higher likelihood of human error. These deficiencies cause a large caseload that must be manually processed by the staff and the lack of the procedures could result in erroneous amounts being awarded to students. The manual processing by so few people creates time constraints, which makes it difficult for the financial aid office to comply with some of the common responsibilities assigned to financial aid offices and makes it difficult to maintain administrative oversight independently. In addition, these conditions increase the risk of misuse of funds and other resources. The Financial Aid Committee would provide monitoring and secondary review of the overall award process and help ensure applicants are treated equitably.

Recommendation No 19: TSJC should consider the need to automate the award packaging process and consider the need for additional mitigating controls to ensure proper segregation of duties for carrying out the SFA programs. This would allow the common responsibilities of a financial aid office administering the

Title IV and state-funded programs to be complied with in a more adequate, efficient, and timely manner. This would reduce the potential for human error to occur and would also ease the burden imposed on the limited staff.

TSJC should establish a Financial Aid Advisory Committee whose duties include, but are not necessarily limited to, advising the financial aid director concerning policy issues. TSJC should incorporate into its packaging policy an allowance for federal Pell Grant funds a student may be entitled to receive, regardless of whether the student applied for a Pell Grant. The packaging policy should also address the method by which aid is awarded to less than full-time students. Finally, TSJC should establish due process procedures for students suspected of fraud and abuse in state-funded programs and should establish penalties for proven fraud.

CCCS Response: TSJC agrees and will implement by June 2003.

Student Financial Aid Policies and Procedures

As discussed above, we noted a number of findings and recommendations related to certain college's student financial aid and the controls in place over compliance requirements. While we did note that student financial aid programs are carried out by each of the individual colleges in accordance with institution polices and procedures, we believe there is an opportunity to share best practices and help ensure compliance systemwide with student financial aid requirements. For example, a standard policy for calculating the return of Title IV funds would benefit the entire system and ensure consistent compliance with the requirement. A similar policy on use and documentation of professional judgments would help the colleges to ensure awards are being made to eligible students.

Recommendation No 20:

CCCS should evaluate the student financial aid findings noted above and ensure all colleges are in compliance and have adequate internal control over the areas noted. CCCS should also develop system-wide policies to address key student financial requirements such as return of Title IV funds and professional judgments.

CCCS Response:

CCCS agrees. CCCS does not currently have resources dedicated to coordinating and monitoring financial aid operations at its 13 colleges. Resources will need to be reallocated or added to fulfill this recommendation. This recommendation will be implemented by June 2003.

Vocational Education – Basic Grants to States – CFDA 84.048

We performed procedures required by the OMB Circular A-133 and the Compliance Supplement over CCCS' Carl Perkins - Vocational Education program. The findings and recommendations below result from this work and are presented in the format required under OMB Circular A-133 and *Government Auditing Standards*.

Cash Management and Allowable Costs

Criteria: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government. When funds are advanced, recipients must follow procedures to minimize the time elapsed between the transfer of funds from the U.S. Treasury and disbursement (e.g., maximum of three days prior to disbursement for expenditures for the purpose for which the funds were intended under the grant).

When advance payment procedures are used, recipients must establish similar procedures for subrecipients. Pass-through entities must monitor cash draw downs by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and disbursement amounts that apply to the pass-through entity.

Condition: CCCS receives Vocational Education – Basic Grants to States funds on a reimbursements basis; however, we found that CCCS makes payments to subrecipients on a quarterly basis based on internally determined percentages of 23% in the first quarter, 27% in the second quarter and 25% in the third and fourth quarters. During fiscal year 2002, CCCS distributed $5,065,000. CCCS does not know if its subrecipients spent these percentages of their allocation prior to distributions.

We also noted that CCCS requested reimbursement of $31,523 greater than expenditures that were incurred.

Questioned Costs: $31,523. (CCCS applied this amount against its fiscal year 2003 draw).

Context: We noted that CCCS makes quarterly payments to grantees without supporting documentation as to the amount spent. CCCS requests reimbursements periodically based on expenditures reported in its general ledger. However, due to manual processing the record transactions, errors were made in the reimbursement request.

Effect: CCCS is not tracking the timing of reimbursements at the subrecipient level to ensure that monies are not advanced. The result of this practice is that CCCS could be advancing monies, rather than reimbursing actual expenditures incurred. CCCS also received via reimbursement more funds than it had spent.

Recommendation No. 21:	CCCS should ensure funds are disbursed to subrecipients only on an as-needed basis and only reimburse subrecipients for amounts expended on allowable costs, where the expenditures are adequately documented. CCCS should evaluate alternatives to ensure that expenditures are for allowable costs and activities before providing reimbursement. CCCS should also ensure that entries to record revenue are accurate and complete so that requests for reimbursements are also accurate as well.
CCCS Response:	CCCS agrees. Additional reporting and monitoring processes will need to be initiated, potentially requiring resources not currently available in this operation. The System will seek to fulfill this recommendation in the most cost effective manner possible and develop a plan to address these deficiencies by June 2003.

Allowable Costs and Subrecipient Monitoring

Criteria:	Federal regulations related to subrecipient monitoring require that grantees establish and implement procedures for the ongoing monitoring of their delegate agencies (subrecipients) carrying out Carl Perkins – Vocational Education operations. Monitoring of grantees should include controls to ensure that reimbursements to subrecipients are adequately supported as to propriety for allowability within program requirements.
Condition:	CCCS performs annual audits of a limited number of grantees to monitor subrecipients subsequent to year end to ensure expenditures incurred by the subrecipient were for allowable costs and activities. However, adequate procedures are not in place during the year to document and ensure that subrecipients are administering federal awards in compliance with federal requirements as they apply to allowable costs and activities and matching requirements. CCCS also does not obtain and review subrecipient A-133 reports.
Questioned Costs:	None. No questioned costs are reported since CCCS has contracts with all subrecipients.
Context:	Subrecipients comprise approximately 60% of federal expenditures totaling approximately $5,065,000 for fiscal year 2002.
Effect:	CCCS is not able to adequately support monitoring of subrecipients for the grant funds paid and that funds were specifically used for authorized purposes within the program during the year.

Recommendation No. 22: CCCS should strengthen monitoring procedures and the documentation over subrecipients receiving funds for the Carl Perkins – Vocational Education program, including:

a) Ensuring that subrecipients expending $300,000 or more in federal awards during the fiscal year have met the audit requirements of OMB Circular A-133 for that fiscal year.
b) Issuing management decisions on audit findings within six months after receipt of subrecipients audit reports, and ensure that subrecipients take appropriate and timely corrective action.
c) Evaluating its other monitoring procedures to ensure compliance with applicable requirements.

CCCS Response: CCCS agrees. Additional internal audit resources may be required to satisfy this recommendation. Additional reporting will be required of the subrecipients as well. CCCS will develop a plan to achieve the necessary audit coverage during fiscal year 2003.

Preparing Tomorrow's Teachers to Use Technology - CFDA No. 84.342

Criteria: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government.

Condition: CCCS overdrew its Preparing Tomorrow's Teachers to Use Technology grant by $105,234 during fiscal year 2002. This error was the result of improper posting of a previous cash receipt and errors in recording accounts receivable.

Questioned Costs: $105,234. (However, these funds were applied against the first fiscal year 2003 request for reimbursement.)

Context: The Preparing Tomorrow's Teachers to Use Technology grant is funded on a reimbursement basis.

Effect: CCCS received reimbursement for which it had not expended monies during fiscal year 2002.

Recommendation No. 23: CCCS should strengthen controls over its cash management process to ensure requests for reimbursement are for costs incurred.

CCCS Response: CCCS agrees. CCCS will take steps necessary to strengthen cash management controls by June 2003.

Disposition of Prior Audit Findings and Recommendations

Following are the audit recommendations for the year ended June 30, 2001, and their disposition as of October 16, 2002.

Recommendation	Disposition
1a. Lamar Community College should reconcile the bookstore deposit slip with the daily register tape to ensure the cash deposit is complete.	Implemented.
1b. Northeastern Junior College (NJC) should document policies and procedures surrounding cash receipts.	Implemented.
2a. Lamar Community College should calculate its allowance for doubtful accounts in accordance with SAP 4 and account for the collection fee charged by Central Collection Services in the allowance for doubtful accounts.	Implemented.
2b. Pueblo Community College should calculate its allowance for doubtful accounts in accordance with SAP 4 and account for the collection fee charged by Central Collection Services in the allowance for doubtful accounts.	Implemented.
3. The Community Colleges of Colorado System should consider implementing a policy which would require all colleges to follow a consistent methodology in connection with submitting accounts receivables to Central Collection Services for collection.	Implemented.
4a. Lamar Community College should maintain an updated equipment identification system and ensure all assets are tagged in accordance with SAP 17. Lamar Community College should document procedures related to the physical inventory of the bookstore.	Implemented.
4b. Pueblo Community College should document procedures related to the physical inventory of the bookstore.	Implemented.
5a. Colorado Northwestern Community College should ensure their Carl Perkins grant final allocation request is submitted to the Community Colleges of Colorado System office by May 1 of the same fiscal year.	Implemented.

