ADAMS STATE COLLEGE

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2008 and 2007

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FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

Authority, Purpose and Scope

The audit of Adams State College was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all State agencies. The 2008 audit was conducted under contract with Dalby, Wendland & Co., P.C. The audit was made in accordance with audit standards generally accepted in the United States of America. Audit work was performed June through October 2008.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Adams State College for the year ended June 30, 2008 and to express an opinion on the financial statements. This included 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 and regulations governing the expenditures of federal and State funds.

- Express an opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2008.

- Evaluate progress in implementing prior audit recommendations.

- The Schedule of Expenditures of Federal Awards for Adams State College and applicable audit opinions are included in the June 30, 2008 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

Audit Results and Summary of Major Audit Findings

Dalby, Wendland & Co., P.C. expressed an unqualified opinion on the financial statements for the year ended June 30, 2008. Dalby, Wendland & Co., P.C. also expressed an unqualified opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Financial Assistance Programs for the fiscal year ended June 30, 2008. The financial statements for the year ended June 30, 2007 were audited by another firm who expressed an unqualified opinion.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

The following is a summary of the findings contained in the report. The audit recommendations for these findings and associated College responses are summarized in the recommendation locator, which follows the summary.

We noted that the College did not properly accrue construction in process costs that were incurred during the fiscal year ended June 30, 2008.

Recommendations and College Responses

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

Summary of Progress in Implementing Prior Audit Findings

There were two recommendations made in the prior year audit. Both recommendations were implemented. A detailed description and the disposition are contained in the disposition of prior year audit recommendations.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	5	Adams State College should develop policies and procedures to estimate and capture construction cost into the financial statements, at fiscal year end, for projects where no invoice has been received.	Agree	June 30, 2009

Description of Adams State College

House Bill 03-1093 authorized independent governance for Adams State College effective July 1, 2003 and a new Board of Trustees was appointed to govern the College.

The Board of Trustees of Adams State College is the governing board for Adams State College. The Board of Trustees has oversight and responsibility in the areas of finance, resources, academic programs, admissions, role and mission and personnel policies.

The Board consists of nine members appointed by the Governor to serve four-year terms. An elected member of the faculty of the College serves for a two-year term and an elected member of the student body of the College serves for a one-year term. The President of Adams State College is responsible for providing leadership for the College and administering the policies and procedures of the Board of Trustees. The Board conducts its business at regular monthly meetings and special meetings, all of which are open to the public.

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

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

	2006	2007	2008
Resident Students	1,933.2	1,822.0	1,703.0
Nonresident Students	245.8	228.4	274.7
Total Students	2,179.0	2,050.4	1,977.7
Faculty FTEs	156.2	157.2	157.1
Staff FTEs	116.8	128.1	114.8
Total Staff and Faculty FTEs	273.0	285.3	271.9

FINDINGS AND RECOMMENDATIONS SECTION

Findings and Recommendations

Construction in progress

Adams State College (the College) had several major construction projects in progress during Fiscal Year 2008. As of the end of Fiscal Year 2008, the College had recorded approximately $5 million as construction in progress. It is common that the completion dates of major construction projects do not coincide with fiscal year-end dates; however, with long-term construction projects the contractor typically submits billings when the construction project reaches certain agreed-upon completion levels. For the Fiscal Year 2008 we noted one billing that the College received subsequent to the end of the fiscal year for construction costs incurred from April through June 2008. The amount of the billing was about $155,000 and was material to the College's financial statements. These costs were not accounted for within the year they were incurred as is required by generally accepted accounting principles. The College does not have a policy or procedure in place to provide adequate monitoring of construction in progress to ensure that costs incurred in the fiscal year are included in the year-end financial statements. Failure to accurately account for construction-in-progress costs for major projects such as those underway at the College can result in the financial statements being materially misstated. The College did adjust the construction in progress for the audited financial statements for Fiscal Year 2008.

Recommendation No. 1:

Adams State College should develop and implement policies and procedures to capture estimated or actual construction costs into the financial statements, at fiscal year end, for projects where no invoice has been received.

Adams State College Response: Agree Implementation Date: June 30, 2009

The contract auditors found that one construction invoice was not recorded on the College's accounting system for fiscal year 2007-08. The reason this invoice was not recorded in fiscal year 2007-08 was because the College sets an accounts payable deadline in the second week of July in order to meet State mandated fiscal year closing deadlines. The invoice was not received prior to the accounts payable deadline and therefore was recorded in the following fiscal year.

The College will communicate with contractors on campus to insure that invoices associated with projects that span more than one fiscal year reflect work completed in a given fiscal year and that said invoices need to be submitted to the College by the institution's accounts payable deadline.

Disposition of Prior Audit Recommendations

Listed below are the recommendations included in the audit report for Adams State College for the year ended June 30, 2007, and their disposition as of December 2, 2008.

	Recommendation	Disposition
1.	Adams State College should improve the timeliness of the return of unearned Title IV funds and ensure federal timeframes are met.	Implemented.
2.	Adams State College should analyze the policies and procedures to better ensure the accuracy and completeness of the financial information submitted in the SURDS report.	Implemented.

FINANCIAL STATEMENTS SECTION

DALBY, WENDLAND & CO., P.C.

Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business type activities of Adams State College (the College), a blended component unit of the State of Colorado, as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. The financial statements of the College as of and for the year ended June 30, 2007 were audited by other auditors whose report dated October 25, 2007 expressed an unqualified opinion. The financial statements of Adams State College Foundation, a discretely presented component unit of the College, as of June 30, 2008 and 2007 and for the years ended were also audited by other auditors whose report dated November 11, 2008 expressed an unqualified opinion. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the discretely presented component unit of the College as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2008 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis on pages 9 through 14, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Revenues and Expenses for Enterprise Revenue Bonds is presented for purposes of additional analysis and is not a required part of the financial statements of the College. Such information, which is the responsibility of the College's management, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.

December 2, 2008

ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report presents a discussion and analysis of the financial performance of Adams State College (the College) for the fiscal year ended June 30, 2008, with selected comparative information for the years ended June 30, 2007 and June 30, 2006. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes for the reporting entity of the College that includes Adams State College and the Adams State College Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.)

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2008

The College's total net assets increased by $2.4 million during fiscal year 2008 compared to a $0.5 million decrease in net assets during fiscal year 2007.

The College had a ratio of current assets to current liabilities of 2.6. This current ratio demonstrates the liquidity of college assets and the relative availability of working capital to fund current operations.

An operating deficit of $3.0 million is the result from the College's dependence on Gifts and Donations and Other Non-operating revenue, which under the guidelines established by GASB Statements 34 and 35 is shown as non-operating revenues. The College received no state appropriations, but received $10.0 million in fee for service contract revenue from the Colorado Commission on Higher Education and $3.7 million in College Opportunity Fund stipends from College Assist during fiscal year 2008.

Year Ended June 30, 2007

The College's total net assets decreased by $0.5 million during fiscal year 2007 compared to a $0.2 million increase in net assets during fiscal year 2006.

The College had a ratio of current assets to current liabilities of 2.7. This current ratio demonstrates the liquidity of college assets and the relative availability of working capital to fund current operations.

