Western State College of Colorado

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

For Fiscal Years Ended June 30, 2008 and 2007

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Western State College of Colorado

REPORT SUMMARY – FINANCIAL AND COMPLIANCE AUDIT

Year ended June 30, 2008

PURPOSE AND SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged Chadwick, Steinkirchner, Davis & Co., P.C. to conduct an audit of Western State College of Colorado (the College) for its fiscal year ended June 30, 2008. Chadwick, Steinkirchner, Davis & Co., P.C. performed the audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards,* issued by the Comptroller General of the United States. We conducted the related fieldwork from June through September 2008.

The purpose and scope of the audit was to:

Express an opinion on the financial statements of the College as of and for the year ended June 30, 2008. This includes a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards.*

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

Report on the College's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards.*

Evaluate progress in implementing prior audit findings and recommendations, if any.

Western State College's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, are included in the June 30, 2008, Statewide Single Audit Report issued under separate cover.

Audit Opinions and Reports

Chadwick, Steinkirchner, Davis & Co., P.C. expressed an unqualified opinion on the financial statements for the year ended June 30, 2008.

We issued a report on the College's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards.*

We also issued certain required communications related to the conduct of an audit including our responsibility under auditing standards generally accepted in the United States of America, significant accounting policies, management judgments and accounting estimates, audit adjustments, disagreements with management, and difficulties encountered in performing the audit. No delays or disagreements are reported.

Summary of Key Findings and Recommendations

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

Western State College (College) had recorded approximately $6.4 million as construction in progress for Fiscal Year 2008. During our testing of accounts payable for the Fiscal Year ended June 30, 2008, we noted expenditures for construction-in-progress projects totaling $455,867 that had not been included on the financial statements as part of construction in progress. This error resulted in accounts payable and construction-in-progress being understated at the end of the fiscal year.

Western State College should complete the updating process on the formalized written manual for student financial aid policies and procedures.

Recommendations and College Responses

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

Summary of Prior Audit Recommendations

A summary of the recommendations for the year ended June 30, 2007 and the disposition of those recommendations is in the Disposition of Prior Audit Recommendations.

Western State College of Colorado

RECOMMENDATION LOCATOR

Year ended June 30, 2008

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1.	5	Western State College should develop and implement a process to ensure that all construction expenditures are properly recorded on the accounting system prior to the end of the fiscal year.	Agree	June 30, 2009
2.	5	Western State College should complete the update process on the formalized student financial aid policies and procedures manual.	Agree	June 30, 2009

DESCRIPTION OF WESTERN STATE COLLEGE OF COLORADO

Founded in 1911 as Colorado State Normal School, Western State College of Colorado (the College) is Colorado's oldest college west of the Continental Divide. Originally planned as a preparatory college for teachers, the College remained a Normal School until 1923 when it was renamed Western State College. The College is an undergraduate college of liberal arts and sciences. Section 23-56-101, C.R.S. provides that the College be a general baccalaureate institution with moderately selective admission standards. The College is to provide a limited number of professional, educational, and traditional arts and sciences programs. The College cannot offer any two-year programs.

Through June 30, 2003, the College was a member of the State Colleges in Colorado and, as such, was governed by the Board of Trustees of the Office of State Colleges. Effective July 1, 2003, the State Colleges in Colorado were dissolved in accordance with house Bill 03-1093 and each member became an independent entity. As a result of the dissolution of the State Colleges in Colorado, the College has a separate Board of Trustees comprised of 9 members appointed by the Governor, with consent of the Senate, for 4 year terms, one faculty member elected by the faculty and one student member elected by the student body.

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	1,521.7	1,451.7	1,428.4
Nonresident Students	497.2	466.2	447.9
Total Students	2018.9	1,917.9	1876.3
Faculty FTEs	103.0	115.6	119.1
Staff FTEs	159.2	164.9	175.8
Total Staff and Faculty FTEs	262.2	280.5	294.9

DESCRIPTION OF WESTERN STATE COLLEGE FOUNDATION

Western State College Foundation (the Foundation) was incorporated on August 22, 1975 under the laws of the State of Colorado. The purpose of the Foundation is to aid, directly and indirectly, Western State College of Colorado in fulfilling its education purposes. The Foundation is supported primarily through donor contributions.

FINDINGS AND RECOMMENDATONS REPORT SECTION

Construction In Progress

Western State College (College) had recorded approximately $6.4 million as construction in progress for Fiscal Year 2008. During our testing of accounts payable for the Fiscal Year ended June 30, 2008, we noted expenditures for construction-in-progress projects totaling $455,867 that had not been included on the financial statements as part of construction in progress. This error resulted in accounts payable and construction in progress being understated at the end of the fiscal year.
The College does not have adequate processes or procedures in place to ensure that capital construction invoices are recorded or estimated for recording in the accounting system prior to the end of the fiscal year. According to accounting staff at the College, the error occurred as a result of personnel turnover. Specifically, staff reported that the individual responsible for ensuring construction expenditures are properly recorded through the end of the fiscal year was no longer employed and the college had not filled this position. However, the College is responsible for ensuring that financial statement accounts are accurately recorded as of the end of the fiscal year despite any personnel turnover. The College should have an end of the year process to analyze all construction projects that are still in progress and review the associated expenditures of those projects to determine if there are any additional expenditures that need to be accounted for in the financial statements. This would ensure that the College properly accounts for the expenditures that were incurred during the fiscal year in compliance with generally accepted accounting principles. Failure to accurately account for construction in progress costs could result in the financial statements being materially misstated.

Recommendation No. 1

Western State College should develop and implement a process to ensure that all construction expenditures are properly recorded on the accounting system prior to the end of the fiscal year.

Western State College Response:

Agree. Implementation Date: June 30, 2009
Western State College agrees with the recommendation and we will implement a process to ensure that construction expenditures are recorded at fiscal year-end by June 30, 2009.

Student Financial Aid Manual

Western State College received approximately $8,600,000 during Fiscal Year 2007 for federal student financial assistance programs. During our audit for the fiscal year ended June 30, 2007, we noted in our testing of student financial aid that the College does not have an updated formal written policies and procedures manual for administering student financial aid. One of the requirements in testing internal controls over student financial aid is to review the written policies and procedures manual established by the institution that includes policies over the determination of awards, the receipt and disbursement of funds, the recording of transactions, the reporting to CCHE, and the proper packaging guidelines for need-based awards. A formal updated manual not only meets the requirements for written policies and procedures, but, in the event financial aid personnel are absent, processes can continue without interruption

Recommendation No. 2

Western State College should complete the update of the policies and procedures manual for Student Financial Aid staff to follow.

Western State College Response:

Agree. Implementation Date: June 30, 2009
Western State College agrees and will complete the update of the policies and procedures manual for Student Financial Aid by June 30, 2009.

Western State College of Colorado

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

Year ended June 30, 2008

Recommendation Summary	Disposition
Western State College should improve compliance procedures for Perkins Loans by:	
a. Ensuring that employees with oversight of Perkins loans understand all program requirements.	Implemented
b. Assigning College personnel and implementation of procedures to monitor third-party performance.	Implemented
Western State College should improve internal control over cash disbursements by requiring that the same employee who initiates a transaction does not also authorize the payment of the transaction.	Implemented
Western State College should formalize student financial aid policies and procedures in a written manual.	Partially Implemented, See Recommendation 2 on Page 3

FINANCIAL STATEMENT SECTION

REPORT OF INDEPEDENT CERTIFIED PUBLIC ACCOUNTANTS

December 1, 2008

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business-type activities of Western State College of Colorado, a blended component unit of the State of Colorado, as of and for the year ended June 30, 2008 and 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. 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 audits. We did not audit the financial statements of Western State College Foundation, the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Western State College Foundation, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Western State College of Colorado and the discretely presented component unit as of June 30, 2008 and 2007, and the respective changes in financial position and 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 1, 2008 on our consideration of Western State 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.