5b. Red Rocks Community College should ensure that not more than the suggested 23% of the basic Carl Perkins grant is expended between July 1 and October, of the same fiscal year.	Implemented.
6. The Community Colleges of Colorado System Office should review their cut-off procedures to ensure that all accounts are properly stated as of year end.	Partially implemented. See current year recommendation no. 1.

Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying statement of net assets of the Colorado Community College System (CCCS), a component unit of the State of Colorado, as of June 30, 2002, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These basic financial statements are the responsibility of the management of CCCS. Our responsibility is to express an opinion on these financial 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the CCCS implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments;* GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the CCCS as of June 30, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2002 on our consideration of the CCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 41 to 48 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

October 16, 2002

Colorado Community College System

Management's Discussion and Analysis

(Unaudited)

Year Ended June 30, 2002

The following discussion and analysis provides management's view of the financial position of the Colorado Community College System (CCCS or System) as of June 30, 2002, and the results of operations for the year then ended. This analysis should be read in conjunction with the System's financial statements and notes thereto which are also presented in this document. This year, Management's Discussion and Analysis is presented for one year; however, in future years, it will be comparative.

The CCCS comprises 13 public community colleges throughout the state that served approximately 110,000 students during fiscal year ended June 30, 2002. The System has approximately 5,500 employees, of which approximately two-thirds are faculty. The colleges offer a wide variety of both academic and career programs leading either to degrees and certificates, or otherwise enhancing personal and professional growth. In addition to the 13 community colleges, the System also assists the State Board for Community Colleges and Occupational Education in exercising certain curriculum and funding authority over four area vocational schools, two local district colleges, and secondary career and technical programs in over 150 school districts throughout the State.

FINANCIAL HIGHLIGHTS

- At June 30, 2002, CCCS' assets of $382,097,915 exceeded its liabilities of $68,693,946 by $313,403,969. These resulting net assets are summarized into the following categories:

Invested in capital assets, net of related debt	$262,801,013
Restricted, expendable	3,846,549
Unrestricted	46,756,407
Total net assets	$313,403,969

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

- The System's total net assets increased by $17,097,963**.** This increase is comprised of the following primary components: an increase in State capital appropriations, increase in Perkins funding, and an increase in State appropriations.

THE BASIC FINANCIAL STATEMENTS

As described in notes to the basic financial statements, the CCCS implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments;* GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

Colorado Community College System

Management's Discussion and Analysis

(Unaudited)

Year Ended June 30, 2002

For the fiscal year ended June 30, 2002, the CCCS was required to make the following significant changes in accounting principles to conform to GASB Statement Nos. 34, 35, 37 and 38:

- Scholarship allowances - Financial aid awarded to students by the CCCS that is used to pay CCCS charges, such as tuition, fees, residence hall charges and board, is recognized as a scholarship allowance rather than as financial aid expense. A scholarship allowance directly reduces the corresponding revenue streams. To the extent that financial aid awarded exceeds CCCS charges to students, the CCCS recognizes financial aid expense.
- Summer school revenue and expense – The CCCS is required to recognize summer school revenue and expense as earned or incurred rather than deferring summer school revenue and expense and reporting the entire term in one fiscal year.
- Depreciation expense – The CCCS is required to record depreciation expense for capital assets.
- Collections – The CCCS has elected to capitalize art collections, which had previously not been capitalized.
- Acquisitions of capital assets and payments of debt principal – Under the fund perspective, the CCCS recognized an expenditure or fund deduction for the acquisition of capital assets and payment of debt principal. Under the entity-wide perspective, these items are not considered an expense against operations.
- The other impact of adopting the new standards resulted in adding management's discussion and analysis as required supplementary information, changing to the direct method of recording cash flows; classifying net asset as invested in capital assets, net of related debt, restricted and unrestricted; and classifying the statement of net assets between current and noncurrent assets and liabilities.

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

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

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

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

The CCCS reports its activity as a business – type activity using the full accrual measurement focus and basis of accounting. The System is a component of the State of Colorado. Therefore, the net assets and results of the System's operations are also summarized in the State's Comprehensive Annual Financial Report in its government – wide financial statements.

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

FINANCIAL ANALYSIS

The assets of CCCS exceeded liabilities resulting in net assets at June 30, 2002 of $313,403,969. The majority (84%) 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.

Condensed Summary of Net Assets
June 30, 2002

Current Assets	$91,160,277
Noncurrent Assets, including capital assets of $288,414,419	290,937,638
Total Assets	$382,097,915
Current Liabilities	32,871,629
Noncurrent Liabilities	35,822,317
Total Liabilities	$68,693,946
Net Assets:	
Invested in capital assets, net of related debt	$262,801,013
Restricted – expendable	3,846,549
Unrestricted	46,756,407
Total Net Assets	$313,403,969

Restricted net assets (1%) are subject to external restriction on how they must be used. CCCS' restricted net assets are primarily restricted for scholarships, loans, capital projects, and the Employee Benefit Trust Fund.

Unrestricted net assets (15%) are not externally restricted and may be used for general operations; however, they are often internally designated by the college's administration for a number of purposes including capital and equipment expansion and repair funds; new program funds; and compensated absence liabilities.

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

Colorado Community College System

Management's Discussion and Analysis

(Unaudited)

Year Ended June 30, 2002

The State experienced revenue shortfalls during fiscal year 2002. These shortfalls resulted in the CCCS being assessed a 3.15% reduction in its general funds appropriation during fiscal year 2002. This amounted to just over $5 million, of which the colleges were assessed approximately $4 million and occupational education programs were assessed approximately $1 million. The reduction was offset by a 5.2% growth in student FTE (1 full-time equivalent (FTE) equals 30 credit hours) enrollment. This was the highest rate of enrollment growth for the CCCS in nearly ten years.

Condensed Summary of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2002

Operating Revenues:	
Tuition and Fees, Net	$78,221,601
Grants and Contracts	98,637,261
Auxiliary Services, Net	30,188,803
Other	7,752,498
Total Operating Revenues	214,800,163
Operating Expenses:	
Instruction	163,122,443
Public service	3,433,085
Academic support	27,078,751
Student services	28,507,033
Institutional support	42,934,365
Operation and maintenance of plant	40,039,088
Scholarships and fellowships	23,315,349
Auxiliary enterprises	31,927,022
Depreciation	13,323,628
Total Operating Expenses	373,680,784
Operating Loss	(158,880,601)
Nonoperating Revenues:	
State Appropriations	173,996,434
Distributions to Local District Colleges and Area Vocational Schools	(25,964,571)
Other Net Nonoperating Revenues	4,570,778
Net Nonoperating Revenues	152,690,543
Loss Before Other Revenues, Expenses, Gains or Losses	(6,190,058)
State Capital Contributions	22,721,036
Capital Grants and Gifts	556,985
Increase in Net Assets	17,097,963
Net Assets:	
Net Assets – Beginning of Year	296,306,006
Net Assets – End of Year	$313,403,969

Colorado Community College System

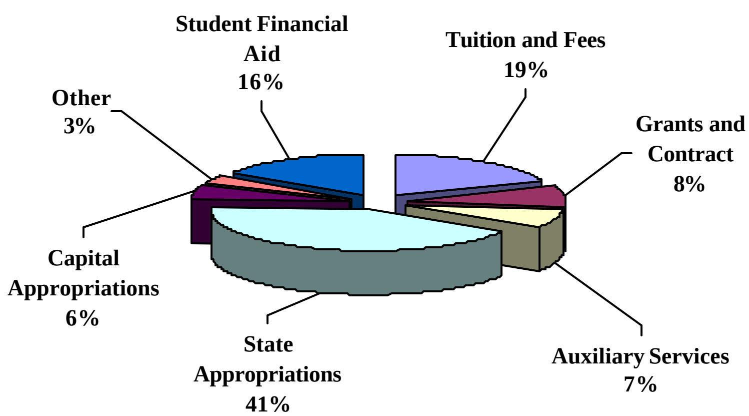
Management's Discussion and Analysis

(Unaudited)