Operating revenues were not sufficient to cover operating expenses, resulting in an operating deficit of $4.1 million. The College received no state appropriations, but received $8.8 million in fee for service contract revenue from the Colorado Commission on Higher Education and $3.7 million in College Opportunity Fund stipends from the Colorado College Access Network during fiscal year 2007.

STATEMENTS OF NET ASSETS

The Statements of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when services are received, regardless of when cash is exchanged. Over time, increases and decreases in net assets (the difference between assets and liabilities) is one indicator of the College's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities.

ADAMS STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008

A summarized comparison of the College's assets, liabilities and net assets at June 30, 2008, 2007 and 2006 follows:

Current Assets	$ 15,715	$ 15,396	$ 13,806
Noncurrent Assets	54,528	52,276	54,534
Total Assets	70,243	67,672	68,340
Liabilities			
Current Liabilities	6,090	5,625	5,337
Noncurrent Liabilities	10,366	10,619	11,114
Total Liabilities	16,456	16,244	16,451
Net Assets			
Invested in Capital Assets, net of related debt	43,308	40,555	42,311
Restricted	3,352	3,809	3,714
Unrestricted	7,127	7,064	5,864
Total Net Assets	$ 53,787	$ 51,428	$ 51,889

At June 30, 2008 the College's total assets were $70.2 million. The largest asset category is the $53.1 million in capital assets, net of accumulated depreciation of $38.7 million. These assets include land, buildings, equipment, library holdings, and construction in process. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal year 2008, the College's current assets of $15.7 million were sufficient to cover current liabilities of $6.1 million (producing a current ratio of 2.6). Cash and cash equivalents (bank deposits, certificates of deposits, pooled cash with the State Treasurer) comprised over $13.8 million in assets per the Statement of Net Assets.

Bonds payable of $9.8 million represents almost 60% of the College's total liabilities of $16.4 million. The current portion of the bonds payable liability is $0.45 million.

The College's financial position improved during the fiscal year as evidenced by the increase of $2.4 million in net assets (see the Statement of Revenues, Expenses and Changes in Net Assets) to $53.8 million. Net Assets is composed of $43.3 million invested in capital assets net of related debt, $3.4 million externally restricted for specific purposes, and $7.1 million unrestricted and available for any lawful purpose of the College.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses and Changes in Net Assets present the result of operations during the year. Activities are reported as either operating or non-operating. Operating revenues and expenses generally result from providing goods and services for instruction, pubic service, and related support services to an individual or entity separate from the College. Non-operating revenues and expenses are those other than operating and include, but are not limited to: State appropriations, investment income, interest expense on capital debt, gain/loss on disposal of assets, State capital construction and controlled maintenance appropriations, transfers and other non-operating revenue.

Tuition and fee revenues accounted for $10.6 million of the $35.8 million in operating revenues. The tuition and fee amount is net of scholarship allowances of $7.3 million. Scholarship allowances are defined as the financial aid awarded to students by the College that is used to pay College charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense.

Operating expenses totaled $38.8 million. Of that total, $14.2 million was for instruction, $2.0 million for academic support, $2.9 million for student services, $3.5 million for institutional support, $3.2 million for operations of plant and $8.7 million for auxiliary enterprises.

A summarized comparison of the College's revenues, expenses and changes in net asset at June 30, 2008, 2007 and 2006 follows:

	2008	2007	2006
		(in thousands)	
Operating Revenues			
Tuition and Fees, net	$ 10,601	$ 10,522	$ 10,078
Grants and Contracts	18,921	15,869	16,062
Auxiliary Enterprises	5,900	5,950	5,768
Other	370	447	425
Total Operating Revenues	35,792	32,788	32,333
Operating Expenses	38,817	36,896	35,099
Net Operating (Loss)	(3,025)	(4,108)	(2,766)
Nonoperating Revenue(Expense)			
Gifts and Donations	1,959	1,943	1,997
Interest Income	629	555	200
Other Nonoperationg	(466)	714	685
Net Nonoperating Revenue	2,122	3,212	2,882
Income(Loss) Before Other Revenue, Expenses, Gains or Losses	(903)	(896)	116
Other Revenue, Expenses, Gains or Losses			
State Appropriations, Capital	3,350	524	-
Other	(88)	(89)	125
Increase(Decrease) In Net Assets	2,359	(461)	241
Net Assets			
Net Assets-Beginning of Year	51,428	51,889	51,648
Net Assets-End of Year	$ 53,787	$ 51,428	$ 51,889

CAPITAL ASSETS

At June 30, 2008 the College had approximately $53.1 million invested in capital assets, net of accumulated depreciation of $38.7 million. Depreciation charges were $3.2 million for the current year compared to $3.3 million in 2007 and $3.3 million in 2006. Details of these assets for the three years are shown below.

Capital Assets, Net of Depreciation, at Year End

	2008	2007	2006
Land	$ 445,249	$ 170,210	$ 170,210
Land Improvements	1,967,158	2,219,599	2,483,102
Buildings	43,851,595	46,118,818	47,950,429
Construction in Progress	5,007,028	625,193	674,391
Equipment	1,007,863	926,477	1,040,371
Library Materials	846,713	844,220	851,099
Total	$ 53,125,606	$ 50,904,517	$ 53,169,602

Major capital additions completed this year and the source of resources that funded their acquisition included:

Coronado Hall Renovations, funded by housing system	$ 237,514
North Campus Land Acquisition, funded by housing system	275,039
Student Union Building Door Replacement, Bond Proceeds	41,802
	$ 554,355

DEBT

On February 18, 2004, the College issued Auxiliary Facilities Refunding and Improvement Revenue Bonds Series 2004A in the amount of $11.6 million for the purpose of refunding $9.1 million of Series A 1994 Bonds and to obtain additional funds in the amount of $2.1 million for improvement projects (see Note 7 of the financial statements for more information on this refinancing). The improvement projects consist of roof repairs to Rex Gym and the College Center and completing the renovation of Coronado Hall.

At June 30, 2008, the College had approximately $9.8 million in debt outstanding compared to $10.3 million at June 30, 2007 and $10.9 million at June 30, 2006. The table on the next page summarizes these amounts by type of debt.

Outstanding Debt, at Year End

	2008	2007	2006
Enterprise Revenue Bonds	$ 9,781,890	$ 10,208,860	$ 10,620,830
Capital Lease	-	99,659	236,731
Notes Payable	35,622	41,409	50,432
Total	$ 9,817,512	$ 10,349,928	$ 10,907,993

ECONOMIC OUTLOOK

The economic position of the College is closely tied to that of the State. For fiscal years 2008, 2007, and 2006 the College received no operating State appropriations.

In 2004, Governor Owens signed Senate Bill 04-189, which created the Colorado Opportunity Fund. This legislation created a first-in-the-nation funding mechanism for higher education. The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. In addition, the bill provides higher education institutions the opportunity to become enterprises under TABOR. Because funding is provided to students through the stipends and to the institutions through fee-for-service arrangements, the bill allows all qualifying public institutions to be designated as "enterprises" if approved by the Legislative Audit Committee. The Legislative Audit Committee and the Board of Trustees approved the designation of the College as an enterprise for fiscal years 2008, 2007 and 2006. The College must meet the requirements of a TABOR enterprise on an annual basis.