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

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

Chadwick, Steinkirchner, Davis & Co., P.C.

WESTERN STATE COLLEGE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
Years Ended June 30, 2008 and 2007

This section of Western State College of Colorado's (the College) financial report presents management's discussion and analysis of the financial performance of the College during the year ended June 30, 2008. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes. A comparative analysis is presented for the years ended June 30, 2007 and 2006.

Using the Consolidated Financial Report

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". In November 1999, GASB issued Statement No. 35 "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities" which amended Statement No. 34 to include public colleges and universities. Several significant changes in accounting and financial reporting standards were required such as recording depreciation on capital assets, allocating summer session revenues and expenses between fiscal years, presenting financial statements from an entity-wide perspective (all funds in aggregate), and producing cash flow statements.

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a format more comparable to that used by for-profit colleges and universities. The statements are prepared under the accrual basis of accounting. Revenues and assets are recognized when service is provided, and expenses and liabilities are recognized when others provide the goods or service, regardless of when cash is exchanged.

Financial Highlights

- The College's financial position improved during the fiscal year ended June 30, 2008 as evidenced by an increase in net assets of $2.7 million, from $37.7 million at June 30, 2007 to $40.4 million, due largely to capital appropriations from the state. In 2007, net assets decreased by $0.2 million from $37.9 million at June 30, 2006.

- The College's current assets of $22.4 million (2008), $22.7 million (2007) and $11.7 million (2006) were sufficient to cover current liabilities of $5.2 million (2008), $4.0 million (2007) and $3.7 million (2006). The current ratio of 4.26 (2008), 5.68 (2007) and 3.16 (2006) (current assets/current liabilities) demonstrates the liquidity of College assets and the relative availability of working capital to fund current operations.

- An operating deficit of $1.1 million (2008), $1.7 million (2007) and $0.9 million (2006) resulted from the College's dependence on state appropriations for controlled maintenance. The financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues. Additionally, depreciation is an expense for which Colorado higher education has not historically been funded.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are 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.

Condensed Statements of Net Assets
June 30, 2008, 2007 and 2006
(in thousands)

	2008	2007	2006
Assets			
Current Assets	$22,353	$22,726	$11,738
Noncurrent Assets	47,123	43,860	46,293
Total Assets	69,476	66,586	58,031
Liabilities			
Current Liabilities	5,245	4,005	3,650
Noncurrent Liabilities	23,841	24,909	16,472
Total Liabilities	29,086	28,914	20,122
Net Assets			
Invested in Capital Assets	28,460	25,009	26,738
Restricted	6,004	5,606	5,073
Unrestricted	5,926	7,057	6,098
Total Net Assets	$40,390	$37,672	$37,909

At June 30, the College's total assets were $69.5 million (2008), $66.6 million (2007) and $58 million (2006). The largest asset category, the $44.2 million (2008), $41 million (2007) and $43.5 million (2006) in capital assets, includes land, buildings, equipment, library holdings, and construction in process. The capital asset amount is net of accumulated depreciation of $40.7 million (2008), $37.5 million (2007) and $34.3 million (2006). Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal years 2008, 2007 and 2006 the College's current assets of $22.4 million (2008), $22.7 million (2007) and $11.7 million (2006) were sufficient to cover current liabilities of $5.2 million (2008), $4.0 million (2007) and $3.7 million (2006) producing current ratios of 4.26 (2008), 5.68 (2007) and 3.16 (2006). Cash and cash equivalents (bank deposits, pooled cash with the State Treasurer, and highly liquid investments) comprised almost $19.6 million (2008), $21.3 million (2007) and $10.4 million (2006) in assets.

Bonds payable of $15.3 million (2008), $16.0 million (2007) and $16.6 million (2006) represent almost 54% (2008), 55% (2007) and 83% (2006) of the College's total liabilities of $29.1 million (2008), $28.9 million (2007) and $20.1 million (2006). Current portion of the bonds payable is $700,000 (2008), $680,000 (2007) and $665,000 (2006).

The College's financial position improved during the fiscal year as evidenced by the increase in net assets of $2.7 million (see the Statement of Revenues, Expenses and Changes in Net Assets) from $37.7 million at June 30, 2007 to $40.4 million at June 30, 2008. $28.5 million (2008), $25 million (2007) and $26.7 million (2006) in net assets is invested in capital assets net of related debt, $6 million (2008), $5.6 million (2007) and $5.1 million (2006) is externally restricted for specific purposes, and $5.9 million (2008), $7.1 million (2007) and $6.1 Million (2006) is unrestricted and available for any lawful purpose of the College.

Statement of Revenue, Expenses and Changes in Net Assets

The Statement of Revenue, Expenses and Changes in Net Assets presents the results 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, research, public 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 and expenses, interest expense on capital debt, state capital construction and controlled maintenance appropriations, and transfers.

Tuition and fee revenues in 2008 accounted for $11.5 million (a $0.1 million decrease from 2007 due to increased scholarships applied to the scholarship allowance) of the $33.2 million in operating revenues. Tuition and fee revenue in 2007 was $11.6 million, a $0.5 million decrease from 2006. The tuition and fee amount is net of scholarship allowances of $3.4 million (2008), $3.1 million (2007) and $2.9 million (2006). Scholarship allowances are defined as the financial aid awarded to students by the colleges 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, as previously reported.

Operating expenses totaled $34.4 million (2008), $32.5 million (2007) and $30.7 million (2006). Of that total, $10.5 million (2008), $9.9 million (2007) and $9.4 million (2006) was for instruction, $9.2 million (2008), $8.9 million (2007) and $8.8 million (2006) for auxiliary enterprises, $3.5 million (2008), $3.1 million (2007) and $2.8 million (2006) for student services, $3.8 million (2008), $3 million (2007) and $2.4 million (2006) for institutional support, and $1.1 million (2008), $1.1 million (2007) and $0.8 million (2006) for academic support. Increases in these expenses were largely inflationary or programmatic in nature.

An operating deficit of $1.1 million in fiscal year 2008, $1.7 million in fiscal year 2007 and $0.9 million in fiscal year 2006 was offset by state grants and contracts because the financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues. The College had ending net assets at June 30, 2008 of $40.4 million, an increase of $2.7 million from the previous year-end due to capital appropriations received from the state. Ending net assets at June 30, 2007 were $37.7 million, a decrease of $0.2 million from the previous year-end.