Year Ended June 30, 2002

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

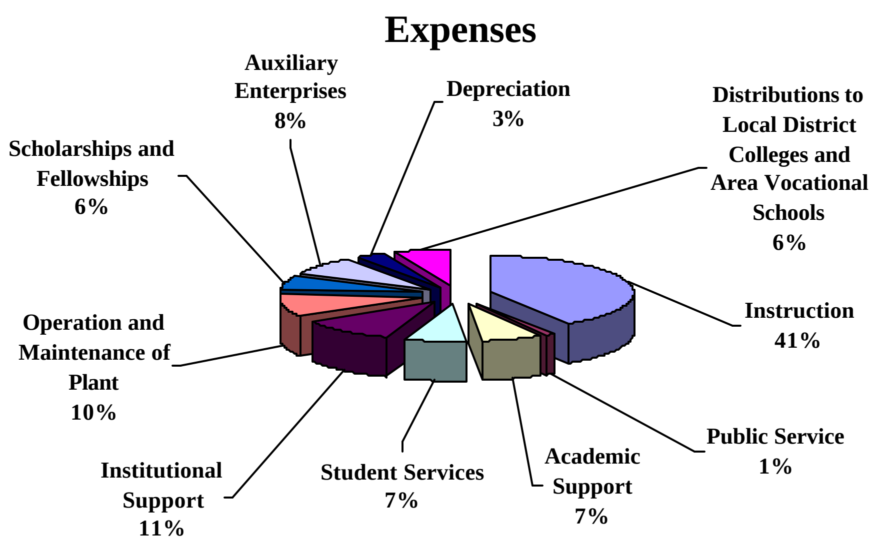
Sources of Revenue



As the above chart demonstrates, State appropriations are the largest revenue source for the Colorado Community College System. The operating loss of approximately $159 million noted above is the result of State appropriations being classified as non-operating rather than operating revenue.

Revenue activity highlights for the year include:

- Tuition and fee revenue increased, net of the effect of scholarship allowances, by approximately $7.5 million or 7.7%.
- State appropriations increased by $2 million or 1.2%, after budget cuts of 3.15% or $5 million.
- Grants and contracts revenue increased approximately $14 million or 16%. Several factors contributed to this increase including increased student financial aid, and increased Perkins funding.
- Auxiliary enterprise revenue increased by approximately $3 million or 10% primarily due to increased enrollment generating additional revenue from bookstore, food service, and housing operations. Additionally, CCCOnline experienced enrollment growth resulting in auxiliary revenue increases.



Expense activity highlights for the year include:

- Increases of approximately $7.4 million or 4% in instructional expenses and increases of $1.7 million or 6% in student services. Both these increases in spending are closely tied to increased enrollment of 5%.
- Increases of approximately $3 million or 7% in institutional support resulting from increased costs of personnel and operations including administrative retirements and college president searches.
- Increases of approximately $9 million or 30% in operation and maintenance of plant resulting from increased operations cost including utilities and new square footage added to the physical plant.
- Auxiliary enterprise expenses increased by approximately $3 million or 10% due to increased operating expenses associated with providing services to a larger student population.
- Depreciation expense of $13 million was recorded during fiscal year 2002 as a result of adopting new GASB pronouncements.

It is the nature of public higher education institutions to incur a loss from operations because the loss is reported before the state appropriation is taken into consideration. The System experienced a $159 million loss from operations. This operating loss was offset by state appropriations of $174 million dollars and other nonoperating net revenues of $28 million, including $24 million of capital appropriations.

CAPITAL ASSETS

At June 30, 2002, CCCS had $288,414,419 of capital assets, net of accumulated depreciation of $160,410,989. A breakdown of assets by category, net of accumulated depreciation, is provided below. Depreciation expense for the current fiscal year was $13,323,628.

Land	$19,731,203
Land improvements	44,310,744
Buildings & improvements	159,450,034
Leasehold improvements	1,538,312
Construction in progress	51,104,888
Equipment	7,446,529
Library materials	4,294,521
Collections	538,188
Total capital assets	$288,414,419

Major capital additions completed this year are as follows:

College	Project	Cost (in millions)	Source of Funding
Arapahoe Community College	Spring International Building	$2.4	Capital Lease
Community College of Aurora	Student Center	$3.7	State Capital Construction
Lowry Campus	Building 903 Renovation	$6.6	State Capital Construction
Pikes Peak Community College	Faculty Office Building	$4.5	State Capital Construction
Pikes Peak Community College	Downtown Studio	$4.7	Capital Lease
Pueblo Community College	Fremont Center	$7.7	State Capital Construction / Cash
Red Rocks Community College	Classroom addition	$1.8	State Capital Construction

The following new buildings were being constructed as follows at June 30, 2002:

College	Project	Cost (in millions)	Source of Funding
Lamar Community College	Wellness Center	$4.9	State Capital Construction
Lamar Community College	Betz Building Renovation	$4.6	State Capital Construction
Lowry Campus	Building 959 Renovation	$7.9	Capital Lease
Morgan Community College	Auto Program Relocation	$4.2	State Capital Construction

Colorado Community College System

Management's Discussion and Analysis

(Unaudited)

Year Ended June 30, 2002

DEBT

At June 30, 2002, CCCS had $25,608,800 in debt outstanding as follows:

Auxiliary revenue bonds	$18,320,000
Capital lease obligations	7,288,800
Total Debt	$25,608,800

The capital lease obligations were entered into during fiscal year 2002 to obtain additional space at two of the colleges.

COLORADO COMMUNITY COLLEGE SYSTEM FUTURE

The State is facing a shortfall in revenues for fiscal year 2003. The System was assessed a general funds appropriation reduction on July 1, 2002 of 4.3% or nearly $6.0 million, for fiscal year 2003 and additional reductions are anticipated. These reductions could range between 2% and 12%. However, CCCS is experiencing enrollment growth in student FTE. Fall 2002 semester enrollments are up nearly 8% over Fall 2001. If this rate of growth is sustained, the System will achieve its highest rate of growth in over a decade.

The growth in student enrollment, however, is not spread equally across the System's 13 colleges. Reductions of the magnitude of 6% to 16% will create a financial hardship on some of our colleges. Actions have been and will be taken to manage these reductions including general budget cutbacks, hiring freezes, and, in some limited cases, staff and faculty reductions. Each college has prepared plans for managing potential shortfalls and each is pursuing enrollment growth.

COLORADO COMMUNITY COLLEGE SYSTEM

Statement of Net Assets

June 30, 2002

Assets		
Current assets:		
Cash and cash equivalents	$	58,969,137
Restricted cash and cash equivalents		1,162,384
Accounts receivable, net		22,133,143
Inventories		2,737,203
Prepaid expense		6,158,410
Total current assets		91,160,277
Noncurrent assets:		
Restricted cash and cash equivalents		92,057
Restricted investments		2,431,162
Capital assets, net		288,414,419
Total noncurrent assets		290,937,638
Total assets	$	382,097,915
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$	8,956,573
Accrued liabilities		7,953,191
Deferred revenue		8,518,741
Deposits held for others		6,442,075
Revenue bonds payable, current portion		905,000
Capital leases payable, current portion		39,800
Compensated absence liabilities, current portion		56,249
Total current liabilities		32,871,629
Noncurrent liabilities:		
Revenue bonds payable		17,415,000
Capital lease payable		7,249,000
Other long-term liabilities		14,883
Compensated absence liabilities		11,143,434
Total noncurrent liabilities		35,822,317
Total liabilities		68,693,946
Net assets:		
Invested in capital assets, net of related debt		262,801,013
Restricted for expendable purposes:		
Scholarships/fellowships		24,378
Loans		82,287
Capital projects		30,858
Employee benefit trust		3,558,494
Other		150,532
Total expendable		3,846,549
Unrestricted		46,756,407
Total net assets	$	313,403,969

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Statement of Revenue, Expenses, and Changes in Net Assets