This has had a significant impact on how higher education is funded in Colorado. The purpose of S.B. 04-189, or the College Opportunity Fund bill, is to bring awareness to students that funding from the State of Colorado does help cover their educational expenses. The trust fund's monies are administered by the Colorado Student Loan Program dba College Assist. The student can direct their stipend funding to a particular institution by applying for the program and registering at the institution of their choice.

The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. For fiscal years 2009, 2008, 2007 and 2006, the stipend is $2,760, $2,670, $2,580 and $2,400, respectively, for a full-time public higher education student taking 30 credit hours of classes.

The College has budgeted for $3.8 million in College Opportunity Fund stipends for fiscal year 2009. The College received $3.7 million, $3.7 million and $3.4 million in COF stipends in fiscal years 2008, 2007 and 2006, respectively. In fiscal year 2009 $10.8 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The

College received $10.0 million, $8.8 million and $8.8 million in fee for service revenue in fiscal years 2008, 2007 and 2006, respectively. The bill institutes fee-for-service contract arrangements between each institution and the CDHE to provide graduate education, rural education, and basic education services to the State. These fee-for-service contracts must be negotiated annually with the CDHE.

Adams State College has restructured its tuition rate structure to align with the stipend reimbursement model.

ADAMS STATE COLLEGE
Statements of Net Assets
As of June 30, 2008 and June 30, 2007

	2008	2007
Assets:		
Current Assets		
Cash and cash equivalents	**$ 13,496,960**	$ 13,585,977
Student accounts receivable, net	**792,795**	515,412
Other accounts receivable	**675,450**	585,576
Student loans receivable, net	**152,253**	205,385
Inventories	**477,546**	463,129
Prepaid expenses and other assets	**120,213**	41,011
Total current assets	**15,715,217**	15,396,490
Noncurrent Assets		
Restricted cash and cash equivalents	**328,250**	328,250
Student loans receivable, net	**777,534**	726,679
Deferred charges-bond issuance costs	**296,612**	315,595
	1,402,396	1,370,524
Non-depreciable capital assets:		
Land	**445,249**	170,210
Construction in progress	**5,007,028**	625,193
Total non-depreciable capital assets	**5,452,277**	795,403
Depreciable capital assets, net:		
Buildings	**43,851,595**	46,118,818
Land improvements	**1,967,158**	2,219,599
Furniture & equipment	**1,007,863**	926,477
Library books	**846,713**	844,220
Total depreciable capital assets, net	**47,673,329**	50,109,114
Total noncurrent assets	**54,528,002**	52,275,041
Total Assets	**70,243,219**	67,671,531
Liabilities:		
Current Liabilities		
Accounts payable	**776,626**	747,715
Accrued liabilities	**4,101,460**	3,636,778
Deferred revenue	**302,588**	255,810
Deposits held for others	**419,531**	386,751
Bonds payable, current	**450,000**	440,000
Notes payable, current	**11,960**	11,960
Capital leases payable, current	**-**	99,659
Compensated absences liability	**28,565**	46,745
Total current liabilities	**6,090,730**	5,625,418
Noncurrent Liabilities		
Compensated absences liability	**1,010,287**	820,111
Notes payable	**23,662**	29,449
Bonds payable	**9,331,890**	9,768,860
Total noncurrent liabilities	**10,365,839**	10,618,420
Total Liabilities	**16,456,569**	16,243,838
Net Assets:		
Invested in capital assets, net of related debt	**43,308,094**	40,554,589
Restricted for non-expendable purposes:		
Endowments	**28,250**	28,250
Restricted for expendable purposes:		
Endowments	**38,306**	36,811
Loans	**1,061,172**	1,120,277
Capital Projects	**300,000**	300,000
Other Purposes	**1,924,264**	2,324,162
Total Restricted	**3,351,992**	3,809,500
Unrestricted	**7,126,564**	7,063,604
Total Net Assets	**$ 53,786,650**	$ 51,427,693

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash	**$ 21,076**	$ 82,142
Certificates of deposit	**698,208**	698,208
Investments, at fair value	**11,214,355**	12,749,927
Notes receivable, net of allowance of $0	**247,197**	255,490
Pledges receivable, net of allowance of $2,500	**7,813**	5,170
Inventories	**13,640**	13,640
Land - available for sale	**3,650**	3,650
Book collection	**35,238**	-
Art collection	**220,750**	220,750
Total Assets	**$ 12,461,927**	$ 14,028,977
LIABILITIES		
Accounts payable and accrued expenses	**$ -**	$ -
Total Liabilities	**-**	-
NET ASSETS		
Unrestricted:		
Unreserved	**(208,205)**	1,681,180
Board designated	**24,300**	23,500
	(183,905)	1,704,680
Temporarily restricted net assets	**1,771,692**	1,774,755
Permanently restricted net assets	**10,874,140**	10,549,542
Total Net Assets	**$ 12,461,927**	$ 14,028,977

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE
Statements of Revenues, Expenses and Changes in Net Assets
For the years ending June 30, 2008 and 2007

	2008	2007
Operating Revenues:		
Tuition and fees (including pledged revenues of $564,234 and $585,661, respectively and net of scholarship allowances of $7,319,904 and $5,885,443, respectively)	**$ 10,601,071**	$ 10,521,932
Sales and services of auxiliary enterprises (including pledged revenues of $6,100,004 and $6,082,391, respectively and net of scholarship allowances of $627,236 and $569,242, respectively)	**5,899,839**	5,950,044
Fee for service contract revenue	**9,956,155**	7,601,686
Federal grants and contracts	**6,779,858**	6,539,587
State grants and contracts	**2,184,538**	1,727,989
Other operating revenues (including pledged revenues of $11,240 and $18,961, respectively)	**369,974**	446,727
Total operating revenues	**35,791,435**	32,787,965
Operating Expenses:		
Instruction	**14,202,867**	13,059,887
Academic support	**1,986,897**	1,816,231
Student services	**2,863,556**	2,587,754
Institutional support	**3,525,148**	3,149,102
Operation of plant	**3,181,731**	2,833,119
Scholarships and fellowships	**1,120,560**	1,298,337
Auxiliary enterprises expenditures	**8,720,825**	8,883,163
Depreciation	**3,215,296**	3,268,001
Total operating expenses	**38,816,880**	36,895,594
Operating Loss	**(3,025,445)**	(4,107,629)
Nonoperating Revenues (Expenses):		
Gifts and donations	**1,958,541**	1,943,407
Investment and interest income (including pledged revenues of $101,239 and $57,797, respectively)	**629,219**	555,147
Interest on capital debt	**(465,544)**	(464,152)
Other nonoperating revenues	**-**	1,177,949
Net nonoperating revenue (expenses)	**2,122,216**	3,212,351
Loss before other revenues, expenses, gains, losses or transfers	**(903,229)**	(895,278)
Other Revenues, (Expenses) or Transfers:		
State appropriation, capital	**3,349,666**	524,208
Federal grant - capital	**-**	204
Transfers to other institutions	**(87,480)**	(90,168)
Increase (Decrease) in Net Assets	**2,358,957**	(461,034)
Net Assets - beginning of the year	**51,427,693**	51,888,727
Net Assets - end of the year	**$ 53,786,650**	$ 51,427,693