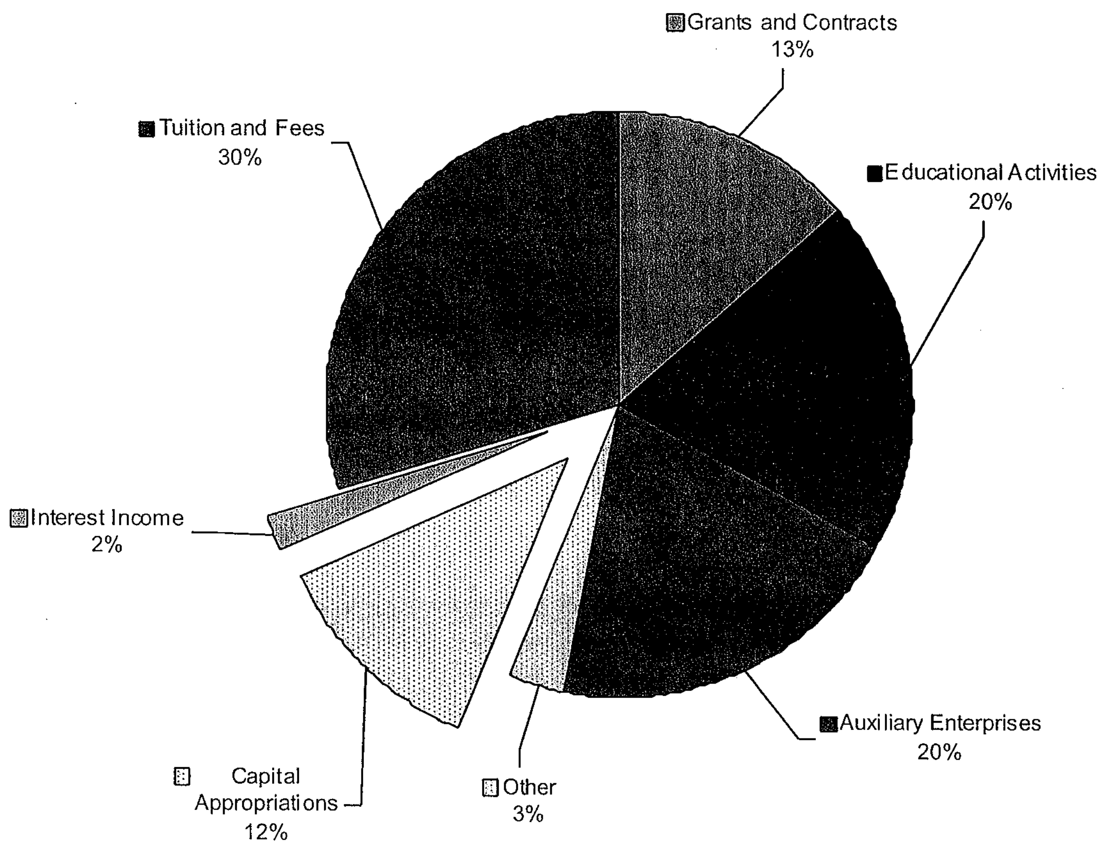
Condensed Statements of Revenue, Expenses, and Changes in Net Assets
June 30, 2008, 2007 and 2006
(in thousands)

	2008	2007	2006
Operating Revenue			
Tuition and Fees, net	$11,531	$11,591	$12,056
Grants and Contracts	5,169	4,960	5,468
Educational Activities	7,624	5,724	4,441
Auxiliary Enterprises	7,709	7,123	6,586
Other	1,185	1,416	1,282
Total Operating Revenue	33,218	30,814	29,833
Operating Expenses	34,352	32,547	30,701
Net Operating Loss	(1,134)	(1,733)	(868)
Nonoperating Revenue (Expense)			
Grants and Contracts	0	970	1,976
Interest Income	673	640	280
Other Nonoperating	(1,609)	(795)	(956)
Net Nonoperating Revenue	(936)	815	1,300
Gain (Loss) Before Other Revenue, Expenses, Gains, or Losses	(2,070)	(918)	432
State Appropriations, Capital	4,348	678	389
Other	439	4	507
Increase (Decrease) in Net Assets	2,717	(236)	1,328
Net Assets:			
Net Assets-Beginning of Year	37,673	37,909	36,581
Net Assets-End of Year	$40,390	$37,673	$37,909

The following is a graphic illustration of total revenue by source for the College for fiscal year 2008. Each major revenue component is displayed relative to its proportionate share of total revenues.

Revenue by Source – Fiscal Year 2008

Operating Revenues



Non-Operating Revenues

Capital Assets

At June 30, 2008, the College had approximately $44.2 million invested in capital assets, net of accumulated depreciation of $40.7 million. Depreciation charges were $3.4 million for the year ended June 30, 2008. At June 30, 2007, the College had approximately $41 million invested in capital assets, net of accumulated depreciation of $37.5 million. Depreciation charges were $3.3 million for the year ended June 30, 2007. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	June 30, 2008	June 30, 2007	June 30, 2006
Land and Improvements	$2,599,499	$2,599,499	$2,599,499
Construction in Progress	6,397,529	165,471	0
Land Improvements, Net	527,647	557,798	590,714
Buildings and Improvements, Net	33,170,565	36,159,445	39,070,702
Furniture and Equipment, Net	739,724	707,600	506,182
Library Materials, Net	807,274	783,804	773,304
Total	$44,242,238	$40,973,617	$43,540,401

The following significant capital projects were in progress at June 30, 2008:

Kelley Hall renovation funded by state capital appropriation	$4,790,069
College Union project funded by capital lease	1,607,460
	$6,397,529

The following significant capital projects were in progress at June 30, 2007:

Kelley Hall renovation funded by state capital appropriation	$165,471
	$165,471

Debt

At June 30, 2008, the College had approximately $24.4 million in debt outstanding. This is a change of $1.1 million. The table below summarizes the amounts by type of debt.

Outstanding Debt at Year-End

	June 30, 2008	June 30, 2007	June 30, 2006
Auxiliary Revenue Bonds	$15,326,059	$15,964,510	$16,587,961
Capital Lease Obligations	9,053,294	9,500,000	214,105
Total	$24,379,353	$25,464,510	$16,802,066

Economic Outlook

The State changed the process of funding higher education institutions as directed by Senate Bill 04-189. General fund monies are no longer directly appropriated to higher education governing boards. Instead, stipends for tuition assistance are provided to eligible undergraduate students through the College Opportunity Fund, and the Department of Higher Education purchases educational services in rural areas in which the cost of delivering services is not sustained by the amount received in student tuition and educational services that may increase economic development opportunities in the state through fee-for-service contracts. For fiscal year 2009, the College is projected to receive $4 million in funds from the College Opportunity Fund program and $8.2 million in fee-for-service contracts.

Enrollments for the College are projected to be flat in fiscal year 2009. However, tuition rate increases of 7.1% for full time Colorado resident students and 2.9% for nonresident students are projected to generate an additional $380,000 in tuition revenue beyond fiscal year 2008 levels.