Year ended June 30, 2002

Operating revenues:		
Student tuition and fees (net of scholarship allowances of $27,210,412)	$	78,221,601
Grants and contracts		98,637,261
Gifts		516,346
Sales and services of educational activities		2,952,771
Auxiliary enterprises (net of scholarship allowances of $4,751,940)		30,188,803
Other operating revenues		4,283,381
Total operating revenues		214,800,163
Operating expenses:		
Instruction		163,122,443
Public service		3,433,085
Academic support		27,078,751
Student services		28,507,033
Institutional support		42,934,365
Operation and maintenance of plant		40,039,088
Scholarships and fellowships		23,315,349
Auxiliary enterprises		31,927,022
Depreciation		13,323,628
Total operating expenses		373,680,764
Operating loss		(158,880,601)
Nonoperating revenues (expenses):		
State appropriations		173,996,434
Distributions to Local District Colleges and Area Vocational Schools		(25,964,571)
Gifts		410,696
Investment income		5,308,294
Interest expense on capital debt		(1,081,086)
Other nonoperating revenues		20,776
Net nonoperating revenues		152,690,543
Loss before other revenues and expenses		(6,190,058)
Other revenues and expenses:		
State capital contributions		22,721,036
Capital grants		69,636
Capital gifts		497,349
Increase in net assets		17,097,963
Net assets, beginning of year (note 2)		296,306,006
Net assets, end of year	$	313,403,969

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Statement of Cash Flows

Year ended June 30, 2002

Cash flows from operating activities:	
Cash received:	
Tuition and fees	$ 84,770,787
Student loans collected	258,613
Sales of products	12,829,628
Sales of services	26,701,778
Grants, contracts, and gifts	97,121,422
Other operating receipts	4,277,947
Cash payments:	
Scholarships disbursed	(24,628,165)
Student loans disbursed	(5,884,569)
Payments for employees	(217,662,633)
Payments to suppliers	(111,975,509)
Other operating payments	(14,159,295)
Net cash used by operating activities	(148,349,996)
Cash flows from noncapital financing activities:	
State appropriations – noncapital	173,996,434
Distributions to Local District Colleges and Area Vocational Schools	(25,964,571)
Gifts and grants for other than capital purposes	527,745
Agency (direct lending inflows)	8,298,085
Agency (direct lending outflows)	(8,232,652)
Other agency (inflows)	9,275,564
Other agency (outflows)	(7,800,915)
Net cash provided by noncapital financing activities	150,099,690
Cash flows from capital and related financing activities:	
State appropriations – capital	22,721,036
Capital grants, contracts, and gifts	497,349
Proceeds from sale of capital assets	1,824
Acquisition and construction of capital assets	(22,031,450)
Principal paid on capital debt	(1,437,879)
Interest on capital debt	(1,112,222)
Net cash used by capital and related financing activities	(1,361,342)
Cash flows from investing activities:	
Proceeds from sale and maturities of investments	165,471
Investment earnings	6,192,304
Net cash provided by investing activities	6,357,775
Net increase in cash and cash equivalents	6,746,127
Cash and cash equivalents, beginning of the year	53,477,451
Cash and cash equivalents, end of the year	$ 60,223,578
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (158,880,601)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	13,323,628
Decrease (increase) in assets:	
Receivables, net	2,244,293
Inventory and prepaids	1,398,933
Increase (decrease) in liabilities:	
Accounts payable	(1,674,336)
Accrued liabilities	(1,508,246)
Deferred revenues	(4,103,339)
Deposits held for others	371,150
Compensated absence liabilities	659,275
Other liabilities	(180,753)
Net cash used by operating activities	$ (148,349,996)
Noncash investing, capital, and noncapital financing activities:	
Equipment donations and capital gifts	$ 627,673
Capital leases	7,288,800

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 thirteen state system colleges and administers vocational-technical education funds distributed to the two local district colleges, legislated area vocational schools, and school districts offering vocational programs.

The CCCS is a component unit of the State of Colorado. CCCS' operations and activities are funded primarily through state appropriations, federal, state and local grants, and tuition revenue. Pursuant to Colorado Revised Statute (CRS) 23-1-104, state appropriations for the operation of the CCCS are made to the SBCCOE, which is responsible for the allocation to the individual colleges. In addition, the SBCCOE receives and distributes state appropriations for local district colleges, area vocational schools, and school districts in Colorado.

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

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

As a component unit of the State of Colorado, the income of CCCS is generally exempt from income taxes under Section 115 of the Internal Revenue Code. However, income unrelated to the exempt purpose of CCCS would be subject to tax under section 511(a)(2)(B). CCCS had no material unrelated income in the year ended June 30, 2002.

(Continued)

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

In accordance with GASB Statement No. 14, the financial reporting entity of the CCCS includes the combined operations of the individual community colleges and the system office.

(2) Basis of Presentation and Changes in Accounting Principles

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

In June 1999, GASB approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This was followed by the approval of GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The State is required to implement GASB Statement Nos. 34 and 35 as of and for the year ended June 30, 2002. As a component unit of the State, the CCCS is also required to adopt GASB Statement Nos. 34 and 35. The CCCS has elected to follow the financial statement presentation guidelines for special-purpose governments engaged only in business-type activities as outlined in GASB Statement No. 34. Those guidelines require the financial statements be prepared using an entity-wide perspective. Therefore, the basic financial statements report the CCCS' assets, liabilities, and net assets, revenues, expenses, and changes in net assets, and cash flows for CCCS as a whole, rather than by fund, as previously required.

For the fiscal year ended June 30, 2002, the CCCS implemented a new financial reporting model and was required to make the following significant changes in accounting principles to conform to GASB Statement Nos. 34, 35, 37, and 38:

- Scholarship allowances – Financial aid awarded to students by the CCCS that is used to pay CCCS charges, such as tuition, fees, residence hall charges, and board, is recognized as a scholarship allowance rather than as financial aid expense. A scholarship allowance directly reduces the corresponding revenue streams. To the extent that financial aid awarded exceeds CCCS charges to students, the CCCS recognizes financial aid expense.

- Summer school revenue and expense – The CCCS is required to recognize summer school revenue and expense as earned or incurred rather than deferring summer school revenue and expense and reporting the entire term in one fiscal year.
- Depreciation expense – The CCCS is required to record depreciation expense for capital assets.
- Collections – The CCCS has elected to capitalize collections, which had previously not been capitalized.
- Acquisitions of capital assets and payments of debt principal – Under the fund perspective, the CCCS recognized an expenditure or fund deduction for the acquisition of capital assets and payment of debt principal. Under the entity-wide perspective, these items are not considered an expense against operations.
- The other impact of adopting the new standards resulted in adding management's discussion and analysis as required supplementary information, changing to the direct method of recording cash flows; classifying net asset as invested in capital assets, net of related debt, restricted and unrestricted; and classifying the statement of net assets between current and noncurrent assets and liabilities.

The provisions of GASB Statement Nos. 34 and 35 have been applied to the beginning net assets. The following is a reconciliation of total fund balances as of June 30, 2001 to the total net asset balances:

Total fund balances	$ 449,137,587
Deferred revenue	3,589,738
Accumulated depreciation	(148,845,364)
Other	(7,575,955)
Net assets	$ 296,306,006

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

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

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

(a) Cash and Cash Equivalents

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

(b) Accounts Receivable

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

(c) Investments

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

(d) Restricted Cash and Cash Equivalents and Restricted Investments

Restricted cash and cash equivalents and restricted investments represent monies restricted for Trust benefits.

(e) Inventories

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

(f) Capital Assets

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

(g) Deposits Held for Others

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

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

(Continued)

CCCS accounts for its direct loans in the agency fund. The amount of direct loans during fiscal year 2002 for the thirteen CCCS colleges participating in the program was approximately $8,200,000.

(h) Compensated Absence Liabilities

The current portion of compensated absence liabilities is the portion that will be paid out within one year. The CCCS only records the portion of compensated absences associated with individuals who have formally given notice, but have not yet been paid at June 30, 2002 as the current portion of the compensated absence liabilities.

(i) Net Assets

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

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.
- Restricted – expendable: Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the college or by the passage of time.
- Restricted – nonexpendable: Net assets subject to externally imposed conditions that CCCS must maintain them in perpetuity. CCCS has no restricted - nonexpendable net assets as of June 30, 2002.
- Unrestricted: All other categories of net assets. Unrestricted net assets may be designated by actions of the SBCCOE.

(j) Classification of Revenues and Expenses

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

- Operating revenues and expenses: Operating revenues and expenses generally result from providing goods and services for instruction, public service or related support services to an individual or entity separate from the CCCS.
- Nonoperating revenues and expenses: Nonoperating revenues and expenses are those that do not meet the definition of operating. Nonoperating revenues include state appropriations for operations, gifts, investment income, and insurance reimbursement revenue. Nonoperating expense includes interest expense.
- Other revenues, expenses, gains, losses, and transfers include state capital construction and controlled maintenance appropriations, gifts and grants primarily designated for capital purposes.