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, beginning of the year	$ 1,704,680	$ 1,774,755	$ 10,549,542	$ 14,028,977
Revenues, Gains and Other Support				
Donations - cash	168,065	907,720	148,738	1,224,523
Donations - gifts-in-kind	35,238	-	-	35,238
Investment income	152,895	429,785	914	583,594
Realized and unrealized gains (losses) on investments	(1,113,942)	-	-	(1,113,942)
Subtotal	(757,744)	1,337,505	149,652	729,413
Net assets released from restriction	1,226,858	(1,226,840)	(18)	-
Total from Revenues, Gains and Other Support	469,114	110,665	149,634	729,413
Expenses and Losses				
Program Services	1,707,897	-	-	1,707,897
Supporting Services:				
Advertising	579	-	-	579
Professional fees and consulting	84,534	-	-	84,534
Insurance	3,541	-	-	3,541
General administration	3,928	-	-	3,928
Meetings	1,347	-	-	1,347
Real estate taxes	102	-	-	102
Salaries	126,420	-	-	126,420
Printing and postage	55,757	-	-	55,757
Alumni	180,756	-	-	180,756
Fundraising	110,365	-	-	110,365
Support and maintenance	21,237	-	-	21,237
Total Expenses and Losses	2,296,463	-	-	2,296,463
Transfers:				
Transfer in	-	363,647	174,964	538,611
Transfer out	(61,236)	(477,375)	-	(538,611)
Change in net assets for the year	(1,888,585)	(3,063)	324,598	(1,567,050)
	-			
Net Assets, end of the year	$ (183,905)	$ 1,771,692	$ 10,874,140	$ 12,461,927

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, beginning of the year	$ 1,862,532	$ 1,745,942	$ 4,516,668	$ 8,125,142
Revenues, Gains and Other Support				
Contributions	100,677	782,181	6,019,584	6,902,442
Investment Income	175,135	191,797	-	366,932
Realized and Unrealized Gains (Losses) on Investments	556,551	-	-	556,551
Subtotal	832,363	973,978	6,019,584	7,825,925
Net Assets Released from Restriction	972,069	(972,069)	-	-
Total from Revenues, Gains and Other Support	1,804,432	1,909	6,019,584	7,825,925
Expenses and Losses				
Program Services	1,431,325	-	-	1,431,325
Supporting Services:				
Advertising	449	-	-	449
Professional fees and consulting	32,541	-	-	32,541
Insurance	3,004	-	-	3,004
General administration	2,078	-	-	2,078
Meetings	1,719	-	-	1,719
Real estate taxes	83	-	-	83
Salaries	89,976	-	-	89,976
Printing and postage	39,869	-	-	39,869
Alumni	160,459	-	-	160,459
Fundraising	137,624	-	-	137,624
Support and maintenance	22,963	-	-	22,963
Total Expenses and Losses	1,922,090	-	-	1,922,090
Transfers:				
Transfer in	-	449,374	23,290	472,664
Transfer out	(40,194)	(422,470)	(10,000)	(472,664)
Change in net assets for the year	(157,852)	28,813	6,032,874	5,903,835
Net Assets, end of the year	$ 1,704,680	$ 1,774,755	$ 10,549,542	$ 14,028,977

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE
Statements of Cash Flows
For the years ending June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities:		
Cash Received:		
Tuition and fees	**$ 10,501,244**	$ 10,433,995
Fee for service contract revenue	**9,956,155**	7,607,296
Sales of services	**4,228,146**	4,520,912
Sales of products	**1,347,119**	1,317,869
Grants and contracts	**8,777,115**	8,234,894
Student loans collected	**328,699**	450,480
Other receipts	**455,492**	365,662
Cash Payments:		
Payments to employees	**(24,584,975)**	(22,372,537)
Payments to suppliers	**(9,076,980)**	(9,226,973)
Scholarships disbursed	**(1,120,560)**	(1,298,337)
Student loans disbursed	**(372,243)**	(475,198)
Net cash provided (used) by operating activities	**439,212**	(441,937)
Cash Flows from Noncapital Financing Activities:		
Gifts/Grants for other than capital purposes	**1,958,541**	1,943,407
Change in funds held for others	**-**	460
Other noncapital revenues	**-**	1,179,287
Agency receipts	**13,675,988**	12,831,594
Agency payments	**(13,638,801)**	(12,823,092)
Transfers to other Institutions	**(87,480)**	(90,168)
Net cash provided by noncapital financing activities	**1,908,248**	3,041,488
Cash Flows from Capital and Related Financing Activities:		
State appropriations, capital	**3,349,666**	524,208
Capital grants, contracts and gifts	**-**	204
Acquisition or construction of capital assets	**(5,437,283)**	(986,942)
Principal paid on capital debt	**(532,416)**	(558,065)
Interest paid on capital debt	**(446,561)**	(463,413)
Net cash (used) by capital and related financing activities	**(3,066,594)**	(1,484,008)
Cash Flows from Investing Activities:		
Investment earnings	**630,117**	556,079
Net cash provided by investing activities	**630,117**	556,079
Net Increase (Decrease) in Cash	**(89,017)**	1,671,622
Cash - beginning of the year	**13,914,227**	12,242,605
Cash - end of the year	**$ 13,825,210**	$ 13,914,227

The accompanying notes are an integral part of this statement.

ADAMS STATE COLLEGE
Statements of Cash Flows (Continued)
For the years ending June 30, 2008 and 2007

	2008	2007
Reconciliation of net operating revenues (expenditures) to net cash provided (used) by operating activities:		
Operating loss	**$ (3,025,445)**	$ (4,107,629)
Adjustments to reconcile:		
Depreciation expense	**3,215,296**	3,268,001
Decrease (increase) in assets:		
Receivables, net	**(364,980)**	39,997
Inventories and prepaids	**(93,619)**	16,109
Increase (decrease) in liabilities:		
Accounts payable	**28,911**	137,779
Accrued liabilities	**464,682**	300,002
Deferred revenues	**46,778**	(82,786)
Student deposits	**(4,407)**	(24,538)
Compensated absences	**171,996**	11,128
Net cash provided (used) by operating activities	**$ 439,212**	$ (441,937)
Noncash Investing, Capital, and Financing Activities:		
State capital contributions	**$ 3,349,666**	$ 524,208
Loss on capital asset deletions	**1,134**	5,877
Amortization of capital premium/discount and capital loss	**49,165**	49,165

The accompanying notes are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governance

HB 03-1093 authorized independent governance for Adams State College effective July 1, 2003. Adams State College is governed by the Board of Trustees for Adams State College. The Trustees are statutorily charged with responsibility in the areas of finance, resources, academic programs, admissions, role and mission, and personnel policies. The Board consists of nine members appointed by the Governor serving four-year terms. An elected member of the student body of the College serves for one-year term and an elected member of the faculty of the College serves for two-year terms.