The College lost its enterprise status in fiscal year 2008 because of the large capital appropriation provided to the College this year. It is anticipated that the College will regain its enterprise status in fiscal year 2009. To qualify for enterprise status, the College had to meet three criteria including, 1) receiving less than 10% of annual revenue from state or local grants, 2) qualifying as a government-owned business, and 3) having the authority to issue revenue bonds. Under current standards, capital appropriations are considered state grants.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATEMENTS OF NET ASSETS
As of June 30, 2008 and 2007

		2008	2007
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 19,550,581**	$ 21,339,592
Short-term investments		**44,742**	8,786
Student accounts receivable, net		**333,796**	369,418
Other accounts receivable, net		**1,859,920**	450,234
Student loans receivable, net		**72,576**	121,444
Inventories		**404,086**	390,451
Prepaid expenses		**87,777**	46,517
	Total Current Assets	**22,353,478**	22,726,442
Non-current Assets			
Restricted investments		**1,706,133**	1,706,133
Student loans receivable, net		**696,358**	613,847
Other long-term assets		**478,702**	566,485
	Total Non-Current Assets	**2,881,193**	2,886,465
Non-depreciable Capital Assets			
Land		**695,416**	695,416
Land improvements		**1,904,083**	1,904,083
Construction in progress		**6,397,529**	165,471
	Total Non-Depreciable Capital Assets	**8,997,028**	2,764,970
Depreciable Capital Assets, Net			
Land improvements (less accumulated depreciation of $75,378 (2008) and $45,227 (2007)		**527,647**	557,798
Buildings and improvements, less accumulated depreciation of $34,260,906 (2008) and $31,502,020 (2007)		**33,170,565**	36,159,445
Furniture and equipment, less accumulated depreciation of $1,738,608 (2008) and $1,533,673 (2007)		**739,724**	707,600
Library materials, less accumulated depreciation of $4,604,432 (2008) and $4,443,840 (2007)		**807,274**	783,804
	Total Depreciable Capital Assets, Net	**35,245,210**	38,208,647
	Total Non-current Assets	**47,123,431**	43,860,082
	Total Assets	**69,476,909**	66,586,524
LIABILITIES			
Current Liabilities			
Accounts payable		**1,659,428**	593,428
Accrued liabilities		**1,786,517**	1,615,080
Deferred revenue		**372,110**	486,264
Student deposits		**157,309**	122,006
Bonds payable,current portion		**700,000**	680,000
Capital leases payable, current portion		**468,176**	446,706
Compensated absence liabilities, current portion		**101,858**	61,353
	Total Current Liabilities	**5,245,398**	4,004,837
Non-current Liabilities			
Bonds payable		**14,626,059**	15,284,510
Capital leases payable		**8,585,118**	9,053,294
Compensated absence liabilities		**629,883**	571,247
	Total Non-current Liabilities	**23,841,060**	24,909,051
	Total Liabilities	**29,086,458**	28,913,888
NET ASSETS			
Invested in capital assets, net of related debt		**28,460,312**	25,009,107
Restricted for expendable purposes:			
Loans		**1,359,663**	1,345,098
Other purposes		**4,644,675**	4,261,058
Unrestricted		**5,925,801**	7,057,373
	Total Net Assets	**$ 40,390,451**	$ 37,672,636

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLLEGE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	$ 359,238	$ 193,553
Certificates of deposit	74,818	71,268
Investments	20,518,553	19,320,122
Contributions receivable, net	181,961	430,687
Due from Western State College	2,639	2,639
Debt issuance costs	83,505	99,667
Other assets	73,368	67,692
Property and equipment, net of depreciation	7,697,700	6,895,386
Total Assets	$ 28,991,782	$ 27,081,014
Liabilities		
Accounts payable	$ 30,687	$ 217,808
Due to Western State College	439,449	--
Bonds payable	4,857,835	5,620,301
Accrued interest	81,975	94,843
Total Liabilities	5,409,946	5,932,952
Net Assets		
Unrestricted	701,236	979,699
Temporarily restricted	8,917,655	9,489,613
Permanently restricted	13,962,945	10,678,750
Total Net Assets	23,581,836	21,148,062
Total Liabilities and Net Assets	$ 28,991,782	$ 27,081,014

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUE		
Tuition and fees, including pledged for bonds of $943,993 (2008) and $810,625 (2007)	$ 14,922,148	$ 14,719,252
Less: scholarship allowances	(3,390,815)	(3,128,028)
Net Tuition and Fees	11,531,333	11,591,224
Federal, state, private grants and contracts	5,168,138	4,960,139
Sales and services of Educational Activities	7,624,361	5,724,238
Sales and services of auxiliary enterprises, including revenue pledged for bonds of $7,981,647 (2008) and $7,275,090 (2007)	8,164,580	7,511,057
Less: scholarship allowances	(455,828)	(388,171)
Net Auxiliary Sales and Services	7,708,752	7,122,886
Other operating revenue, including $76,137 (2008) and $74,281 (2007) of revenue pledged for bonds	1,184,742	1,415,487
Total Operating Revenue	33,217,326	30,813,974
OPERATING EXPENSES		
Instruction	10,453,856	9,919,682
Research	69,289	53,493
Public Service	98,170	101,544
Academic support	1,083,325	1,134,705
Student services	3,514,530	3,140,812
Institutional support	3,778,291	3,031,537
Operation and maintenance of plant	2,702,415	2,701,023
Scholarships and fellowships	105,425	227,397
Auxiliary enterprises	9,175,803	8,910,174
Depreciation	3,370,464	3,326,470
Total Operating Expenses	34,351,568	32,546,837
Operating Loss	(1,134,242)	(1,732,863)
NON-OPERATING REVENUE (EXPENSES)		
Federal, state, private grants and contracts	-	970,119
Investment and interest income, including $266,787 (2008) and $247,502 (2007) of revenue pledged for bonds	673,332	640,353
Loss on disposal of assets	(80,498)	-
Interest expense on capital debt	(730,169)	(751,312)
Other nonoperating expenses	(797,886)	(43,922)
Net Non-operating Revenue (Expenses)	(935,221)	815,238
Gain (Loss) Before Other Items	(2,069,463)	(917,625)
Other Revenue, Expenses, Gains, Losses, or Transfers		
State appropriation, capital	4,347,829	677,506
Capital grants and contributions	439,449	3,687
Increase (Decrease) in Net Assets	2,717,815	(236,432)
Net Assets - Beginning of year	37,672,636	37,909,068
Net Assets - End of year	$ 40,390,451	$ 37,672,636

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLLEGE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF ACTIVITIES

Years Ended June 30, 2008 and 2007

	2008	2007
Changes in Unrestricted Net Assets		
Revenues, gains and other support:		
Contributions	$ 164,599	$ 178,971
Investment income (loss)	(206,507)	258,428
Rental income	14,482	14,482
	(27,426)	451,881
Net assets released from restrictions:		
Satisfaction of program restrictions	3,016,674	1,323,570
	2,989,248	1,775,451
Expenses:		
Programs	2,422,288	1,553,423
Management and general	596,771	211,219
Fund-raising	281,464	243,271
	3,300,523	2,007,913
Transfers	32,812	(34,475)
Decrease in Unrestricted Net Assets	(278,463)	(266,937)
Changes in Temporarily Restricted Net Assets		
Revenues and gains:		
Contributions	2,413,727	2,731,215
Investment income (loss)	(497,520)	2,092,374
Royalties	118,828	94,909
	2,035,035	4,918,498
Net assets released from restrictions:		
Satisfaction of program restrictions	(3,016,674)	(1,323,570)
Transfers	409,681	(61,058)
Increase (Decrease) in Temporarily Restricted Net Assets	(571,958)	3,533,870
Changes in Permanently Restricted Net Assets		
Revenues and gains:		
Contributions	3,726,688	2,728,595
Transfers	(442,493)	95,533
Increase in Permanently Restricted Net Assets	3,284,195	2,824,128
Increase in Net Assets	2,433,774	6,091,061
Net Assets - July 1	21,148,062	15,057,001
Net Assets - June 30	$ 23,581,836	$ 21,148,062