(Continued)

(k) Summer Session Revenues and Related Expenses

The CCCS prorates the summer session revenues and expenses based on the number of days between first day of the summer session and last day of the summer session which falls before or after June 30.

(l) Application of Restricted and Unrestricted Resources

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

(m) Scholarship Allowances

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

(n) Use of Estimates

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

(4) Appropriations

The Colorado State Legislature establishes spending authority for CCCS in its annual Long Appropriations Bill. Appropriated funds include an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various revenue categories, as appropriate, in the accompanying statement of revenue, 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 year ended June 30, 2002, appropriated expenditures were within the authorized spending authority. The CCCS received a total general fund appropriation of $173,996,434. CCCS also received approximately $26,000,000 of State appropriations specified to be passed through to two Local District Colleges and four Area Vocational Schools; $14,600,000 for Local District Colleges and $11,400,000 for Area Vocational Schools are included in State Appropriations and Distributions to Local District Colleges and Area Vocational Schools on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The CCCS also received capital appropriations of $22,721,036 in 2002.

(5) Deposits and Investments

(a) Cash Deposits

The CCCS deposits cash with the State Treasurer as required by CRS. The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. CCCS reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2002. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. Additional information on the Treasurer's pool may be obtained in the State's Comprehensive Annual Financial Report.

CCCS accounts for investments held with the State Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The unrealized net gain for fiscal year 2002 of $1,897,212 that is included in cash and cash equivalents on the statement of net assets reflects only the change in fair value during the current fiscal year.

At June 30, 2002, the CCCS had $58,579,469 on deposit with the State Treasurer that is net of Colorado Financial Reporting System (COFRS) warrants payable. This amount is net of any deficit cash balances of individual colleges with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. Credit risk classifications for amounts held by the State Treasurer is not available at the CCCS level. In addition, at June 30, 2002, the CCCS had other cash or cash equivalents on deposit in banks or savings and loans with a carrying amount of $350,832 and a bank balance of $461,943. Of the bank balance, $337,805 was covered by collateral held in the pledging institution's trust department in the name of the public deposit pool as required by the Colorado Public Deposit Protection Act, and $124,138 was uninsured and uncollateralized. CCCS also has cash on hand of $130,893. In addition, the Trust has cash and cash equivalents of $1,162,384.

(b) Investments

The Trust holds category three investments of $2,431,162 which includes $89,705 of U.S. government securities, $1,366,585 of corporate bonds, and $974,872 of common stocks. Category three investments include uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in CCCS's name.

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

Accounts receivable at June 30, 2002 are as follows:

		Gross receivables	Allowance for uncollectible accounts	Net receivables
Student accounts receivable	$	14,270,414	(3,602,217)	10,668,197
Due from other governments		5,640,131	—	5,640,131
Other receivables		6,051,729	(226,914)	5,824,815
Total receivables	$	25,962,274	(3,829,131)	22,133,143

Accounts payable and accrued liabilities at June 30, 2002 are as follows:

Accounts payable, vendors	$	8,956,573
Salaries and benefits payable		6,925,952
Accrued interest payable		23,151
Other payables		1,004,088
Total payables	$	16,909,764

(7) Capital Assets

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2002:

		Balance July 1, 2001	Additions	Deletions	Transfers	Balance June 30, 2002
Nondepreciable capital assets:						
Land	$	17,840,732	2,261,200	(292,359)	—	19,809,573
Construction in progress		73,183,401	16,460,199	—	(38,538,712)	51,104,888
Collections		318,809	219,379	—	—	538,188
Total nondepreciable capital assets		91,342,942	18,940,779	(292,359)	(38,538,712)	71,452,649
Depreciable capital assets:						
Land improvements		38,822,179	—	(26,139)	9,382,769	48,178,809
Buildings and improvements		252,012,123	6,565,200	(1,500,051)	29,155,943	286,233,215
Leasehold improvements		4,072,850	—	(2,349,631)	—	1,723,219
Equipment		27,557,441	2,258,565	(1,618,157)	—	28,197,849
Library materials		12,809,891	800,814	(571,038)	—	13,039,667
Total depreciable capital assets		335,274,484	22,565,357	(6,065,016)	38,538,712	377,372,759
Less accumulated depreciation:						
Land improvements		3,569,380	403,194	(26,139)	—	3,946,435
Buildings and improvements		118,039,304	9,146,307	(402,430)	—	126,783,181
Leasehold improvements		119,938	64,969	—	—	184,907
Equipment		18,297,802	3,211,916	(758,398)	—	20,751,320
Library materials		8,818,940	497,242	(571,036)	—	8,745,146
Total accumulated depreciation		148,845,364	13,323,628	(1,758,003)	—	160,410,989
Net depreciable capital assets		186,429,120	34,839,663	(4,307,013)	—	216,961,770
Total capital assets, net	$	277,772,062	58,129,506	(47,487,149)	—	288,414,419

The July 1, 2001 capital asset balances have been adjusted for the impact of adopting GASB Statement No. 34.

(8) Long-Term Liabilities

The following presents changes in long-term liabilities at June 30, 2002:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Current portion
Revenue bonds payable	$ 19,280,000	—	(960,000)	18,320,000	905,000
Capital leases payable	494,582	7,249,000	(454,782)	7,288,800	39,800
Other long-term liabilities	28,031	—	(13,148)	14,883	—
Compensated absence liabilities	10,570,757	840,397	(211,471)	11,199,683	56,249

(9) Bonds Payable

(a) Systemwide Revenue Bonds

The State's Department of Higher Education, through the SBCCOE, issued revenue bonds in 1992, 1995, 1996, 1997, 1998, and 1999 known as Systemwide Revenue Bonds. A total of $27,455,000 of Systemwide Revenue Bonds have been issued.

Series 1992 Bonds

The Series 1992 revenue bonds, for $5,680,000, were issued on August 19, 1992 and dated July 1, 1992. Interest is payable semiannually on May 1 and November 1. The final maturity of the bonds is November 1, 2016. The Pueblo Community College portion was advance refunded on February 18, 1999 (see Series 1999 bonds).

The principal of the Series 1992 issue was distributed among the colleges as follows:

Arapahoe Community College	$ 775,000*
Pikes Peak Community College	1,085,000
Pueblo Community College	3,820,000
	$ 5,680,000

* $775,000 has been paid off by Arapahoe Community College as of June 30, 2002.

(Continued)

Series 1995 Bonds – Front Range Community College – Westminster Campus Project

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

Series 1996 Bonds

The Series 1996 revenue bonds, for $4,150,000, were issued on June 27, 1996 and dated June 15, 1996. Interest is payable semiannually on May 1 and November 1. The final maturity of the bonds is November 1, 2015. The principal of the Series 1996 November issue was distributed between the colleges as follows:

Front Range Community College – Larimer Campus Project	$	2,595,000
Pikes Peak Community College – North Campus Project		1,555,000
	$	4,150,000

Series 1997 (March) Bonds – Northeastern Junior College

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

Series 1997 (December) Bonds

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

Community College of Aurora	$	1,295,000
Northeastern Junior College		540,000
Trinidad State Junior College		1,045,000
	$	2,880,000

(Continued)

Series 1998 Bonds

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

Morgan Community College	$	580,000
Northeastern Junior College		1,050,000
	$	1,630,000

Series 1999 Bonds

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

Pueblo Community College	$	3,490,000
Red Rocks Community College		3,260,000
	$	6,750,000

(b) Advance Refunding

In fiscal year 1999, Pueblo Community College and Red Rocks Community College systemwide revenue bonds were advance refunded. Proceeds of the new bonds were placed in an escrow fund for all future debt service payments on the old bonds. On June 30, 2002, $5,490,000 of bonds outstanding are considered advance refunded and not included in the accompanying basic financial statements.

(c) Security

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

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

(d) Earnings Requirement

Under the terms of the bond indentures, the CCCS must adopt fees, rates, rents, and charges sufficient to budget annual Net Pledged Revenues of at least 125% of the debt service due that fiscal year. For the year ended June 30, 2002, Net Pledged Revenues of the CCCS were $6,861,812, which exceeded the System's debt service of $1,888,814.

Total gross revenue pledged for bonds was $22,658,927 for fiscal year 2002. $3,081,772 of student tuition and fees and $19,577,155 of auxiliary enterprise revenue was pledged, respectively.