Reporting Entity

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

The College has determined that the Adams State College Foundation meets the GASB Statement No. 39 criteria for inclusion in the College's financial statements. The Foundation's financial information is presented on separate pages with the financial statements of the College for fiscal year June 30, 2008 and 2007. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from the Controller's Office at the College. See note 14 for a description of the Adams State College Foundation.

As defined by GASB Statement 14, *The Financial Reporting Entity*, the College is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relation with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

Basis of Accounting

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

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

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, and certificates of deposit with financial institutions, pooled cash with the State Treasurer and all highly liquid investments with an original maturity of three months or less.

Investments
Investments are stated at their fair market value as determined by quoted market prices.

Inventory
Inventories consist primarily of bookstore inventory and consumable supplies and are stated at the lower of cost or market as determined by the FIFO (first in, first out) method. The valuation of the bookstore inventory is determined by the retail FIFO method, which involves pricing items at current selling prices reduced to the lower of cost or market by the application of an average mark-up ratio.

Capital Assets
Physical plant and equipment are stated at cost at date of acquisition, or fair market value at date of donation. A physical inventory of all plant assets is taken annually with appropriate adjustments made to the financial records. Annual revisions of statement of values for insurance purposes are performed. The College follows the policy of capitalizing only those plant assets with an initial cost or fair value equal to or greater than $5,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are determined as 40 years for buildings, 15-20 years for building improvements, 10-20 years for improvements other than buildings, 5-30 years for equipment, and 10 years for library materials.

The College capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized during the years ended June 30, 2008 and 2007 was $0 and $17,312, respectively.

Classification of Revenue
The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

- Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include state appropriations for operations, gifts, investment income and insurance reimbursement revenue.

Application of Restricted and Unrestricted Resources
The College's policy is to first apply an expense against restricted resources then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

Compensated Absence Liabilities

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as compensated absence liabilities in the Statement of Net Assets and as a component of appropriate functional expense categories in the Statement of Revenues, Expenses, and Changes in Net Assets. The current portion of this liability is estimated based on historical trends.

Net Assets

The College has classified its net assets according to the following criteria:

- *Invested in Capital Assets, Net of Related Debt* – This category represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of this category.

- *Restricted Net Assets, Nonexpendable* – This category consists of endowment funds that are required to be retained in perpetuity.

- *Restricted Net Assets*, *Expendable* – This category includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Restricted expendable net assets are classified as expendable for loans, debt service, capital projects and other purposes. For the College, restricted net assets expendable for other purposes includes net assets of its bonded auxiliaries.

- *Unrestricted Net Assets* – Unrestricted Net Assets are those that do not meet the definition of "Restricted" or "Invested in Capital Assets, Net of Related Debt" as described above. Generally, these resources will be derived from student tuition and fees, state appropriations, sales and services of educational activities, and sales and services of certain auxiliary and self-funded activities.

Enterprise Designation

In 2004, Governor Owens signed Senate Bill 04-189, which provides higher education institutions the opportunity to become designated enterprises under Section 20, Article X of the State Constitution (The Taxpayer's Bill of Rights) so long as the governing board of the institution has the authority to issue revenue bonds and the institution receives less than ten percent of its revenue from the State of Colorado and local governments. This designation must be approved by the State Legislative Audit Committee. The Legislative Audit Committee and the Board of Trustees approved the designation of the College as an enterprise in fiscal years 2008, 2007 and 2006. The enterprise designation is reviewed at the end of each fiscal year to ensure that the criteria are still being met.

Reclassifications

Certain reclassifications were made to the fiscal year 2007 financial statements presentation in order to conform to the fiscal year 2008 financial statements presentation.

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

For an investment, custodial credit risk is the risk that in the event of a bank failure, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a deposit policy for custodial credit risk. The College does not have any custodial credit risk.

At June 30, 2008, the College had $10,240,515, including unrealized gains of $47,880, on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	$ 9,865
Cash in checking accounts at bank	499,664
Certificate of Deposits	3,075,166
Total cash	$ 3,584,695

The carrying amount of the College’s cash on deposit was $3,574,830. The bank balance of these deposits was $3,849,501, of which $370,077 was covered by federal depository insurance and $3,479,424 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

At June 30, 2007, the College had $10,312,903, including unrealized losses of $(58,698), on deposit with the State Treasurer. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	$ 17,430
Cash in checking accounts at bank	1,921,511
Certificate of Deposits	1,662,383
Total cash	$ 3,601,324

The carrying amount of the College’s cash on deposit was $3,583,894. The bank balance of these deposits was $3,849,636, of which $391,070 was covered by federal depository insurance and $3,458,566 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

The College deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer’s unrealized gains/losses based on its participation in the State Treasurer’s pool. All of the Treasurer’s investments are reported at fair value, which is determined based on quoted market prices at June 30, 2008. 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. For the years ended June 30, 2008 and June 30, 2007, the College had unrealized gains (losses) of $47,880 and ($58,698), respectively. Additional information on the Treasurer’s pool may be obtained from the State of Colorado’s Comprehensive Annual Financial Report.

ASC Foundation Investments and Concentration of Risk

Investments recorded at fair value are comprised of the following:

	June 30, 2008		June 30, 2007	
	Cost	Fair Value	Cost	Fair Value
Common fund	$ 11,876,533	$ 11,214,355	$ 12,174,887	$ 12,749,927

Other investments are recorded at estimated value on the date of contribution where fair value is not available.

	June 30, 2008		June 30, 2007	
	Value at Contribution	Carrying Value	Value at Contribution	Carrying Value
Art collection	$ 220,750	$ 220,750	$ 220,750	$ 220,750
Book collection	35,238	35,238	-	-
Land – available for sale	3,650	3,650	3,650	3,650
	$ 259,638	$ 259,638	$ 224,400	$ 224,400

Common Fund investments of the individual net asset classes are combined to form a pool of investments, which is managed by the Common Fund. Income earned on investments is allocated, based on cost, to the individual net asset classes with earnings of the endowment investments being included as an increase of temporarily restricted net assets or unrestricted net assets.

As of June 30, 2008 and 2007, the Foundation had bank deposits in two financial institutions that exceeded insurance coverage by a total of $371,354 and $580,278, respectively.