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received		
Tuition and fees	$ 11,918,503	$ 11,646,038
Sales of services	13,734,014	11,522,089
Sales of product	1,168,699	1,184,204
Grants, contracts and gifts	5,168,139	4,960,139
Student loans collected	83,315	142,433
Other operating receipts	246,563	1,336,592
Cash Payments		
Payments to or for employees	(18,505,355)	(17,033,438)
Payments to suppliers	(11,456,725)	(11,782,720)
Scholarships disbursed	(105,425)	(227,397)
Student loans disbursed	(149,016)	(206,300)
Net Cash Provided by Operating Activities	2,102,712	1,541,640
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal, state, private grants & contracts	-	970,119
Other agency (outflows)	(797,886)	(124,131)
Net Cash Provided (Used) by Noncapital Financing Activities	(797,886)	845,988
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations - capital	4,347,829	677,506
Capital grants, contracts and gifts	-	3,687
Proceeds from capital debt	-	9,423,764
Acquisition or construction of capital assets	(6,263,716)	(594,216)
Principal paid on capital debt	(1,126,706)	(879,105)
Interest on capital debt	(688,620)	(751,312)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,731,213)	7,880,324
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(35,956)	-
Investment earnings (interest/dividends)	673,332	640,353
Net Cash Provided by Investing Activities	637,376	640,353
Net Increase (Decrease) in Cash and Cash Equivalents	(1,789,011)	10,908,305
Cash and cash equivalents - beginning of year	21,339,592	10,431,287
Cash and cash equivalents - end of year	$ 19,550,581	$ 21,339,592
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (1,134,242)	$ (1,732,863)
Adjustments to reconcile:		
Depreciation	3,370,464	3,326,470
Provision for Uncollectable Accounts	(29,878)	(873)
Decrease (increase) in assets	(905,492)	(8,555,911)
Increase (decrease) in liabilities	801,860	8,792,342
Other Reconciling Items	-	(287,525)
Net Cash Provided by Operating Activities	$ 2,102,712	$ 1,541,640
NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES		
Bond premium amortization	$ 4,844	$ 4,844
Loss on refunding amortization	46,393	46,393
Loss on disposal of assets	80,498	-
Capital grant receivable	439,449	-
Accounts payable used to purchase capital assets	455,867	-

The accompanying notes are an integral part of these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Western State College of Colorado (the College) is a public institution of higher education of the State of Colorado. Operations are funded largely through student tuition and fees.

As an institution of the State of Colorado, the College's operations and activities are funded partially through fee-for-service contracts with the state.

Reporting Entity

The accompanying financial statements reflect the financial activities of the College for the fiscal year ended June 30, 2008. The College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the 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 State Controller's Office, Department of Personnel and Administration, Denver, Colorado.

The financial statements of the College include all of the integral parts of the College's operations. The College applied GASB Statement No. 39 required criteria to determine whether any organization should be included in the College's reporting entity. Management has determined that the Western State College Foundation (the Foundation) meets the criteria to be included in the College's financial statements as a discretely presented component unit. The Foundation was incorporated on August 22, 1975 under the laws of the State of Colorado. The purpose of the Foundation is to aid, directly or indirectly, the College in fulfilling its educational purposes. The Foundation is supported primarily through donor contributions. A full copy of the Foundation's financial statements may be obtained from the Western State College Foundation, 909 East Escalante Drive, P.O. Box 1264, Gunnison, CO 81230.

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, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Foundation's financial statements have been presented on the accrual basis and pronouncements of the Financial Accounting Standards Board (FASB) have been applied. Net assets of the Foundation are classified as unrestricted, temporarily restricted and permanently restricted. Contributions including unconditional promises to give are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. All unconditional promises to give are due within the next year.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, 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 carried at market value (GASB 31).

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

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 markup ratio.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted Cash and Cash Equivalents
Restricted cash and cash equivalents include amounts restricted for project construction and bond debt service reserves.

Capital Assets
Capital assets are stated at cost at date of acquisition or fair market value at date of donation. The College capitalizes only those assets with an initial cost or fair market value greater than or equal to $5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 20 to 40 years for buildings and building improvements and 3 to 10 years for equipment and library materials. State capital construction revenues are recognized only to the extent of current expenditures. Controlled maintenance (corrective repairs or replacements to existing facilities) funded by the state is recorded as state appropriated revenue and the assets are recorded to the extent that expenditures qualify for capitalization.

Deferred Revenue
Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences
Employees' compensated absences are accrued at year-end for financial statements purposes. The liability and expense incurred are recorded at year-end as accrued compensated absence in the statement of net assets and as a component of compensation and benefit expense in the statement of revenue, expenses and changes in net assets.

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

<u>Operating Revenue</u> – Operating revenue generally results from providing goods and services for instruction, public service or related support services to an individual or to an entity separate from the College such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) interest on student loans.

<u>Non-operating Revenue</u> – Non-operating revenue is that revenue that does not meet the definition of operating revenue. Non-operating revenue includes state appropriations for operations, gifts, investment income and insurance reimbursement revenue.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Scholarship Allowances

Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship allowances in the Statement of Revenue, Expenses and Changes in Net Assets. Scholarship allowances are the differences between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenue in the College's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing for the years ended June 30 were $3,846,643 (2008) and $3,516,199 (2007).

Net Assets

The College's net assets are classified as follows:

Invested in capital assets, net of related debt – This 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 invested in capital assets, net of related debt.

Restricted net assets – expendable – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable – Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Net assets of the Foundation are classified as unrestricted, temporarily restricted and permanently restricted. Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are due within the next year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Application of Restricted and Unrestricted Resources

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

Reconciliation to Other Reports

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

Financial Statement Presentation and Changes in Accounting Principles

GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* (Statement No. 48) in September 2006. Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received under this Statement should be reported as revenue, or as a liability, and is effective for periods beginning after December 15, 2006.

Management does not believe the adoption of the new Statement will have a significant effect on the College's financial statements.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

NOTE 2 – CASH AND INVESTMENTS

Cash

At June 30, 2008, the College had $9,356,571 (2008) and $11,441,411 (2007) 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:

	2008	2007
Cash on hand	$ 222,153	$ 94,453
Cash in checking accounts at bank	9,971,857	9,803,728
	$10,194,010	$9,898,181

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk. The carrying amount of the College's cash on deposit was $9,971,857 (2008) and $9,803,728 (2007) and the bank balance was $10,193,329 (2008) and $10,092,033 (2007). Of this bank balance, $400,904 (2008) and $611,320 (2007) was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name, as provided by PDPA above.

Investments
At June 30, 2008, the College had investments with a carrying value of $1,750,875 (2008) and $1,714,919 (2007) and a market value of $1,750,875 (2008) and $1,714,919 (2007), which are categorized to give an indication of the level of risk assumed. Of this total, $1,750,875 (2008) and $1,714,919 (2007) was uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent in the College's name. Yield on investments was 4.12% (2008 and 2007).

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, Colorado statutes do not allow investment maturities to exceed five years. The College currently does not have a policy which limits is exposure to fair value losses arising from rising interest rates by limiting purchases to certain maturities, except as provided by statute.

Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2008 the College is invested in a Guaranteed Investment Contract for the bond debt service reserve. It is fully collateralized with securities held by the AIG Matched Funding Corporation trust department or agent in the state's name. The investment is unrated.

Concentration of credit risk – The College's investments are all in a Guaranteed Investment Contract for the bond debt service reserve at June 30, 2008.