(e) Minimum Bond Reserve Requirement

Pursuant to the bond indentures, the System must fund a minimum bond reserve equal at any time to the average annual principal and interest requirements. The reserve fund, or a Qualified Surety Bond, shall equal the minimum bond reserve. All systemwide bond issues currently have surety bonds to guarantee the reserve requirement. The purchase of a surety bond is in compliance with the bond resolution and guarantees the minimum bond reserve requirement for all issues. At June 30, 2002, the average annual principal and interest payment was $1,538,685.

(f) Mandatory Sinking Fund Redemption

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

(g) Bond Accounting

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

(h) Long-Term Bond Principal Maturities

Bond principal payments to be made during fiscal year 2003 through 2007 are enumerated in the following tables.

Bond issue	Principal maturing in next five years by year FY03	FY04	FY05	FY06	FY07
State Board for Community Colleges And Occupational Education Systemwide Revenue Bonds:					
Series 1992:					
Pikes Peak Community College	$ 110,000	110,000	—	—	—
Series 1995:					
Front Range Community College – Westminster	155,000	160,000	170,000	180,000	190,000
Series 1996:					
Front Range – Larimer	100,000	105,000	115,000	120,000	125,000
Pikes Peak – North Campus	60,000	65,000	65,000	65,000	70,000
Series 1997:					
Northeastern Junior College	60,000	65,000	65,000	70,000	75,000
Community College of Aurora	40,000	45,000	45,000	45,000	50,000
Northeastern Junior College	15,000	20,000	20,000	20,000	20,000
Trinidad State Junior College	40,000	40,000	45,000	45,000	45,000
Series 1998:					
Morgan Community College	20,000	20,000	20,000	25,000	25,000
Northeastern Junior College	35,000	40,000	40,000	40,000	45,000
Series 1999:					
Pueblo Community College	155,000	165,000	165,000	165,000	175,000
Red Rocks Community College	115,000	115,000	120,000	125,000	130,000
Total revenue bonds payable	905,000	950,000	870,000	900,000	950,000
Interest	888,216	847,094	806,235	766,068	723,355
Total annual debt service	$ 1,793,216	1,797,094	1,676,235	1,666,068	1,673,335

(Continued)

Bond debt service payments from 2008 to maturity are:

	Principal	Interest	Total
2008-2012	$ 5,520,000	2,844,984	8,364,984
2013-2017	6,440,000	1,237,440	7,677,440
2018-2020	1,785,000	125,806	1,910,806

	Revenue bonds outstanding June 30, 2002	Interest rate	Maximum annual principal	Callable	Call premium	Final payment
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds						
Series 1992:						
Pikes Peak Community College	$ 220,000	2.6% to 5.2%	$ 110,000	YES	NONE	11/1/03
Series 1995:						
Front Range – Westminster	3,105,000	4.0% to 5.7%	310,000	YES	NONE	11/1/15
Series 1996:						
Front Range – Larimer	2,060,000	3.75% to 5.87%	210,000	YES	NONE	11/1/15
Pikes Peak – North Campus	1,235,000	3.75% to 5.87%	125,000	YES	NONE	11/1/15
Series 1997:						
Northeastern Junior College	1,750,000	3.75% to 5.5%	150,000	YES	NONE	11/1/19
Community College of Aurora	1,135,000	3.85% to 5.125%	95,000	YES	NONE	11/1/19
Northeastern Junior College	480,000	3.85% to 5.125%	40,000	YES	NONE	11/1/19
Trinidad State Junior College	905,000	3.85% to 5.125%	80,000	YES	NONE	11/1/17
Series 1998:						
Morgan Community College	520,000	3.90% to 5.0%	45,000	YES	NONE	11/1/18
Northeastern Junior College	915,000	3.75% to 5.0%	75,000	YES	NONE	11/1/18
Series 1999:						
Pueblo Community College	3,045,000	3.2% to 4.5%	265,000	YES	NONE	11/1/16
Red Rocks Community College	2,950,000	3.2% to 4.5%	235,000	YES	NONE	11/1/19
	$ 18,320,000					

(Continued)

(10) Leases

The CCCS has acquired land, buildings, and equipment under leases and lease/purchase arrangements that are classified as capital leases. Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life. Capitalized assets relating to these leases includes approximately $7,200,000 with amortization expenses of $120,190 at June 30, 2002. Future minimum payments under capital leases are as follows for the years ending June 30:

	Principal	Interest	Total
2003	$ 39,800	366,576	406,376
2004	158,073	347,392	505,465
2005	167,680	340,910	508,590
2006	173,593	334,077	507,670
2007	169,654	326,733	496,387
2008-2012	900,000	1,522,766	2,422,766
2013-2017	1,140,000	1,290,617	2,430,617
2018-2022	1,475,000	968,671	2,443,671
2023-2027	1,905,000	547,219	2,452,219
2028-2032	1,000,000	141,855	1,141,855
2033	160,000	4,160	164,160
Total	$ 7,288,800	6,190,976	13,479,776

The CCCS has building and equipment operating leases. Total rent expense for operating leases for the year ended June 30, 2002 was $4,948,138. Future minimum rental payments, exclusive of real estate taxes and other expenses, under operating leases are as follows:

Year ending June 30:	
2003	$ 3,939,710
2004	3,426,009
2005	2,514,799
2006	2,142,344
2007	1,388,982
2008-2012	5,087,031
2013-2015	5,205,944
Total	$ 23,704,819

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.

(11) Compensated Absences for Annual and Sick Leave

Employees of the CCCS may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount which will be paid upon termination. The estimated total liability for compensated absences at June 30, 2002 is $11,199,683.

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

At June 30, 2002, Public Employees' Retirement Association of Colorado (PERA) estimated that 57% 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.

(12) Retirement Plan

(a) Plan Description

Virtually all of the CCCS' employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by PERA. PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the board of trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203.

Plan members vest after five years of service and are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with five years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

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

(b) Funding Policy

Employees contribute 8.0% of their gross covered wages to an individual account in the plan. During fiscal year 2002, the state contributed 9.9% of the employee's gross covered wages. Before January 1, 2002, 1.42% was allocated to the Health Care Trust Fund, and after January 1, 2002, 1.64% was allocated to the Health Care Trust Fund. Throughout the fiscal year, the amount needed to meet the match requirement established by the PERA board of trustee was allocated to the

(Continued)

Matchmaker program (see note 13 below). The balance remaining after allocations to the Matchmaker program and the Health Care Trust Fund was allocated to the defined benefit plan.

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

The CCCS' contributions to the three programs described above for the fiscal years ended June 30, 2002, 2001, and 2000 were $15,756,107, $15,960,663, and $16,479,697, respectively. These contributions met the contribution requirements for each year.

(13) Voluntary Tax-Deferred Retirement Plans

Beginning on January 1, 2001, the Matchmaker program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100% of up to 3% of the employees' gross covered wages paid during the month. The PERA board of trustees sets the level of the match annually – based on the actuarial funding of the defined benefit pension plan. 2% of gross salary plus 50% of any reduction in the overall contribution rate due to overfunding of the pension plan was available for the match. PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer a 403(b) plan. Members who contribute to any of these plans also receive the state match.

(14) Postretirement Health Care and Life Insurance Benefits

(a) Health Care Program

The PERA Care (formerly known as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During fiscal year 2002, the premium subsidy was $115.00 for those with 20 years of service credit ($230.00 for members under age 65), and it was reduced by 5% for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy.

The Health Care Fund is maintained by an employer's contribution as discussed above in note 12.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit a retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. As of December 31, 2001 there were 34,235 participants, including spouses and dependents from all contributors to the plan.

(Continued)

(b) Life Insurance Program

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

(c) Other Programs

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

CCCS' principal employee pension plan is PERA (see note 12). Pursuant to SBCCOE Board Policy BP 3-60 (Retirement), employees who take early retirement under PERA regulations "shall be entitled to have the college/system continue to pay the employee's share of the group health and life insurance premium up to the amount paid for active employees until the employee reaches age 65." This is the only postretirement benefit offered to the CCCS employees.

The postretirement benefits described above are funded on a current basis.

(15) Employee Benefit Trust Fund

The Trust provides long-term disability benefits to all employees participating in the Employee Choice Flexible Benefit Plan sponsored by the SBCCOE. For fiscal year 2002, CCCS made contributions to the Trust of approximately $283,000.

(16) Segment Information

CCCS does not have any segments as defined by accounting principles generally accepted in the United States of America.