NOTE 3: ACCOUNTS AND LOANS RECEIVABLE

Accounts receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statement of Net Assets. At June 30, 2008 and 2007, accounts receivable were as follows:

	2008	2007
Student Accounts Receivable	$ 1,277,877	$ 944,222
Less: Allowance for Doubtful Accounts	(485,082)	(428,810)
Student Accounts Receivable, net	792,795	515,412
Other Accounts Receivable	675,450	585,576
Student Loans Receivable	1,162,176	1,106,525
Less: Allowance for Doubtful Accounts	(232,389)	(174,460)
Student Loans Receivable, net	929,787	932,065
Total Receivables	$ 2,398,032	$ 2,033,053

STATE OF COLORADO
ADAMS STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

NOTE 4: CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the years ended:

June 30, 2008	Balance June 30, 2007	Additions	Retirements/ Transfers	Balance June 30, 2008
Nondepreciable Capital Assets				
Land	$ 170,210	$ 275,039	$ -	$ 445,249
Construction in Progress	625,193	4,661,152	279,317	5,007,028
Total Nondepreciable Capital Assets	$ 795,403	$ 4,936,191	$ 279,317	$ 5,452,277
Depreciable Capital Assets				
Land Improvements	$ 5,211,398	$ -	$ -	$ 5,211,398
Buildings and Improvements	72,579,511	279,317	-	72,858,828
Equipment	3,798,610	329,864	137,467	3,991,007
Library Materials	4,218,917	171,464	74,459	4,315,922
Total Depreciable Capital Assets	85,808,436	780,645	211,926	86,377,155
Less: Accumulated Depreciation				
Land Improvements	2,991,799	252,442	-	3,244,241
Buildings and Improvements	26,460,693	2,546,539	-	29,007,232
Equipment	2,872,133	247,344	136,333	2,983,144
Library Materials	3,374,697	168,971	74,459	3,469,209
Total Accumulated Depreciation	35,699,322	3,215,296	210,792	38,703,826
Net Depreciable Capital Assets	$ 50,109,114	$ (2,434,651)	$ 1,134	$ 47,673,329

June 30, 2007	Balance June 30, 2006	Additions	Retirements/ Transfers	Balance June 30, 2007
Nondepreciable Capital Assets				
Land	$ 170,210	$ -	$ -	$ 170,210
Construction in Progress	674,391	664,137	713,335	625,193
Total Nondepreciable Capital Assets	$ 844,601	$ 664,137	$ 713,335	$ 795,403
Depreciable Capital Assets				
Land Improvements	$ 5,211,398	$ -	$ -	$ 5,211,398
Buildings and Improvements	71,866,176	713,335	-	72,579,511
Equipment	3,717,493	182,120	101,003	3,798,610
Library Materials	4,178,044	163,873	123,000	4,218,917
Total Depreciable Capital Assets	84,973,111	1,059,328	224,003	85,808,436
Less: Accumulated Depreciation				
Land Improvements	2,728,296	263,503	-	2,991,799
Buildings and Improvements	23,915,747	2,544,946	-	26,460,693
Equipment	2,677,122	288,800	93,789	2,872,133
Library Materials	3,326,945	170,752	123,000	3,374,697
Total Accumulated Depreciation	32,648,110	3,268,001	216,789	35,699,322
Net Depreciable Capital Assets	$ 52,325,001	$ (2,208,673)	$ 7,214	$ 50,109,114

NOTE 5: LONG–TERM LIABILITIES

The College's Long-Term Liability activity for the years ended June 30 follows:

June 30, 2008	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Bond and Leases Payable:					
Enterprise Revenue Bonds	$ 10,270,000	$ -	$ 440,000	$ 9,830,000	$ 450,000
Add: Unamortized Premium	300,368	-	18,067	282,301	-
Less: Refunding Gain/(Loss)	(361,508)	-	(31,097)	(330,411)	-
Capital Lease Obligation	99,659	-	99,659	-	-
Total Bonds and Leases Payable	10,308,519	-	526,629	9,781,890	450,000
Other Liabilities:					
Compensated Absences	866,856	171,996	-	1,038,852	28,565
Other	41,409	-	5,787	35,622	11,960
Total Other Liabilities	908,265	171,996	5,787	1,074,474	40,525
Total Long-Term Liabilities	$ 11,216,784	$ 171,996	$ 532,416	$ 10,856,364	$ 490,525

June 30, 2007	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Bond and Leases Payable:					
Enterprise Revenue Bonds	$ 10,695,000	$ -	$ 425,000	$ 10,270,000	$ 440,000
Add: Unamortized Premium	318,435	-	18,067	300,368	-
Less: Refunding Gain/(Loss)	(392,605)	-	(31,097)	(361,508)	-
Capital Lease Obligation	236,731	-	137,072	99,659	99,659
Total Bonds and Leases Payable	10,857,561	-	549,042	10,308,519	539,659
Other Liabilities:					
Compensated Absences	855,728	11,128	-	866,856	46,745
Other	50,432	-	9,023	41,409	11,960
Total Other Liabilities	906,160	11,128	9,023	908,265	58,705
Total Long-Term Liabilities	$ 11,763,721	$ 11,128	$ 558,065	$ 11,216,784	$ 598,364

NOTE 6: LEASE OBLIGATIONS

A capital lease for Energy Conservation Equipment was entered into May 17, 1996 in the amount of $1,144,242. This lease consisted of two purchase agreements. Phase 1 agreement required monthly payments of $4,527 for ten years with an interest rate of 6.75%. Phase 2 agreement required monthly payments of $8,612 for ten years with an interest rate of 6.75%. The lease purchase liability was paid off in the year ended June 30, 2008.

NOTE 7: BONDS PAYABLE

On February 18, 2004, the College issued Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds Series 2004A in the amount of $11,575,000 for the purpose of refunding $9,110,000 of Series A 1994 Enterprise Revenue Bonds and to obtain additional funds in the amount of $2,103,880 for improvement projects. Proceeds in the amount of $9,452,801 were placed into an irrevocable Escrow account for the refunding of the Series A 1994 Bonds, which were called on May 15, 2004 at 101% of face value. As a result, the Series A 1994 Bonds are considered defeased and the liability for those bonds has been removed from the College's Statement of Net Assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $466,462. This refunding loss is being amortized over a 15-year period. An additional cash flow requirement of $951,996 is required to service the Series 2004A Bonds and an economic gain (difference between the present values of the old and new debt service payments) of $472,524 is obtained.

The Series 2004A Bonds have annual maturities through 2018. The bonds maturing between May, 2019 through May, 2024 are subject to mandatory sinking fund requirements by lot, on the dates and in the designated principal amounts as specified in the bond resolution, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Interest rates vary from 2.50% to 5.25% with an average rate of 4.63%. The bonds are collateralized by first lien on and pledge of all net revenues of the Auxiliary Facilities System. The Series 2004A Bonds are insured through the Municipal Bond Investors Assurance Corporation (MBIA).

On June 5, 2008, Standard and Poor's downgraded the rating issued on the Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds Series 2004A from AAA to AA.

The long-term bonds payable are shown in the Statement of Net Assets net of unamortized premium and unamortized deferred loss on refunding.

Debt Service Reserve Requirement

Under the terms of the bond resolution, the Debt Service Minimum Reserve Requirement is not expected to exceed $987,333; which amount (1) does not exceed 10% of the original stated principal amounts of the Series 2004A Bonds, (2) does not exceed the maximum annual principal and interest requirements of the Series 2004A Bonds and (3) does not exceed 125% of the average annual principal and interest requirements of the Series 2004A Bonds. The College fulfilled this requirement with the purchase of a Debt Service Reserve Surety Bond in the amount of $987,333 issued through the Municipal Bond Investors Assurance Corporation (MBIA).