At June 30, the Foundation had investments with a cost of $20,384,215 (2008) and $17,986,104 (2007) and a market value of $20,518,553 (2008) and $19,320,122 (2007).

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

Western State 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. Western State 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. The unrealized gain included in "Investment Income" reflects only the change in fair value during the current fiscal year. Additional information on the treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

NOTE 3 – RECEIVABLES AND PAYABLES

At June 30, receivable balances were as follows:

	Gross Receivable	Allowance for Uncollectible Amounts	Net Receivable
2008			
Student accounts receivable	$ 421,590	$ (87,794)	$ 333,796
Other accounts receivable	$ 1,859,920	$ -	$1,859,920
Student loans receivable	$ 106,886	$ (34,310)	$ 72,576
Non current student loans receivable	$ 1,025,912	$ (329,554)	$ 696,358
2007			
Student accounts receivable	$ 459,508	$ (90,090)	$ 369,418
Other accounts receivable	$ 450,234	$ -	$ 450,234
Student loans receivable	$ 179,385	$ (57,941)	$ 121,444
Non current student loans receivable	$ 921,355	$ (307,508)	$ 613,847

At June 30, accrued liabilities balances were as follows:

	2008	2007
Accrued payroll	$ 1,679,789	$ 1,508,929
Accrued interest payable	106,728	106,151
Total Accrued liabilities	$ 1,786,517	$ 1,615,080

At June 30, 2008 other accounts receivable include a related party receivable from Western State College Foundation for $439,449 as reimbursement for construction for expenses incurred in the construction on Kelley Hall.

NOTE 4 – CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2008.

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Non-depreciable Capital Assets				
Land	$ 695,416	$ -	$ -	$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	165,471	6,232,057	-	6,397,528
Total Non-depreciable Capital Assets	$ 2,764,970	$ 6,232,057	$ -	$ 8,997,027
Depreciable Capital Assets				
Land Improvements	$ 603,025	$ -	$ -	$ 603,025
Buildings and improvements	67,661,465	-	(229,994)	67,431,471
Furniture and equipment	2,241,273	303,353	(66,294)	2,478,332
Library materials	5,227,644	184,172	(110)	5,411,706
Total Depreciable Capital Assets	75,733,407	487,525	(296,398)	75,924,534
Less: accumulated depreciation				
Land Improvements	(45,227)	(30,151)	-	(75,378)
Buildings and improvements	(31,502,020)	(2,908,382)	149,496	(34,260,906)
Furniture and equipment	(1,533,673)	(271,229)	66,294	(1,738,608)
Library materials	(4,443,840)	(160,702)	110	(4,604,432)
Total Accumulated Depreciation	(37,524,760)	(3,370,464)	215,900	(40,679,324)
Net Depreciable Capital Assets	$38,208,647	$ (2,882,939)	$ (80,498)	$ 35,245,210

NOTE 4 – CAPITAL ASSETS – CONTINUED

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2007.

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Non-depreciable Capital Assets				
Land	$ 695,416	$ -	$ -	$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	-	165,471	-	165,471
Total Non-depreciable Capital Assets	$ 2,599,499	$ 165,471	$ -	$ 2,764,970
Depreciable Capital Assets				
Land Improvements	$ 603,025	$ -	$ -	$ 603,025
Buildings and improvements	67,661,465	-	-	$ 67,661,465
Furniture and equipment	1,916,929	426,017	(101,673)	2,241,273
Library materials	5,060,315	168,198	(869)	5,227,644
Total Depreciable Capital Assets	75,241,734	594,215	(102,542)	75,733,407
Less: accumulated depreciation				
Land Improvements	(12,311)	(32,916)	-	(45,227)
Buildings and improvements	(28,590,763)	(2,911,257)	-	(31,502,020)
Furniture and equipment	(1,410,747)	(224,599)	101,673	(1,533,673)
Library materials	(4,287,011)	(157,698)	869	(4,443,840)
Total Accumulated Depreciation	(34,300,832)	(3,326,470)	102,542	(37,524,760)
Net Depreciable Capital Assets	$40,940,902	$(2,732,255)	$ -	$ 38,208,647

Property and equipment for the Foundation consist of the following as of June 30:

	2008	2007
Land	$ 38,225	$ 38,225
Buildings and improvements	8,379,170	1,050,311
Furniture and equipment	94,223	94,223
Construction in progress	-	6,345,984
	8,511,618	7,528,744
Less: accumulated depreciation	(813,918)	(633,358)
	$ 7,697,700	$ 6,895,386

Construction in progress represents the preliminary costs for the Borick Business Building. The total cost to construct was $7,328,858. The cost of the building is to be financed by private contributions, including a $3,000,000 challenge grant from Steve Borick and family.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2008 and 2007

NOTE 5 – LONG-TERM LIABILITIES

The College's long-term liability activity for the year ended June 30, 2008 was as follows:

	Balance 6/30/2007	Additions	Reductions	Balance 6/30/2008	Due within One Year
Bonds and Leases Payable:					
Bonds	$16,245,000	$ –	$ 680,000	$15,565,000	$ 700,000
Premium/Discount	86,792	–	4,844	81,948	–
Gain/Loss on refunding	(367,282)	46,393	–	(320,889)	–
Total Bonds Payable	15,964,510	46,393	684,844	15,326,059	700,000
Capital Leases	9,500,000	–	446,706	9,053,294	468,176
Total Bonds and Leases Payable	25,464,510	46,393	1,131,550	24,379,353	1,168,176
Other Liabilities:					
Compensated Absences	632,600	99,141	–	731,741	101,858
Total Other Liabilities	632,600	99,141	–	731,741	101,858
Total Long-Term Liabilities	$26,097,110	$ 145,534	$ 1,131,550	$25,111,094	$ 1,270,034

The College's Long-Term Liability activity for the year ended June 30, 2007 was as follows:

	Balance 6/30/2006	Additions	Reductions	Balance 6/30/2007	Due within One Year
Bonds and Leases Payable:					
Bonds	$16,910,000	$ –	$ 665,000	$16,245,000	$ 680,000
Premium/Discount	91,636	–	4,844	86,792	–
Gain/Loss on refunding	(413,675)	46,393	–	(367,282)	–
Total Bonds Payable	16,587,961	46,393	669,844	15,964,510	680,000
Capital Leases	214,105	9,500,000	214,105	9,500,000	446,706
Total Bonds and Leases Payable	16,802,066	9,546,393	883,949	25,464,510	1,126,706
Other Liabilities:					
Compensated Absences	606,942	25,658	–	632,600	61,353
Total Other Liabilities	606,942	25,658	–	632,600	61,353
Total Long-Term Liabilities	$17,409,008	$ 9,572,051	$ 883,949	$26,097,110	$ 1,188,059

On May 28, 2003, the College issued $12,470,000 in Auxiliary Facilities System Refunding Bonds, Series2003A with an average interest rate of 4.08%. The 2003A bonds mature in increasing amounts through May 15, 2019. Interest rates range from 1.5% on bonds maturing May 15, 2005 to 4.650% on bonds maturing on May 15, 2019. The bonds are collateralized by a first lien on and pledge of all revenues of the auxiliary facilities system.