(17) Foundations

SBCCOE and all of the Community Colleges it governs are supported to some extent by foundations. Because these foundations are legally and financially independent (all are 501(c)(3) tax exempt organizations) of the SBCCOE and the colleges, their financial information is not included in the CCCS basic financial statements.

The foundations were created to promote the welfare and future development of the colleges by providing financial support for instructional programs; facilities; equipment; student scholarship programs; and cultural activities. Their major sources of revenue include donations; interest and dividends earned on bank accounts and investments; leases; a matching grant from the Department of Education; and fundraising events.

In May 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. GASB 39 establishes new criteria for evaluating the need to include the foundations as a component unit of CCCS. The foundations appear to meet this revised criteria and, accordingly, are expected to be included as component units in the future.

(Continued)

Condensed information describing the Foundations and the support provided to the colleges is summarized below. Current financial statements are available from individual college foundations.

Foundation		Direct support to college	Most current balance sheet assets
Arapahoe Community College	$	106,508	207,188
Community College of Aurora*		324,215	14,066,861
Community College of Denver		—	579,862
Front Range Community College		114,138	780,423
Lamar Community College		120,128	330,395
Morgan Community College		101,692	602,092
Northeastern Junior College		44,309	1,263,418
Otero Junior College		—	168,152
Pikes Peak Community College		103,645	1,919,889
Pueblo Community College		842,155	11,471,726
Red Rocks Community College		341,475	1,916,882
Trinidad State Junior College		67,379	5,384,418
Colorado Community College System		356,012	1,248,004

* CCA has an operating lease with the CCA Foundation with total operating lease commitments of approximately $12,000,000.

(18) Risk Financing and Insurance-Related Activities

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

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

(19) Commitments and Contingencies

The SBCCOE (as lessee) and the CCCS Education Foundation (as lessor) issued $7,090,000 in revenue bonds for the renovation of the system office building on the Lowry Campus. The project is expected to be completed in August 2002. During the renovation period, payments on the revenue bonds will be made from proceeds that have been placed with the trustee. At completion of renovation, the system office will record the capital lease liability and corresponding asset and begin making principle and interest payments according to the lease term, subject to annual appropriation by the SBCCOE.

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

The 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 the CCCS. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition or operations of the CCCS.

(20) Tax and Spending Limitations (Tabor Amendment)

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

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

Members of the Legislative Audit Committee:

We have audited the basic financial statements of the Colorado Community College System (CCCS), a component unit of the State of Colorado, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 16, 2002. Our report contained an explanatory paragraph discussing that CCCS implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments;* GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001. 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.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered CCCS' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect CCCS' ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. The reportable condition is described in the accompanying Findings and Recommendations section as recommendation no. 1, *Reportable Condition Over Financial Reporting.*

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving internal control over financial reporting, which we have reported to the management of CCCS in the findings and recommendations section of this report dated October 16, 2002.

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

KPMG LLP

October 16, 2002

October 16, 2002

Members of Legislative Audit Committee:

We have audited the basic financial statements of the Colorado Community College System (CCCS) for the year ended June 30, 2002, and have issued our report thereon dated October 16, 2002. Under auditing standards generally accepted in the United States of America, we are providing you with information related to the conduct of our audit.

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

We have a responsibility to conduct our audit in accordance with auditing standards generally accepted in the United States of America. 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, but not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected.

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

Significant Accounting Policies

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

As described in Note 2, the CCCS implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments;* GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, in May 2002. Although this statement is not effective until the year ending June 30, 2004, earlier application is encouraged. CCCS may want to consider adopting this statement in 2003.

Management Judgments and Accounting Estimates

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

Significant Audit Adjustments

In connection with our audit of CCCS' basic financial statements, we have discussed with management certain financial statement misstatements that have not been accounted for in the basic financial statements as of and for the year ended June 30, 2002. Ten adjustments were not made to the basic financial statements totaling $774,000. We have reported such misstatements to management on a Summary of Uncorrected Misstatements and have received written representation from management that management believes these misstatements are immaterial.

Several audit adjustments were also proposed and made to the basic financial statements totaling $4,260,000.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters.

Consultation with Other Accountants

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

Major Issues Discussed with Management Prior to Retention

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

Difficulties Encountered in Performing the Audit

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

* * * * *

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.

Very truly yours,

KPMG LLP

COLORADO COMMUNITY COLLEGE SYSTEM

State-Funded Student Financial Assistance Programs
Introduction

Year ended June 30, 2002

The Colorado Community College System (CCCS) is a state-supported institution of higher education with colleges at thirteen locations: Arapahoe Community College, Colorado Northwestern Community College, Community College of Aurora, Community College of Denver, Front Range Community College, Lamar Community College, Morgan Community College, Northeastern Junior College, Otero Junior College, Pikes Peak Community College, Pueblo Community College, Red Rocks Community College, Trinidad State Junior College.

The financial and compliance audit of the state-funded student financial assistance programs at CCCS for the fiscal year ended June 30, 2002, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Commission on Higher Education (CCHE), 2002 revision.

State-Funded Student Financial Assistance Programs

The state-funded student financial assistance programs at CCCS colleges include the Student Incentive Grants program, Colorado Student Grant program, Colorado Work-Study program, Undergraduate Merit program, Governor's Opportunity Scholarship, Colorado Nursing Grant program, and Part-Time Student Grant program.

The state-funded student financial assistance expenditures made by the thirteen campuses were $18,930,983 during the fiscal year ended June 30, 2002. Of this amount, state-funded matching funds of $8,628 for the fiscal year ended June 30, 2002 were transferred to the Perkins Loan and Health Professions Student Loan Funds.

The Director of Financial Aid at each college 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 the University in federal and state financial assistance programs. The Finance Office at each campus is responsible for the programs' financial management, general ledger accounting, payments and collections.

During the fiscal year ended June 30, 2002, CCCS obtained authorizations to award federal student financial aid funds of $32,201,313 in the Pell Grant program, $6,192,262 in the Direct Loan program, $1,047,532 in the Supplemental Educational Opportunity Grant program, $1,781,053 in the College Work-Study program and $25,885 of new federal capital contributions in the Perkins Student Loan program.

During the year ended June 30, 2002, CCCS obtained authorizations to award Colorado student financial aid funds of $267,411 in the Student Incentive Grants program, $10,090,916 in the Colorado Student Grant program, $3,941,530 in the Colorado Work-Study program, $3,343,946 in the Undergraduate Merit program, $1,151,253 in the Governor's Opportunity Scholarship, $77,982 in the Colorado Nursing Grant program and $8,628 in the Part-time Student Grant program.

The related Statement of Appropriations, Expenditures, Transfers and Reversions of State Funded Student Financial Assistance Programs is presented on page 87 of this report, as well as individual colleges Schedules of Appropriations, Expenditures, Transfers and Reversions of State Funded Student Financial Assistance Programs on pages 89-101.

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

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) of the Colorado Community College System (CCCS), a component unit of the State of Colorado, for the year ended June 30, 2002. The Statement is the responsibility of CCCS' management. Our responsibility is to express an opinion on the Statement based on our audit.

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

As described in the notes to the Statement, the Statement was prepared in accordance with the format set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs* issued by the Colorado Commission on Higher Education (CCHE), 2002 revision. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study program and Perkins Loan Program, and does not present certain transactions that would be included in the Statement of the state-funded student financial assistance programs if it was presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America.

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

In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers and reversions of the state-funded student financial assistance programs of CCCS for the year ended June 30, 2002, in conformity with the provisions of the CCHE *Colorado Handbook for State-Funded Student Financial Assistance Programs*, as described in note 1 to the Statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

KPMG LLP

October 16, 2002

COLORADO COMMUNITY COLLEGE SYSTEM

State-Funded Student Assistance Programs

Statement of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

	Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:								
Original	$ 18,969,700	288,411	10,090,916	3,961,530	3,343,946	1,089,107	115,378	8,628
Supplementals	100,958	(12,000)	—	—	—	124,183	(11,225)	—
Transfers	(120,208)	(9,000)	—	(20,000)	—	(62,037)	(26,171)	—
Total appropriations	18,950,450	267,411	10,090,916	3,941,530	3,343,946	1,151,253	77,982	8,628
Less expenditures	18,930,983	267,411	10,089,616	3,936,014	3,342,896	1,140,308	77,982	8,628
Reversions to State General Fund	$ 19,467	—	1,300	5,516	1,050	10,945	—	—

See accompanying notes to Statement of Appropriations, Expenditures, Transfers, and Reversions.

See accompanying independent auditors' report.