Under the terms of the bond resolution, the Repair and Replacement Reserve Requirement is in an amount of not less than $300,000. As of June 30, 2008 the College had a Repair and Replacement Reserve balance of $1,015,787. Principal and interest requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2009	450,000	436,902
2010	475,000	423,402
2011	475,000	407,965
2012	500,000	391,340
2013	510,000	372,590
2014-2018	2,900,000	1,541,480
2019-2023	3,665,000	821,888
2024	855,000	44,888
	$9,830,000	$4,440,455
Less unamortized Premium/ Discount and Refunding Loss	(48,110)	
Bonds Payable	$9,781,890	

NOTE 8: COMMITMENTS AND CONTINGENCIES

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

The College receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the College. However, College management believes that any such disallowed amounts will not have a material adverse effect on any of the financial statements or on the overall financial position of the College at June 30, 2008.

NOTE 9: COMPENSATED ABSENCES

Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount, which will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, 2008, and June 30, 2007, are estimated as $28,565 and $46,745 respectively. The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, 2008, and June 30, 2007, are estimated as $1,010,287 and $820,111 respectively. Current expenses include a decrease of $18,180 for the estimated compensated absence liability. None of the liability relates to the current restricted fund.

NOTE 10: PENSION PLAN OBLIGATIONS

On September 10, 1993 the Board of Trustees of the State Colleges adopted an Optional Retirement Plan (ORP) for faculty and exempt-administrative staff, under the authority of Senate Bill 92-127. The implementation date was May 1, 1994; eligible employees were offered the choice of remaining in PERA or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire. On July 1, 2003 the Board of Trustees for Adams State College elected to continue with the Optional Retirement Plan (ORP).

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

The College’s contributions to the ORP for the fiscal years ending June 30, 2008, 2007, and 2006 were $928,749, $832,719 and $750,702 respectively. These contributions were equal to the required contributions for each year. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and decisions made by participants for their individual investment accounts.

As of May 1, 1994, some exempt employees of the institution elected to continue as members with the Public Employee's Retirement Association of Colorado (PERA), the remainder participates in the ORP.

PERA Plan Description
Many of the College’s employees participate in a defined benefit pension plan. The plan’s purpose is to provide income to members and their families at retirement or in the case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees’ Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions’ plans are included in PERA’s financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

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

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

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

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

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

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

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

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

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

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

Funding Policy

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

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2007 to December 31, 2007, the State contributed 11.15 percent of the employee's salary. From January 1, 2008, through June 30, 2008, the State contributed 12.05 percent. During all of Fiscal Year 2007-08, 1.02 percent of the employees' gross covered wages was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2007, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

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

The College's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ending June 30, 2008, 2007 and 2006 were $1,147,826, $1,025,181 and $933,618 respectively. These contributions were equal to the required contributions for each year.

Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan, for Adams State College was $90,782. Employee contributions were 7.5 percent of covered payroll.

NOTE 11: VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer a 403(b) or 401(a) plan.

NOTE 12: POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

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

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 10. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2007, there were 44,214 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2007, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.045 billion, a funded ratio of 19.9 percent, and a 38-year amortization period.

Life Insurance Program
During Fiscal Year 2006-07, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 members participated. Active members may join the UnumProvident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 12,790 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

Other Programs - Colorado Higher Education Insurance Benefits Alliance (CHEIBA)
Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare. As of June 30, 2008 there were 55 participants in post retirement coverage from the eight member higher education institutions. For fiscal year 2008, Adams State College had no retired faculty or administrative participants under CHEIBA.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting following Governmental accounting standards for a business type activity. The financial statements can be obtained by contacting the Adams State College Human Resources Office. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of the Trust's investments is based on quoted market prices from national securities exchanges.

There are no long term contracts for contributions to the plan. Participating schools can withdraw their participation in the plan with at least one years notice to the CHEIBA board.

NOTE 13: SCHOLARSHIP ALLOWANCES

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2008 and 2007 were as follows:

	Tuition & Fees	Auxiliary Revenue	2008 Total	2007 Total
Gross Revenue	$ 17,920,975	$ 6,527,075	$ 24,448,050	$ 22,926,661
Scholarship Allowances:				
Federal	3,404,742	291,749	3,696,491	3,312,285
State	1,442,244	123,585	1,565,829	1,109,457
Private	1,781,000	152,612	1,933,612	718,633
Institutional	691,918	59,290	751,208	1,314,310
Total Allowances	7,319,904	627,236	7,947,140	6,454,685
Net Revenue	$ 10,601,071	$ 5,899,839	$ 16,500,910	$ 16,471,976

NOTE 14: COLLEGE FOUNDATION

The Adams State College Foundation was formed and incorporated on January 23, 1962, as a non-profit corporation for the purpose of receiving gifts, legacies and grants of money and property and to administer these exclusively for educational purposes entirely within the Adams State College area in the State of Colorado, and for the purpose of promoting and furthering the interests, objectives and purposes of Adams State College in such other ways and manners as the corporation may from time to time determine.

During the year ended June 30, 2008 and 2007 the College received funds totaling $1,740,313 and $1,557,997, respectively, from the Foundation for scholarships, work study and grants-in-aid. These funds are appropriately accounted for and reported in the financial statements. In addition, the Foundation has expended funds for the purchase of an insignificant quantity of supplies and other services from the College.

For year ended June 30, 2008 and 2007, the College is discretely presenting the Adams State College Foundation's Statement of Financial Position and Statement of Activities as required by GASB 39. The Foundation's note on Investments is included in Note 2 above.

NOTE 15: ACCRUED PAYROLL

Prior to fiscal year 2003, salaries and wages earned through the end of the fiscal year were paid to employees on June 30. Senate Bill 03-197 requires that monthly salaries for June that were normally paid on June 30 are to be paid on July 1. This created an accrual for June 30, 2008 and June 30, 2007 of $1,792,065 and $1,701,938, respectively.

NOTE 16: RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

NOTE 17: LONG BILL BUDGET, ACTUAL REVENUE AND ACTUAL EXPENSES

The budget, actual revenue and actual expenses related to the amounts shown in the State of Colorado Long Bill for tuition, academic fees, stipends and fee for service contracts for fiscal year 2008 are as follows:

Budget	$20,973,320
Actual Revenues	20,843,395
Actual Expenses	16,299,464

SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND EXPENSES FOR
ENTERPRISE REVENUE BONDS

ADAMS STATE COLLEGE

SCHEDULES OF REVENUES AND EXPENSES

FOR ENTERPRISE REVENUE BONDS

For years ended June 30, 2008 and 2007

		2008	2007
Revenue			
College Service Fees		**$ 564,237**	$ 585,763
Traffic Control Fees		**63,366**	60,841
Rental Income		**3,083,608**	3,134,884
Food Service Income		**1,487,068**	1,417,068
Sales/Services Auxiliaries		**1,325,907**	1,344,258
Interest Income		**101,239**	57,797
Other Income		**151,299**	144,302
	Total Revenue	**6,776,724**	6,744,913
Expenses			
Salaries & Benefits		**1,477,487**	1,345,040
Costs of Goods		**933,094**	912,127
Utilities Expense		**517,680**	487,903
Rental Expense		**181,719**	182,708
Contract Food Services		**923,797**	821,094
Travel		**16,276**	14,995
Supplies		**187,262**	143,747
Other Operating Expenses		**257,238**	346,644
Purchased Services-Personal		**11,254**	13,751
Financial Aid		**7,840**	15,900
Administrative Cost Allowance		**579,441**	574,108
Furniture & Equipment		**59,970**	66,494
Other Capital Expenditures		**103,341**	117,831
Other Expenses		**146,838**	154,068
	Total Expenses	**5,403,237**	5,196,410
Net Revenue before Transfers		**1,373,487**	1,548,503
Transfers			
Mandatory Transfers		**889,153**	884,778
Nonmandatory Transfers		**895,992**	518,700
	Total Transfers	**1,785,145**	1,403,478
Net Revenue (Loss)		**$ (411,658)**	$ 145,025

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Legislative Audit Committee

We have audited the basic financial statements of Adams State College (the College); a blended component unit of the State of Colorado, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 2, 2008. The financial statements of the College as of and for the year ended June 30, 2007 were audited by other auditors whose report dated October 25, 2007 expressed an unqualified opinion. The financial statements of Adams State College Foundation, a discretely presented component unit of the College, as of and for the years ended June 30, 2008 and 2007 were also audited by other auditors whose report dated November 11, 2008 expressed an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit, Adams State College Foundation, were not audited in accordance with the Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dalby, Wendland & Co., P.C.

DALBY, WENDLAND & CO., P.C.

December 2, 2008

DALBY, WENDLAND & CO., P.C.
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Members of the Legislative Audit Committee

We have audited the financial statements of the business-type activities of Adams State College (the College) a blended component unit of the State of Colorado for the year ended June 30, 2008, and have issued our report thereon dated December 2, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and "Government Auditing Standards"

As stated in our engagement letter dated May 27, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with the Board of Trustees oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve the Board of Trustees or management of your responsibilities.

In planning and performing our audit, we considered the College's internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on May 21, 2008. In addition, a letter on planned audit scope was provided to the Board of Trustees August 14, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the College are described in Note One to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the collectability of student accounts receivable and student loans is based on historical analysis. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatement detected as a result of audit procedures was corrected by management: recording of construction costs of $154,865 that were incurred prior to June 30, 2008 as noted in Recommendation 1.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2008.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of Legislative Audit Committee, Board of Trustees and management of Adams State College and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record upon release by the Legislative Audit Committee.

Sincerely,

Dalby, Wendland & Co., P.C.

DALBY, WENDLAND & CO., P.C.

December 2, 2008

STATE-FUNDED STUDENT
FINANCIAL ASSISTANCE PROGRAMS

ADAMS STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the year ended June 30, 2008

Introduction

Adams State College is a state-supported institution of higher education located in Alamosa, Colorado.

The financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2008, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department on Higher Education (CDHE). The State-Funded Student Assistance Programs policies are approved by the Colorado Commission on Higher Education (CCHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2008.

State-Funded Student Assistance Programs

The various state-funded student assistance programs at the College include the Colorado Student Grant Program, Colorado Work Study Program, Undergraduate Merit Award Program, Perkins Student Loan Matching Program, Diversity Grant Program, Governor's Opportunity Scholarship, CLEAP and SLEAP.

The State-funded student assistance awards made by the College were approximately $2,080,000 and $1,635,000 for the fiscal years ended 2008 and 2007, respectively.

The Director of Financial Aid 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 College in federal and state financial aid programs. The College Controller is responsible for the programs' financial management, general ledger accounting, payments, and collections.

During the audit period, Adams State College obtained authorizations to award federal student financial aid funds of $3,853,000 in the Pell Grant Program, $146,000 in the Supplemental Educational Opportunity Grant Program and $289,000 in the College Work-Study Program.

During the audit period, Adams State College obtained authorizations to award Colorado student financial aid funds of $110,000 in the CLEAP and SLEAP Programs, $1,311,000 in the Student Grant Program, $349,000 in the Colorado Work Study Program, $22,000 in the Merit Award Program, and $250,000 in the Governor's Opportunity Scholarship.

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REPORT OF INDEPENDENT AUDITOR ON THE STATEMENTS 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 Statements of Appropriations, Expenditures, Transfers, and Reversions of the State–Funded Student Assistance Programs for Adams State College (the College) for the year ended June 30, 2008. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The statements were prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs,* issued by the Colorado Department on Higher Education (CDHE), 2007 revision. The statements are a summary of cash activity of the state-funded student financial assistance programs with the exception of the College Work-Study Program and the Perkins Loan Program, and do not present certain transactions that would be included in the statements of the state-funded student financial assistance programs if presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying statements are not intended to present the financial position or changes in financial position of the College in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the statements referred to above present fairly the appropriations, expenditures, transfers, and reversions of the state-funded student assistance programs of the College, in all material respects, for the year ended June 30, 2008, in conformity with the provisions of the Colorado Department of Higher Education's *Colorado Handbook for State-Funded Student Financial Assistance Programs.*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 2, 2008 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Dalby. Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.

December 2, 2008

STATE OF COLORADO
ADAMS STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS
EXPENDITURES, TRANSFERS, AND REVERSIONS
Year ended June 30, 2008

	TOTAL STATE-FUNDED STUDENT ASSISTANCE	CLEAP PROGRAM	SLEAP PROGRAM	STUDENT GRANT PROGRAM	WORK STUDY PROGRAM	COLORADO MERIT SCHOLARSHIP	SCHOLARSHIP FOR PRECOLLEGIATE PROGRAMS	GOVERNOR'S OPPORTUNITY SCHOLARSHIP
APPROPRIATIONS:								
ORIGINAL	$ 1,976,799	$ 45,405	$ 64,189	$ 1,311,263	$ 342,492	$ 22,186	$ 38,047	$ 153,217
SUPPLEMENTAL	103,100	-	-	-	6,274	-	-	96,826
TRANSFERS	-	-	-	-	-	-	-	-
RETURNED TO CCHE	-	-	-	-	-	-	-	-
TOTAL	2,079,899	45,405	64,189	1,311,263	348,766	22,186	38,047	250,043
EXPENDITURES	2,079,899	45,405	64,189	1,311,263	348,766	22,186	38,047	250,043
REVERSIONS TO STATE	-	-	-	-	-	-	-	-
GENERAL FUND	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

ADAMS STATE COLLEGE
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NOTES TO STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS

Basis of Accounting

The accounting systems of Adams State College are structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in its revised publication *Financial Accounting and Reporting Manual*.

All student aid is expensed on a cash basis except for the Perkins Loan Program and the College Work-Study Program. Perkins Student Loans are recorded as loans receivable when the funds are disbursed. College Work-Study is on the accrual basis in that the expense is recognized when the services are performed.

Note A

CLEAP and SLEAP Grants consist of 41 percent state funds and 59 percent federal funds. The amount shown is the combined total.

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