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

Additionally, on May 28, 2003, the College issued $6,270,000 in Auxiliary Facilities System Improvement Bonds, Series 20-03B with an average interest rate of 4.74%. The 2003B bonds begin to mature on May 15, 2019 in increasing amounts through May 15, 2025. Interest rates range from 4.350% on bonds maturing May 15, 2019 to 5.000% on bonds maturing on May 15, 2025. The 2003B bonds, along with the 2003A bonds, are collateralized by a first lien on and pldge of all revenues of the auxiliary facilities system.

Long-term liabilities for the Foundation consist of the following as of June 30:

On August 30, 2006, the City of Gunnison issued its Revenue Bond (Western State College Foundation Project) Series 2006 to finance the construction of the Borick Business Building to be owned and operated by the Foundation and utilized by Western State College. The proceeds of the bond will be loaned by the city to the Foundation. Under the terms of the agreement with the city, the Foundation is obligated to repay the loan by paying to the registered owner of the bond, on behalf of the city, moneys sufficient to pay the principal of and interest on the bond. The bond was issued in the aggregate principal amount of $6,000,000 at a 4.50% annual interest rate.

The future maturities of the bond are as follows:

Year ended	Amount
June 30, 2009	$ 797,160
2010	833,439
2011	871,366
2012	911,019
2013	952,476
2014	492,375

Debt Service Reserve Requirement

Under the terms of the Auxiliary Facilities System Improvement Bonds, Series 2003B agreement the College is required to maintain in a Debt Service Reserve Fund an amount equal to the lesser of (1) the combined maximum annual principal and interest payments on all bonds outstanding, (2) the combined average annual principal and interest payments on all bonds outstanding, or (3) ten percent of the original principal amount of each issue outstanding. The debt service reserve requirement of $1,706,133 was established from bond proceeds.

A summary of the amounts recorded in fund balance for the purpose of meeting the bond payments and satisfying the terms of the bond agreement as of June 30, is as follows:

	2008	2007
Retirement of Indebtedness	$ 1,666,843	$ 1,664,903
Renewal and Replacement	$ 503,940	$ 551,180

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

Principal and interest requirements to maturity are as follows:

Year Ending June 30	Series A	Series B	Total
2009	$ 1,077,132	$ 295,125	$ 1,372,257
2010	1,075,433	295,125	1,370,558
2011	1,075,952	295,125	1,371,077
2012	1,079,133	295,125	1,374,258
2013	1,075,070	295,125	1,370,195
2014-2018	5,380,675	1,475,625	6,856,300
2019-2023	1,077,895	5,386,763	6,464,658
2024-2025	-	2,156,500	2,156,500
Total Principal and Interest	11,841,290	10,494,513	22,335,803
Less interest	2,546,290	4,224,513	6,770,803
Total Principal	$9,295,000	$ 6,270,000	$15,565,000

NOTE 6 – EXTINGUISHMENT OF DEBT

In fiscal year 1994, the College defeased the 1992 series bonds by placing the proceeds of the 1994 series plus a portion of the 1992 series debt service reserve funds in an irrevocable trust to provide for all future debt service payments on the now defeased 1992 bonds. Accordingly, the trust-account assets and liabilities for the defeased bonds are not included in the College's financial statements. On June 30, 2008 $6,645,000 of the 1992 bonds remain outstanding.

In fiscal year 2003, the College defeased the 1994 series bonds by placing the proceeds of the 2003A series in an irrevocable trust to provide for all future debt service payments on the now defeased 1994 bonds. Accordingly, the trust-account assets and liabilities are not included in the College's financial statements. On June 30, 2008, $6,875,000 of 1994 bonds remain outstanding.

NOTE 7 – CAPITAL LEASES PAYABLE

A capital lease for new dining hall facility was entered into on June 11, 2007. The lease requires semi-annual payments of $446,357 which include interest at 4.75%. Title to the building passes to the College at the end of the lease term.

Principal and interest requirements to maturity on the lease are as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 468,176	$ 424,537	$ 892,713
2010	490,679	402,034	892,713
2011	514,262	378,451	892,713
2012	538,980	353,733	892,713
2013	564,886	327,827	892,713
2014-2018	3,258,747	1,204,819	4,463,566
2019-2022	3,217,564	353,288	3,570,852
Total Principal	$9,053,294	$ 3,444,689	$12,497,983

NOTE 8 – SUBSEQUENT EVENTS

State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008

On November 6, 2008, the State Treasurer entered a lease purchase agreement under which a Trustee issued $230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008. The Certificates were issued at a net premium of $180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carried coupon rates ranging from 3.00% to 5.50% with a total interest cost of 5.38%. The Certificates proceeds will be used to fund revocations, additions, and new construction at twelve state Institutions of Higher Education and were collateralized with existing properties at eleven of the twelve institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average $16.2 million for the first ten years and $16.8 million for the second ten years. The legislation envisions annual appropriations of Federal Mineral Lease Program revenues to fund the semi-annual lease payments required. Total lease payments anticipated form the FML source are $325.5 million, and three institutions will make $42.8 million of lease payments over the life of the Certificates to fund the portion of their required project match that they elected to finance through the Certificates.

COP proceeds of $21,065,116 are for renovating and expanding the Taylor Hall administration building. The College pledged Hurst Hall and Crawford Hall as collateral for the project.

NOTE 9 – COMPENSATED ABSENCE LIABLITY FOR ANNUAL AND SICK LEAVE

College employees may accrue annual and sick leave, based on length of service, and subject to certain limitations regarding the amount to be paid upon termination. The estimated cost of compensated absences for which employees are vested for the year ended June 30, 2008 is $731,741. Current expenses include $99,141 for the increase in the estimated compensated absence liability. The recording of the liability for compensated absences may result in fund-balance deficits, which will be funded by state appropriation, self-supporting funds, or other sources available in future years when the liability is paid.

NOTE 10 – EMPLOYEE PENSION PLANS

A. Optional Retirement Plan

On September 10, 1993, the Board of Trustees adopted an Optional Retirement Plan (ORP) for faculty and exempt-administrative staff under the authority of Senate Bill 92-127. The implementation date was May 1, 1994; on that date, eligible employees were offered the choice of remaining in Public Employees' Retirement Association (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.

NOTE 10 – EMPLOYEE PENSION PLANS – CONTINUED

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 College'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 fiscal years ending June 30, 2008, 2007, and 2006 were \$936,814, \$826,460, and \$730,193, respectively. These contributions were equal to the required contributions for each year. All ORP contributions are immediately invested 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 the decisions made by participants for their individual investment accounts.

Some exempt employees of the College have elected to continue as members with PERA; the rest participate in the ORP.

B. Public Employees Retirement Association

1. Plan Description

The rest 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 case of death or disability. The plan is a cost-sharing multiple-employer plan administered by PERA. PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan, as well as the other divisions' plans, is included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver CO 80217, by calling PERA at 1-800-729-PERA (7372), or by visiting 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 another 60 days to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

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 contributions to the PERA defined benefit plan.

NOTE 10 – EMPLOYEE PENSION PLANS – CONTINUED

Defined benefit plan member (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 on or after January 1, 2007 – age 55 with a minimum of 5 years service credit and age plus years of service equals 80 or more.
- Hired before January 1, 2007 – age 55 with a minimum of 5 years 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 at 2.5 percent times the number of years of services 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 the contribution were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between period. 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.

NOTE 10 – EMPLOYEE PENSION PLANS – CONTINUED

- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the nation Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related 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 then financially dependent parents will receive a survivor's benefit.

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.