COLORADO COMMUNITY COLLEGE SYSTEM

State-Funded Student Financial Assistance Programs
Notes to Statement of Appropriations, Expenditures, Transfers and Reversions

Year ended June 30, 2002

(1) Basis of Presentation and Accounting

The accompanying combined 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 set forth in the CCHE publication, Colorado Handbook for State-Funded Student Assistance Programs. The purpose of the statement is to present, in summary form, the State-Funded student financial assistance activities of CCCS' thirteen campuses for the fiscal year ended June 30, 2002.

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

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

(2) Student Incentive Grants

Student incentive grants consist of non-federal state funds and federal funds. The state must match 50 percent of the federal funds. The amount shown in the statement is a combined total of nonfederal and federal funds.

ARAPAHOE COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:									
Original	$	1,320,432	35,763	605,206	256,889	356,023	65,000	1,551	—
Supplementals		—	—	—	—	—	—	—	—
Transfers		(3,000)	(3,000)	—	—	—	—	—	—
Total appropriations		1,317,432	32,763	605,206	256,889	356,023	65,000	1,551	—
Less expenditures		1,317,432	32,763	605,206	256,889	356,023	65,000	1,551	—
Reversions to State General Fund	$	—	—	—	—	—	—	—	—

See accompanying independent auditors' report.

COMMUNITY COLLEGE OF AURORA

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:									
Original	$	1,072,011	5,628	530,377	221,242	249,764	65,000	—	—
Supplementals		—	—	—	—	—	—	—	—
Transfers		—	—	—	—	—	—		—
Total appropriations		1,072,011	5,628	530,377	221,242	249,764	65,000	—	—
Less expenditures		1,072,011	5,628	530,377	221,242	249,764	65,000	—	—
Reversions to State General Fund	$	—	—	—	—	—	—	—	—

See accompanying independent auditors' report.

COMMUNITY COLLEGE OF DENVER

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:									
Original	$	2,681,765	37,892	1,518,427	587,466	405,553	127,774	4,653	—
Supplementals		36,880	(3,000)	—	—	—	41,430	(1,550)	—
Transfers		—	—	—	—	—	—	—	—
Total appropriations		2,718,645	34,892	1,518,427	587,466	405,553	169,204	3,103	—
Less expenditures		2,707,700	34,892	1,518,427	587,466	405,553	158,259	3,103	—
Reversions to State General Fund	$	10,945	—	—	—	—	10,945	—	—

See accompanying independent auditors' report.

COLORADO NORTHWESTERN COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Loan Match
Appropriations:									
Original	$	311,322	10,237	155,450	60,493	58,514	18,000	—	8,628
Supplementals		4,000	—	—	—	—	4,000	—	—
Transfers			—	—	—	—	—		—
Total appropriations		315,322	10,237	155,450	60,493	58,514	22,000	—	8,628
Less expenditures		315,322	10,237	155,450	60,493	58,514	22,000	—	8,628
Reversions to State General Fund	$	—	—	—	—	—	—	—	—

See accompanying independent auditors' report.

FRONT RANGE COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:									
Original	$	3,114,343	66,374	1,579,875	641,805	659,067	134,000	33,222	—
Supplementals		5,738	(3,000)	—		—	16,055	(7,317)	—
Transfers		—	—	—	—	—	—		—
Total appropriations		3,120,081	63,374	1,579,875	641,805	659,067	150,055	25,905	—
Less expenditures		3,120,081	63,374	1,579,875	641,805	659,067	150,055	25,905	
Reversions to State General Fund	$	—	—	—	—	—	—	—	—

See accompanying independent auditors' report.

LAMAR COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:									
Original	$	484,518	6,777	230,373	96,075	57,154	92,000	2,139	—
Supplementals		23,277	—	—	—	—	23,277	—	—
Transfers		(13,225)	—	—	—	—	(11,514)	(1,711)	—
Total appropriations		494,570	6,777	230,373	96,075	57,154	103,763	428	—
Less expenditures		494,570	6,777	230,373	96,075	57,154	103,763	428	—
Reversions to State General Fund	$	—	—	—	—	—	—	—	—

See accompanying independent auditors' report.

MORGAN COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:									
Original	$	466,254	7,156	245,709	95,760	74,910	35,600	7,119	—
Supplementals		16,503	(3,000)	—	—	—	21,085	(1,582)	—
Transfers		(8,608)	—	—	—	—	(7,817)	(791)	—
Total appropriations		474,149	4,156	245,709	95,760	74,910	48,868	4,746	—
Less expenditures		474,149	4,156	245,709	95,760	74,910	48,868	4,746	
Reversions to State General Fund	$	—	—	—	—	—	—	—	—

See accompanying independent auditors' report.

NORTHEASTERN JUNIOR COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

	Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:								
Original	$ 727,371	11,400	365,883	147,170	145,558	55,033	2,327	—
Supplementals	(1,564)	(3,000)	—		—	1,436	—	—
Transfers	—	—	—	—	—	—		—
Total appropriations	725,807	8,400	365,883	147,170	145,558	56,469	2,327	—
Less expenditures	725,807	8,400	365,883	147,170	145,558	56,469	2,327	—
Reversions to State General Fund	$ —	—	—	—	—	—	—	—

See accompanying independent auditors' report.

PUEBLO COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:									
Original	$	2,351,764	46,719	1,362,985	519,347	266,654	134,000	22,059	—
Supplementals		—	—	—	—	—	—	—	—
Transfers		(26,327)	(3,000)	—	—	—	(12,706)	(10,621)	—
Total appropriations		2,325,437	43,719	1,362,985	519,347	266,654	121,294	11,438	—
Less expenditures		2,325,712	43,719	1,362,985	519,622	266,654	121,294	11,438	—
Reversions to State General Fund	$	(275)	—	—	(275)	—	—	—	—

See accompanying independent auditors' report.

OTERO JUNIOR COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:									
Original	$	808,063	16,587	442,493	167,716	91,887	69,500	19,880	—
Supplementals		8,000	—	—	—	—	8,000	—	—
Transfers		(9,368)	(3,000)	—	—	—	—	(6,368)	—
Total appropriations		806,695	13,587	442,493	167,716	91,887	77,500	13,512	—
Less expenditures		806,695	13,587	442,493	167,716	91,887	77,500	13,512	—
Reversions to State General Fund	$	—	—	—	—	—	—	—	—

See accompanying independent auditors' report.

RED ROCKS COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:									
Original	$	1,324,932	21,266	671,774	249,435	377,257	5,200	—	—
Supplementals		3,900	—	—	—	—	3,900	—	—
Transfers		—	—	—	—	—	—	—	—
Total appropriations		1,328,832	21,266	671,774	249,435	377,257	9,100	—	—
Less expenditures		1,328,832	21,266	671,774	249,435	377,257	9,100	—	—
Reversions to State General Fund	$	—	—	—	—	—	—	—	—

See accompanying independent auditors' report.

PIKES PEAK COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

	Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Grant Program	Colorado Nursing Scholarship	Part-Time Student Grant	Supplement Leveraging Ed Asst Pgm
Appropriations:									
Original	$ 2,851,005	—	1,639,535	641,180	486,098	—	12,408	—	71,784
Supplementals	(776)	—	—	—	—	—	(776)	—	—
Transfers	(3,000)	—	—	—	—	—	—	—	(3,000)
Total appropriations	2,847,229	—	1,639,535	641,180	486,098	—	11,632	—	68,784
Less expenditures	2,838,432	—	1,638,235	635,389	485,048	—	11,632	—	68,128
Reversions to State General Fund	$ 8,797	—	1,300	5,791	1,050	—	—	—	656

See accompanying independent auditors' report.

TRINIDAD STATE JUNIOR COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

For the Year Ended June 30, 2002

		Total Colorado Financial Aid	Student Incentive Grants	Student Grant Program	Work Study Program	Undergrad. Merit Awards	Governor's Opportunity Scholarship	Colorado Nursing Scholarship	Part-Time Student Grant
Appropriations:									
Original	$	1,455,920	22,612	742,829	276,952	115,507	288,000	10,020	—
Supplementals		5,000	—	—	—	—	5,000	—	—
Transfers		(56,680)	—	—	(20,000)	—	(30,000)	(6,680)	—
Total appropriations		1,404,240	22,612	742,829	256,952	115,507	263,000	3,340	—
Less expenditures		1,404,240	22,612	742,829	256,952	115,507	263,000	3,340	—
Reversions to State General Fund	$	—	—	—	—	—	—	—	—

See accompanying independent auditors' report.

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