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 College contributed 11.15 percent of the employee's salary. From January 1, 2008, through June 30, 2008, the College contributed 12.05 percent. During all of Fiscal Year 2008, 1.02 percent of the contribution 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, 2006, the State and School Division of PERA 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, along with other significant provisions affecting the plan, 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.

NOTE 10 – EMPLOYEE PENSION PLANS – CONTINUED

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 $656,169, $602,154, and $563,914, respectively. These contributions were equal to the required contributions for each year.

C. Student-Employees Defined Contribution Plan

Beginning in fiscal year 1993, in accordance with the provisions of CRS 24-54.6 and as provided in IRC 403(b), the State of Colorado Department of Higher Education established the Colorado Student-Employees Defined Contribution Pension Plan administered by TIAA-CREF. Student-employees not currently attending classes are required to participate. The plan requires a 7.5 percent employee contribution and no employer contribution. For the fiscal year ended June 30, total payroll covered by the plan was $202,824 (2008) and $213,840 (2007).

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 403(b) or 401(a) plans. Members who contribute to any of these plans also receive the state match, when available.

NOTE 12 – POST-RETIREMENT HEALTH CARE 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. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. 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. The Health Care Trust Fund is maintained by an employer contribution as discussed above in Note 9-B2.

NOTE 12 – POST-RETIREMENT HEALTH CARE BENEFITS – CONTINUED

Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical benefit plans and another carrier for prescription benefits, and with several health maintenance organizations providing services within Colorado. As of December 31, 2007, there were 44,214 enrollees in the plan. At December 31, 2007, the Health Care Trust Fund had an unfunded actuarial liability of $1.045 billion, a funded ratio of 19.9 percent, and a 38-year amortization period.

NOTE 13 – RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

The College is subject to risks of loss from liability from accident or acts of nature. Such risks for all agencies and institutions of the State of Colorado (University of Colorado excepted) are managed under statutory authority by the State Office of Risk Management (an agency formed by statute and funded by the Long Bill). The College does not retain risk of loss except for damage incurred to property belonging to the College, limited to a $1000 deductible per occurrence.

NOTE 14 – SCHOLARSHIP ALLOWANCE

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

	Tuition and Fees	Auxiliary Revenue	Total
2008			
Gross revenue	$14,922,148	$ 8,164,580	$ 23,086,728
Scholarship allowances:			
Federal	(1,390,234)	(186,889)	(1,577,123)
State	(667,991)	(89,798)	(757,789)
Private	(342,472)	(46,039)	(388,511)
Institutional	(990,118)	(133,102)	(1,123,220)
Total Allowances	(3,390,815)	(455,828)	(3,846,643)
Net Revenue	$11,531,333	$ 7,708,752	$ 19,240,085
2007			
Gross revenue	$14,719,252	$ 7,511,057	$ 22,230,309
Scholarship allowances:			
Federal	(1,263,723)	(156,821)	(1,420,544)
State	(509,869)	(63,272)	(573,141)
Private	(431,668)	(53,568)	(485,236)
Institutional	(922,768)	(114,510)	(1,037,278)
Total Allowances	(3,128,028)	(388,171)	(3,516,199)
Net Revenue	$11,591,224	$ 7,122,886	$ 18,714,110

NOTE 15 – RELATED PARTY LEASE AGREEMENT

The State of Colorado, acting by and through the Trustees of the College entered into a ground lease on April 1, 2006 with Western State College Foundation (the Foundation). The lease term is through April 1, 2056 and provides for one dollar ($1.00) annual rent to be paid by the Foundation. The Foundation agrees to use the land for the purpose of construction and operating an academic building for the College's business related academic programs.

Construction of the building was completed in August 2007 and is being financed by approximately six million dollars of donations from outside sources.

NOTE 16 - LEGISLATIVE APPROPRIATION

Appropriated Funds

The Colorado Legislature establishes spending authority for the College in its annual Long Appropriations Bill. Appropriated funds include an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and certain other revenue sources. For the years ended June 30, funds appropriated to the College were $26,038,920 (2008) and $20,964,876 (2007). Actual appropriated revenue earned, including capital appropriations, totaled $25,390,794 (2008) and $19,670,194 (2007). Actual appropriated expenditures and transfers totaled $24,924,931 (2008) and $19,599,541 (2007).

Non-Appropriated Funds

All other revenues and expenditures reported by the College represent non-appropriated funds and are excluded from the Long Appropriations Bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues and other revenue sources.

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
SCHEDULES OF REVENUE AND EXPENSES FOR ENTERPRISE REVENUE BONDS
For Years Ended June 30, 2008 and 2007

		2008	2007
REVENUE			
College Service Fees		$ 943,993	$ 810,625
Bookstore Sales		1,168,699	1,184,204
Rental Income		3,918,478	3,645,818
Food Service Income		2,258,740	2,069,958
Sales/Service Auxiliaries		711,867	449,391
Interest Income		266,787	247,502
	Total Revenues	9,268,564	8,407,498
EXPENSES			
Employee Compensation		1,002,421	843,494
Costs of Goods		817,908	828,084
Utilities		751,330	752,046
Rental		19,652	16,886
Contract Food		1,379,925	1,339,263
Travel		20,239	14,339
Supplies		289,704	183,941
Purchased Services-Personal		114,100	28,246
Financial Aid		176,174	159,835
Administrative Cost Allowance		1,507,428	1,556,184
Furniture & Equipment		103,210	17,652
Other Operating Expenses		594,830	542,958
	Total Expenses	6,776,921	6,282,928
	Net Revenues before Transfers	2,491,643	2,124,570
TRANSFERS			
Mandatory Transfers		(1,298,185)	(1,298,854)
Non-mandatory Transfers		(739,406)	(12,496)
	Total Transfers	(2,037,591)	(1,311,350)
	Net Revenue	$ 454,052	$ 813,220

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

December 1, 2008

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Western State College, a blended component unit of the State of Colorado and its discretely presented component unit, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 1, 2008. We did not audit the financial statements of the Western State College Foundation, the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Western State College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Western State College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 County'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.

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Members of the Legislative Audit Committee
December 1, 2008
Page Two

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We identified one deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

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

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

Chadwick, Steinkirchner, Davis + Co., P.C.

AUDIT COMMITTEE COMMUNICATIONS

December 1, 2008
Members of the Legislative Audit Committee:

We have audited the financial statements of Western State College of Colorado, a blended component unit of the State of Colorado, for the years ended June 30, 2008 and 2007, and have issued our report theron dated December 1, 2008. As required by professional auditing standards, we are providing you with information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

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

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.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Western State College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008 or 2007. We noted no transactions entered into by Western State 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.

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

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affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation is based on the estimated useful life of the fixed assets being depreciated at June 30, 2008. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on historical trends of write-offs related to accounts receivable. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the scholarship allowances is based on the student-to-student method, which uses the lesser of total charges (net of refunds) or total financial aid (net of refunds) by student. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

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, Fort Lewis 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 reporting Pell grant activity as operating revenue in its 2008 financial statements.

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. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures was corrected by management:

There was $455,867 in construction costs incurred during the year ended June 30, 2008 that were adjusted to construction in progress and as a liability in accounts payable.

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 and received certain representation from management that are included in the management representation letter dated December 1, 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 Western State College'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 the Legislative Audit Committee and management of Western 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.

Chadwick, Steinkirchner, Davis + Co., P.C.

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